



Rating Rationale

Sydney Apparels

19 Jan 2018

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 12.83 Crores of Sydney Apparels.

Particulars

Facility Fund based	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Dec, 2016)	Present
Term Loan	0.61	0.33	Long Term	BWR BB- Outlook: Stable	BWR BB- Outlook: Stable (Pronounced as BWR Double B Minus) Reaffirmation
EPC	8.50	8.50	Short Term	BWR A4	BWR A4 (BWR A Four) Reaffirmation
FBP/FBD	2.50	2.50			
SLC	1.50	1.50			
Total	13.11	12.83	₹. 12.83 (INR Twelve Crores and Eighty Three Lakhs Only)		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial statements up to FY17, and publicly available information and information/clarifications provided by the firm Management.

The reaffirmation of ratings takes into the account of experienced promoters, long track record of the firm, locational advantage, long business relations with customers and suppliers and increased revenue. The rating is, however, constrained by the small scale of operations, low net worth, reduced operating profit margin, high gearing, inherent risks associated being partnership firm, working capital intensive nature of its operations, forex price risk and highly competitive in fragmented industry.



Going forward, the ability of firm to increase its scale of operations while improving its profitability margins and overall financial position and effectively manage its working capital requirements would be the key rating sensitivities.

Description of Key Rating Drivers:

- **Credit Strengths:** Promoters have more than 2 decades of experience, Firm was established in 1992, Firm is situated in Tirupur, relation with customers and suppliers since 15 years. Revenue has increased from Rs 33.65 Crs in FY16 to Rs 37.28 Crs in FY 17
- **Credit Risks:** net-worth Rs. 8.71 Crs in FY17, operating profit margin is reduced from 7.09% in FY16 to 4.86% in FY17 and high gearing @2.53 times

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Sydney Apparels** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Firm:

M/s Sydney Apparels is a partnership firm established in 1992 located in Tirupur Tamilnadu. The firm is promoted by Mr. K.R.Velmurugan and Mr. K.Natarajan whom holds 50% profit sharing of each. Firm is engaged in the manufacturing & sale of ladies wear, Kids wear and Men wear and export of readymade garment (RMG)s to Switzerland, Netherlands, Belgium, Germany, Brazil, Spain & Sweden. The firm's manufacturing facility is located in Tirupur and is equipped with 350 stitching units with a capacity to produce 5,000 pieces (of basic style) per day.

Financial Performance

As per Audited financials of FY17, firm had registered net profit of Rs.1.01 crore and OPBDIT Rs.1.81 Crore on a total operating income of Rs.37.28 crore as against firm had registered net profit of Rs.0.94 crore and OPBDIT Rs.2.39 Crore on a total operating income of Rs.33.65crore in FY16. As on 31st March 2017 Firm's tangible net-worth stood at Rs. 8.71 Crore Coupled with TOL/TNW ratio of 2.53 times, operating profit margin, net profit margins recorded at 4.86 %, 2.72 % respectively and Current ratio stood at 1.30 times for FY17.



Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	07-12-16	2015
1	Term Loan	Long Term	0.33	BWR BB- Outlook: Stable Reaffirmation	Not Rated	BWR BB-	Not Rated
2	EPC	Short Term	8.50	BWR A4 Reaffirmation		BWR A4	
3	FBP/FBD		2.50				
4	SLC		1.50				
Total			12.83	₹ Twelve Crores and Eighty Three Crores Only			

Status of non-cooperation with previous CRA (if applicable)-Reason and comments : NIL

Any other information: NA

Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type		Audited	Audited
Operating Revenue	₹.Crs	37.28	33.65
EBITDA	₹.Crs	1.81	2.39
PAT	₹.Crs	1.01	0.94
Tangible Net worth	₹.Crs	8.71	7.70
Total Debt/Tangible Net worth	Times	1.84	1.82
Current Ratio	Times	1.30	1.45



Hyperlink/Reference to applicable Criteria

- [General Criteria](#) [Approach to Financial Ratios](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

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