

Rating Rationale

Brickwork Ratings assigns 'BWR A4' for the Bank Loan facilities aggregating ₹ 8 Cr of Swaraj Fashions (SF)

Brickwork Ratings (BWR) has assigned the following **Rating¹** for the Bank Loan Facilities of ₹ 8.00 Cr of Swaraj Fashions (**SF or 'the firm'**):

Facility	Amount (₹ Cr)	Tenure	Rating
<u>Fund Based</u>			
Packing Credit	4.00	Short Term	BWR A4 (Pronounced BWR A four)
EBN(Under LC)	1.00		
EBP/D	3.00		
Total	8.00	INR Eight Crores only	

BWR has principally relied upon the audited financial results up to FY15, projected financials of FY16 and publicly available information and information/clarifications provided by the firm.

The ratings draw strength from the extensive industry experience of the proprietor, established track record of operations low gearing levels and diversified product portfolio of the company. The ratings are, however, constrained by SF's constitution as a proprietorship, declining turnover on Y-O-Y, intense competition in the export market of ready-made garments and limited pricing flexibility

Background:

Swaraj Fashions is a proprietorship firm was established in 1996 at Tirupur, Tamilnadu. The firm is manufacturer and exporter of Hosiery & Knitted garments. SF product range comprise of various types of "knitted garments" for Gents, Ladies and Kids. The readymade garments manufactured by the firm are Ladies Nighties, Ladies night ware, Men's t-shirts, t-shirts jackets, sweat shirt, sleep wear, sportswear, under wear and lingerie Men's Night Suits, Men's Hoodies, Kids Wear, Kids T-Shirts and Kids Night Suits for all ages and 100% Cotton Lycra, Viscose, Lycra Viscose, Blended Cotton, Denim material are used with varying accessories.

It exports the products to U.S, U.K, Europe and the Scandinavian countries The manufacturing capacity for the unit is 3, 00,000 pcs of high fashion garments per month. The firm is outsourcing the activities like Knitting, Washing, bleaching, dying and compacting and printing, and embroidering are done by them.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Management

SF is a proprietorship firm promoted by Mr.Rajan.P.Nair. He has more than two decade of experience in the industry and is in charge of overall administration of the firm.

Financial Performance

SF reported a profit after tax (PAT) of ₹1.69 Cr. on Net Sales of ₹30.33 Cr. for FY 15 as against profit after tax (PAT) of ₹1.75 Cr. on Net Sales of ₹38.06 Cr. for FY14. Tangible net worth stood at ₹10.73 Cr. as on March 31, 2015. Operating Profit Margin is 3.81% in FY15. Debt to Equity ratio has improved to 0.63 times in FY15 from 1.11 times in FY14. Current ratio was at 1.29 times in FY15 and 1.23 times in FY14.

Rating Outlook

The outlook of the firm for the next one year is expected to be stable. Going forward, the ability of the firm to improve its scale of operations and profitability and effectively manage the working capital would be the key rating sensitivities.

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