

**January 11, 2016**

Facility	Amount (Rs. Crore)	Rating
Cash Credit	9.00	SMERA B+/Stable (Reaffirmed)
Fund Based Facilities (Proposed)	3.50	SMERA B+/Stable (Reaffirmed)

SMERA has reaffirmed the long term rating of '**SMERA B+ (read as SMERA B plus)**' on the above mentioned bank facilities of Sun Blues (SB). The outlook is '**Stable**'. The rating is constrained by the firm's stressed liquidity marked by increase in working capital cycle and decline in profit margins. The rating also factors in risks related to the partnership constitution of the firm. However, the rating is supported by the strong revenue growth.

Update

SB recorded revenue of Rs.46.52 crore in FY2014-15 (refers to financial year, April to March), registering a healthy growth of ~ 32 per cent over the previous year, in line with SMERA's expectations. SMERA expects the firm to sustain its revenue momentum over the medium term, driven by increase in repetitive orders from clients. The firm's operating profit no doubt has declined from 25 per cent in FY2013-14 to 23 per cent in FY2014-15 but has remained moderate in the range of 22 to 25 per cent over the past three years ended March 2015, driven by operating efficiencies. The liquidity is stressed marked by increase in working capital cycle with increase in debtors and inventory holding.

Rating Sensitivity Factors

- Healthy profitability
- Effective working capital management
- Future capital expansion plans and its funding

Outlook: Stable

SMERA believes that SB's outlook will remain stable over the medium term driven by healthy revenue growth and repetitive orders from reputed clients. The outlook may be revised to 'Positive' in case the firm improves its profitability with effective management of working capital. The outlook may be revised to 'Negative' in case of weakening of the financial profile, operating margins, liquidity and leverage.

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**About the Company**

SB, established in 2008, is a Vellore-based partnership firm promoted by Mr. S. K. Sabapathy, Mrs. Ritha Sabapathy and Mrs. P. S Seethamma. The company is engaged in mining, quarrying and crushing of boulders used in the production of blue metal. The overall operations of the firm are managed by Mr. S. K. Sabapathy and Mrs. Ritha Sabapathy.

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