

Press Release

Sun Blues (SB)

10 July, 2017



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.12.50 Cr
Long Term Rating	SMERA B+/Stable (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs.12.50 crore bank facility of Sun Blues (SB). The outlook is '**Stable**'.

Sun Blues was established in 2008 by Mr. S K Sabapathy, Mrs. Ritha Sabapathy and Mrs. P.S Seethamma initially. The firm is engaged in the quarrying and crushing of boulders to produce blue metal. The firm is also a blue metal agent and manufactures ready mix components, mineral sand, hollow bricks among others. The manufacturing facility is located near Bangalore.

Strengths

Moderate financial risk profile: SB has moderate financial risk profile marked by average networth of Rs.25.99 crore as on 31 March, 2016 as against 22.83 crore as on 31 March, 2015. The gearing stood at 0.68 times as on 31 March, 2016 compared to 1.01 times as on 31 March, 2015. However, the total debt of Rs.17.62 crore comprises mainly long term borrowings of Rs.9.64 crore and short term borrowings of Rs.7.98 crore. The Interest coverage stood moderate at 1.85 times in FY2016 as against 1.99 times in FY2015.

Capital infusion done in FY2016: The partners infused additional capital of Rs. 3.16 crore in FY2016. The worth as on 31 March, 2016 stood at Rs.25.99 crore.

Weaknesses

Decline in revenue and profitability: The revenue of the company declined to Rs.32.70 crore in FY2015-16 compared to Rs.44.24 crore in FY2014-15 on account of changes in government policies, floods and cyclones in Tamil Nadu. However, SB booked revenue of ~Rs.40 core as on Jan 2017.

Working capital intensive operations: The company has working capital intensive operations marked by high Gross current assets (GCA) of 293 days in FY2015-16 as compared to 223 days in FY2014-15. This is due to high inventory holding of 149 days and increased debtor days of 144 as on 31st March 2016. The average utilisation of cash credit facility is 95 percent.

High dependence on the construction industry: The firm caters largely to the construction industry.

Analytical approach: Standalone business and financial risk profile of the company.

Applicable Criteria

- Manufacturing Entities : <https://www.smerra.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smerra.in/criteria-default.htm>

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. Conversely, the outlook may be revised to 'Negative' in case of weakening of the financial profile, operating margins, liquidity and leverage.

About the rated entity financials

For FY2015-16, SB reported loss of Rs.0.86 crore on operating income of Rs.32.70 crore as compared to profit of Rs.0.81 crore on operating income of Rs.44.24 crore in FY2014-15. The net worth stood at Rs.25.99 crore as on 31 March, 2016 against Rs.22.83 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: None

Rating History for the last three years:

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
January 11, 2016	Cash Credit	Long Term	9.00	SMERA B+/Stable (Reaffirmed)
	Fund Based Facilities (Proposed)	Long Term	3.50	SMERA B+/Stable (Reaffirmed)
September 04, 2014	Cash Credit	Long Term	7.20	SMERA B+/Stable (Assigned)
	Proposed Cash Credit	Long Term	5.30	SMERA B+/Stable (Assigned)

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	N.A	N.A	N.A	9.00	SMERA B+/Stable (Reaffirmed)
Proposed	N.A	N.A	N.A	3.50	SMERA B+/Stable (Reaffirmed)

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