

February 01, 2013

Facilities	Amount ( Rs. Crore)	Rating
Cash Credit	10.00	SMERA B/Stable/Assigned

SMERA has assigned a rating of '**SMERA B**' (read as **SMERA Single B**) to the proposed Rs. 10.00 crore cash credit facility of Sunrise Distributors (SDS). The outlook is '**Stable**'. The rating is constrained by SDS's small scale of operations and below average financial risk profile characterized by high dependence on outside borrowings and stretched liquidity. The rating is however supported by the long standing experience of the proprietor in trading business and exclusive distributorship of reputed brands like Fastrack of Titan Industries, Vodafone etc.

SDS is a small player in the trading industry which is characterized by high competition and low profit margins due to presence of numerous small players, low entry barriers and limited bargaining power with reputed and large players.

SDS is an authorized distributor of reputed brands like Vodafone & Fastrack watches which are amongst industry leaders in their respective segments. SDS has an established network of ~1700 dealers / shop owners / agents that cater to retail customers. Further, distributorship is for a specific geographical area in Mumbai suburbs & Thane district wherein SDS enjoys virtual monopoly for the sale of products. On the strength of established distribution network of SDS and continued demand for the goods distributed, the company has witnessed a healthy revenue growth of 26% CAGR in the last five years.

The business operation of this company is working capital intensive due to the higher credit period extended to the dealers as against stringent payment terms from the suppliers. Hence there is a regular increase in requirement of working capital in line with the business growth which has also led to high utilization of around 97% of cash credit limit in the last six months.

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The working capital intensive nature of operations coupled with partial plough back of profits in the business has compelled SDS to be more dependent on outside borrowings for running the business. Its Total Borrowings to Tangible Net worth ratio remained high at 6.15 as on 31/Mar/2012.

#### **Outlook: Stable**

SDS has 'Stable' outlook. SMERA believes that SDS will continue to benefit from management's long years of experience and established relationship with its customers and suppliers. However, SDS's ability to scale up the operations while effectively managing the working capital cycle and improve its capital structure remains the key rating sensitivities.

#### **About Sunrise Distributors**

SDS was established as a proprietorship firm in the year 2005 by Mr. Sanjay K. Doshi. The firm is engaged in trading business and is an authorized distributor of Fastrack Watches (Titan), Vodafone recharge vouchers & data cards and Mobile Money remittance service from Tata Teleservices and operates in Mumbai suburbs & Thane district. SDS caters mainly to retail customers through an established network of dealers and agents.

For FY 2012, SDS reported a net profit of Rs. 0.53 crore on a total income Rs.41.62 crore as against a net profit of Rs. 0.48 crore on a total income of Rs. 32.14 crore for FY 2011.

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