

February 27, 2014

Facilities	Amount (Rs. Crore)	Ratings
Term Loans	0.80	SMERA B+/Stable (Reaffirmed)
Packing Credit Limit	2.65	SMERA A4 (Reaffirmed)
Foreign Documentary Bills Negotiation under Letter of Credit (FDBN/FDBP/FDBD)	3.00	SMERA A4 (Reaffirmed)
Forward Purchase Contract	3.00	SMERA A4 (Reaffirmed)

SMERA has reaffirmed ratings of '**SMERA B+**' (**read as SMERA single B plus**) and '**SMERA A4**' (**read as SMERA A four**) to the above-mentioned bank facilities of Gokul Knitt Fabs (GKF). The outlook is '**Stable**'. The ratings remain constrained by the firm's small scale of operations and high level of customer concentration amidst intense competition prevalent in the readymade garments industry. The ratings are also constrained by the susceptibility of the firm's profit margins to volatility in raw material prices. However, the ratings continue to draw comfort from the firm's experienced management.

Update

GKF reported PAT of Rs.0.38 crore on revenue of Rs.17.12 crore in FY2012-13 (refers to financial year, April 01 to March 31), as compared with PAT of Rs.0.26 crore on revenue of Rs.17.67 crore in FY2011-12. Further, the firm reported net profit of Rs.0.49 crore (provisional) on revenue of Rs.15.24 crore (provisional) during April 2013 to October 2013.

GKF remains exposed to high level of customer concentration risk as sales to a single customer (Vetir S.A, France) accounts for ~95 per cent of the firm's total revenues. GKF faces intense competition from several players in the readymade garments industry. The firm's profit margins continue to remain susceptible to volatility in raw material prices. GKF's raw material costs as a proportion of total revenues stands at ~70 per cent in FY2012-13. The firm's net worth stood at Rs.0.88 crore as on March 31, 2013, as compared with Rs.2.88 crore a year earlier.

About the firm

GKF, established in 2005, is a Tamil Nadu-based partnership firm promoted by Mr. R. Mohan Kumar and Mr. R. Balachandran. GKF is engaged in manufacturing and export of readymade garments. The firm primarily caters to retailers based in France, Germany, Netherlands and United Kingdom. GKF has a manufacturing unit in Tirupur (Tamil Nadu), with total installed capacity of 12.75 lakh garment pieces per annum. The firm's promoters have around 20 years of experience in the readymade garments industry.

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