

September 11, 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) on the abovementioned bank facilities of Gokul Knitt Fabs (GKF). The outlook is '**Stable**'. The ratings remain constrained by the firm's small-scale operations and high level of customer concentration amidst intense competition 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 profit after tax (PAT) of Rs.0.42 crore on revenue of Rs.22.25 crore in FY2013-14 (refers to financial year, April 01 to March 31), as compared with PAT of Rs.0.38 crore on revenue of Rs.17.12 crore in FY2012-13.

GKF remains exposed to customer concentration risk arising from high dependence on a single customer viz. Vetir S.A, France. The firm faces intense competition from several players in the readymade garments industry. GKF's profit margins remain susceptible to volatility in raw material prices; the firm's raw material costs as a proportion of total revenues stands at ~65.30 per cent in FY2013-14. GKF's net worth stood at Rs.3.13 crore as on March 31, 2014, as compared with Rs.0.88 crore a year earlier.

## Outlook: Stable

SMERA believes GKF will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management. GKF's ability to scale up operations while achieving healthy profit margins and comfortable liquidity metrics is the key rating sensitivity.

## 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

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pieces per annum. The partners of the firm have around 20 years of experience in the readymade garments industry.

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