

January 27, 2014

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	10.00	SMERA B-/Stable (downgraded from SMERA B/Stable)

SMERA has downgraded the rating on the above-mentioned bank facilities of Sunrise Distributors (SDS), from **'SMERA B' (read as SMERA single B)** to **'SMERA B-' (read as SMERA single B minus)**. The outlook is **'Stable'**. The revision reflects the sharp deterioration in the firm's financial profile with shift towards high working capital-intensive operations. The rating is constrained by the firm's small scale of operations and high dependence on external borrowings. However, the rating is supported by the firm's experienced management and long-standing association with Fastrack and Vodafone.

Update

SDS witnessed sharp deterioration in revenues and net profit during FY2012-13 (refers to financial year, April 01 to March 31) due to intensifying competition arising from the appointment of a new Vodafone distributor in the firm's coverage area. SDS registered net profit of Rs.0.31 crore on total income of Rs.28.01 crore for FY2012-13, as compared with net profit of Rs.0.53 crore on total income of Rs.41.62 crore for FY2011-12. The firm's operations (in FY2012-13) were largely concentrated in the watch trading segment, which entails higher working capital requirements. SDS's net profit margin declined from 1.28 per cent in FY2011-12 to 1.12 per cent in FY2012-13 due to high interest expenses. The firm's leverage is high at 4.59 times as on March 31, 2013. Moreover, SDS's interest coverage ratio is low at 1.27 times in FY2012-13.

During FY2013-14, SDS started trading of mobile accessories manufactured by Case-Mate. SDS registered revenues of Rs.16.31 crore during April 2013 to September 2013.

About the firm

SDS, established in 2005, is a Mumbai-based proprietorship firm promoted by Mr. Sanjay K. Doshi. SDS is an authorized distributor for Fastrack (Titan), Vodafone and Case-Mate. The firm mainly caters to retailers based in suburban Mumbai and Thane district.

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SMERA RATINGS LIMITED

Sunrise Distributors (SDS)

*Rating
Rationale*

Contact List:

Media / Business Development	Analytical Contacts	Rating Desk
Virendra Goyal Vice President - SME Sales Tel : +91 22 6714 1177 Cell : +91 99300 74009 Email : virendra.goyal@smera.in Web: www.smera.in	Umesh Nihalani Head - Corporate Ratings, Tel: +91-22-6714 1106 Email: umesh.nihalani@smera.in	Tel: +91-22-6714 1170 Email: ratingdesk@smera.in

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