

Press Release

Sunrise Distributors (SDS)

May 09, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.12.54 Cr (Enhanced from Rs.10.00 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)** on the Rs.10.00 cr bank facilities and assigned rating of **SMERA B/Stable** on the Rs.2.54 cr bank facilities of Sunrise Distributors (SDS). The outlook is **'Stable'**.

SDS, a Mumbai-based firm established in 2005 is engaged in the distribution of FMCG products. The rating continues to be constrained by the modest scale of business, weak financial risk profile and working capital-intensive operations. However, it draws comfort from the experienced management and exclusive distribution tie-up with leading brands.

List of key rating drivers and their detailed description

Weaknesses:

Modest scale of operations

SDS is engaged in distributorship of FMCG products. The firm has small scale of operations with revenue of Rs.44.64 cr in FY2016 compared to Rs.34.69 cr in FY2015. The increase is mainly on account of increase in demand for Titan watches and addition of new distributorship rights of Bombay Dyeing for bath and bed products.

During FY2017 the firm received distributorship of watches of reputed brands such as Tommy Hilfiger, Police, FCUK, Kenneth Cole from Titan. Further, the firm also has distribution rights for accessories (straps, batteries etc). Additionally, the firm also distributes Jockey products - kids innerwear and socks. During April, 2016 to January, 2017, the firm earned revenue of ~Rs.40.00 cr (provisional).

SMERA believes that modest scale of operations in a competitive industry will constrain its credit profile.

Weak financial risk profile

The firm continues to have a weak financial risk profile on account of low networth of Rs.2.60 cr. Further high external borrowings, corresponding to the networth has led to high TOL to TNW ratio which stands at 6.20 times and gearing of 5.50 times as on March 31, 2016. The total debt of Rs.14.55 cr includes short term borrowings of Rs.12.32 cr and long term debt of Rs.2.23 cr.

The interest coverage continues to stand low at 1.25 times in FY2016 owing to high interest burden due to dependence on external funds for operations.

Moderation of weak capital structure by infusion of promoter funds and improvement in coverage indicators will remain the key rating sensitivities.

Working capital intensive operations

The operations are working capital intensive with GCA of around 142 days in FY2016 mainly on account of inventory holding of 81 days and debtors of 56 days in FY2016. Further, the average cash credit utilisation stood high at around ~94 per cent during September, 2016 to February, 2017.

SMERA believes that efficient working capital management will be crucial to maintaining a stable credit profile for SDS.

Strengths:

Experienced management and exclusive distributorship of leading brands

Mr. Sanjay K. Doshi has over three decade's experience in trading of FMCG products. Prior to starting SDS, he was associated with Harish Marketing Co. (firm that distributed products of other FMCG majors).

Further, the firm is an authorised distributor for leading brands like Vodafone, Titan, Bombay Dyeing, Jockey in Mumbai and Thane.

Analytical approach: SMERA has considered the standalone financial and business risk profiles of the firm to arrive at the ratings.

Applicable Criteria

- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Application of Financial Ratios & Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that the outlook on SDS will remain stable over the medium term owing to its experienced management. The outlook maybe revised to 'Positive' in case the firm registers sustained growth in revenue with improvement in the financial risk profile. Conversely, the outlook maybe revised to 'Negative' in case of steep decline in revenue and profit margins or significant deterioration in the financial risk profile.

About the Rated Entity

The Mumbai-based SDS was established as a proprietorship firm by Mr. Sanjay K. Doshi in 2005. The firm is an authorised distributor of watches (Fastrack, Titan, Tommy Hilfiger, Police, FCUK, Kenneth Cole), Vodafone recharge vouchers, Jockey Products, Skinn (Titan) and Bombay Dyeing.

For FY2015-16, SDS reported net profit of Rs.0.55 cr on operating income of Rs.44.64 cr, as compared to net profit of Rs.0.47 cr on operating income of Rs.34.69 cr in FY2014-15.

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

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	10.00**	SMERA B/Stable (Reaffirmed)	Feb 18	SMERA B/Stable (Upgrade)	Jan 21	SMERA B-/Stable (Reaffirmed)	Jan 27	SMERA B-/Stable (Downgraded)
Overdraft	LT	2.54	SMERA B/Stable (Assigned)	-	-	-	-	-	-

**Includes Bank Guarantee as sublimit to cash credit of Rs. 0.50cr.

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

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs Cr)	Ratings/ Outlook
Cash Credit	NA	NA	NA	10.00**	SMERA B/Stable (Reaffirmed)
Overdraft	NA	NA	NA	2.54	SMERA B/Stable (Assigned)

**Includes Bank Guarantee as sublimit to cash credit of Rs. 0.50cr.

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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