

March 21, 2014

Facilities	Amount (Rs. Crore)	Ratings
<b>Cash Credit</b>	<b>2.50</b>	<b>SMERA B+/Stable(Assigned)</b>
<b>Term Loan - I</b>	<b>4.40</b>	<b>SMERA B+/Stable(Assigned)</b>
<b>Term Loan - II</b>	<b>0.73</b>	<b>SMERA B+/Stable(Assigned)</b>
<b>Bank Guarantee</b>	<b>0.40</b>	<b>SMERA A4 (Assigned)</b>

SMERA has assigned a long-term rating of '**SMERA B+**' (**read as SMERA B plus**) and a short-term rating of '**SMERA A4**' (**read as SMERA A four**) to the Rs.8.03 crore bank facilities of Sunbeam Appliances (Sunbeam). The outlook is '**Stable**'. The ratings are constrained by the firm's small scale of operations, declining profitability, project completion risk and susceptibility to raw material price volatility. The ratings are further constrained by the firm's low net worth. However, the ratings are supported by the firm's experienced and qualified management.

Sunbeam, established in 1984, is a Thane-based proprietorship firm engaged in manufacturing of industrial heat management systems. Sunbeam has small-scale operations with net sales of Rs.10.72 crore in FY2012-13 (refers to financial year, April 01 to March 31). Moreover, the firm's revenues declined by 10.67 per cent in FY2012-13 due to subdued demand environment. Sunbeam's net profit margin declined from 8.92 per cent in FY2011-12 to 4.20 per cent in FY2012-13 due to increase in raw material cost. The firm's net profit (of Rs.0.45 crore in FY2012-13) is largely supported by non-operating income (of Rs.0.35 crore) arising from profit on sale of assets.

Sunbeam is setting up a new manufacturing unit (spread across 25,000 square feet) in Sangli, Maharashtra. The management plans to shift the existing manufacturing facilities to the proposed unit. Sunbeam has borrowed a term loan (in March 2013) of Rs.4.40 crore for the new manufacturing unit, which is likely to be operational in January 2014. The repayment of the aforementioned term loan is scheduled to commence from January 2014. SMERA believes any delay in completion of Sunbeam's ongoing project may have an adverse impact on the firm's debt repayment ability.

Sunbeam's leverage, though moderate at 1.18 times as on March 31, 2013, is expected to deteriorate to 2.67 times (as on March 31, 2014) due to additional funds borrowed for the new manufacturing unit. The firm's net worth is low at Rs.2.73 crore as on March 31, 2013.

Sunbeam benefits from its experienced management. Mr. Sujit S. Samant, proprietor of Sunbeam, is a mechanical engineer with around 29 years of experience in the field of industrial refrigeration and air conditioning.

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**Outlook: Stable**

SMERA believes Sunbeam will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the firm scales up its operations while registering better profit margins and generating healthy cash flows upon timely completion of its ongoing project. Conversely, the outlook may be revised to 'Negative' in case the firm fails to achieve the projected scalability on account of delays in project execution or in case of deterioration in the firm's profitability and financial risk profile on account of higher-than-expected debt funding.

**About the firm**

Sunbeam, established in 1984, is a proprietorship concern promoted by Mr. Sujit S. Samant. Sunbeam is engaged in manufacturing of industrial heat management systems including panel air conditioners, oil chillers, air-to-air heat exchangers, crane cabs and shelters with air conditioners and e-rooms with air conditioners. The firm has a manufacturing unit in Thane, Maharashtra. Sunbeam is setting up a new manufacturing unit in Sangli, Maharashtra.

For FY2011–12, Sunbeam reported PAT of Rs.1.07 crore on operating income of Rs.12.00 crore, as compared with PAT of Rs.0.46 crore on operating income of Rs.10.13 crore for FY2010–11. For FY2012–13 (provisional financials), Sunbeam reported PAT of Rs. 0.45 crores on operating income of Rs. 10.72 crore. Sunbeam's net worth stood at Rs.2.73 crore as on March 31, 2013, as compared with Rs.1.50 crore a year earlier.

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