

Press Release

Sunrise Distributors (SDS)

May 08, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 12.54 Cr.
Long Term Rating	SMERA B/Stable (Reaffirmed)

**Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed long term rating of '**SMERA B**' (read as **SMERA B**) to the bank facilities of Rs.12.54 crore of Sunrise Distributors. The outlook is '**Stable**'.

The Mumbai-based, Sunrise Distributors (SDS) was established in 2005 as a proprietorship firm by Mr. Sanjay K. Doshi. The firm's administrative office is located in Kandivali (Mumbai). SDS is authorised distributor of Fastrack Watches (Titan) and other watch brands like Tommy Hilfiger, Police, FCUK, Kenneth Cole (for which Titan has received the license for sales). They also distribute Vodafone recharge vouchers, Jockey Products, Skinn (Titan) among others. SDS caters mainly to retail customers through an established network of dealers/shop owners/agents that cater to retail customers and also online sales. Major distributors are wholesalers, retailers and chain stores like Time stores, Khamdhenu Departmental store, Om watches, Alfa stores.

Key rating drivers

Strengths:

Experienced management

Sunrise Distributors is promoted by Mr. Sanjay K. Doshi who has over three decades of experience in trading business. Prior to starting SDS, he was associated with FMCG majors. Further, the firm is an authorised distributor for leading brands like Vodafone, Titan, Jockey in Mumbai and Thane.

Weakness:

Weak financial risk profile

The firm continues to have a weak financial risk profile on account of low net worth of Rs.2.30 crore. Further, high external borrowings corresponding to the net worth has led to high TOL/TNW ratio which stood at 6.68 times and gearing of 6.58 times as on March 31, 2017. The total debt of Rs.15.11 crore includes short term borrowings of Rs.13.52 crore and long term debt of Rs.1.59 crore. The Interest Coverage Ratio stood at 1.27 times in FY2017 owing to high interest burden due to dependence on external funds for operations. Moderation of weak capital structure by infusion of fund and improvement in coverage indicators will remain the key rating sensitivities.

Working capital intensive operations

SDS has working capital intensive operations marked by Gross Current Assets (GCA) of 150 days in FY2017 as compared 142 days in FY2016. The GCA days are high on account of debtor days at 60 in FY2017 as compared to 56 in FY2016. The inventory holding period is high at 86 days in FY2017 as against 81 days in FY2016. The average bank limit utilisation is almost fully utilized for the six months ended March 2018. SMERA believes that efficient working capital management will be crucial to the firm in order to maintain the credit risk profile.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of SDS to arrive at the rating.

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 – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	39.02	44.64	34.69
EBITDA	Rs. Cr.	2.68	2.91	2.34
PAT	Rs. Cr.	0.45	0.55	0.47
EBITDA Margin	(%)	6.87	6.52	6.74
PAT Margin	(%)	1.16	1.23	1.37
ROCE	(%)	15.20	17.76	16.36
Total Debt/Tangible Net Worth	Times	6.68	6.20	6.01
PBDIT/Interest	Times	1.25	1.27	1.30
Total Debt/PBDIT	Times	5.56	4.92	5.41
Gross Current Assets (Days)	Days	150	142	160

Any other information:

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
9-May-2017	Cash Credit	Long Term	10.00*	SMERA B/ Stable (Reaffirmed)
	Secured Overdraft	Long Term	2.54**	SMERA B/ Stable (Assigned)
18-Feb-2016	Cash Credit	Long Term	10.00	SMERA B/ Stable (Upgraded)
21-Jan-2015	Cash Credit	Long Term	10.00	SMERA B-/ Stable (Reaffirmed)

*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	Not Applicable	Not Applicable	Not Applicable	10.00*	SMERA B/ Stable (Reaffirmed)
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	2.54**	SMERA B/ Stable (Reaffirmed)

*Includes Bank Guarantee as sublimit to cash credit of Rs. 0.36cr.

**Includes Bank Guarantee as sublimit to Overdraft of Rs. 1.00cr.

Contacts:

Analytical	Rating Desk
<p>Suman Chowdhury President - SMERA Bond Ratings Tel: +91-22-6714 1107 suman.chowdhury@smera.in</p> <p>Manmitha Sodhi, Analyst - Rating Operations Tel: +91-22-6714 1133 manmitha.sodhi@smera.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in</p>

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.