

## Press Release

**Gokul Knitt Fabs**

July 14, 2017



### Rating Downgraded

<b>Total Bank Facilities Rated*</b>	Rs. 19.14 Cr.
<b>Long Term Rating</b>	SMERA D
<b>Short Term Rating</b>	SMERA D

\* Refer Annexure for details

### Rating Rationale

SMERA has downgraded long-term rating of '**SMERA D** (read as SMERA D ) and short term rating of '**SMERA D** (read as SMERA D ) on the Rs. 19.14 crore bank facilities of Gokul Knitt Fabs.

Gokul Knitt Fabs (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 the 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 installed capacity of 5000 pieces per day. The current utilisation is 60 percent.

### **Key Rating Drivers**

#### **Strengths**

- Extensive experience of promoters**

GKF was established in 2005 as a partnership firm by Mr. R. Balachandran and Mr. R. Mohan Kumar. The partners possess experience of more than two decades in the textile industry.

#### **Weaknesses**

- Delays in repayment of debts**

The rating reflects delays in servicing of debt obligations by the firm.

- Working capital intensive operations**

The operations are working capital intensive marked by high GCA days of 482 for FY2016 as compared to 145 for FY2015. Further, the working capital cycle was stretched to 66 days as on 31 March, 2016 due to elongated inventory holding days and creditor days of 224 and 425 respectively. The working capital facility has been fully utilised.

- Highly competitive and fragmented industry**

The firm is exposed to intense competition in the textile industry.

#### **Analytical Approach**

SMERA has considered the standalone business and financial risk profiles of the firm to arrive at the rating.

#### **Outlook:**

#### **About the Rated Entity - Key Financials**

For FY2015-16, GKF reported net profit of Rs. 0.45 crore on net operating income of Rs. 7.79 crore as compared with net profit of Rs. 0.77 crore on operating income of Rs. 21.95 crore in the previous year. The net worth stood at Rs. 2.88 crore as on 31 March, 2016 as against Rs. 2.54 crore a year earlier.

**Status of non-cooperation with previous CRA (if applicable)**

None

**Any other information**

None

**Applicable Criteria**

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

**Note on complexity levels of the rated instrument**
<https://www.smerra.in/criteria-complexity-levels.htm>
**Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
31-Mar-2016	Term Loan I	Long Term	INR 0.8	SMERA B+ / Stable
	Term Loan II	Long Term	INR 3.69	SMERA B+ / Stable
	Packing Credit Limit	Short Term	INR 2.65	SMERA A4
	Foreign Documentary Bills Negotiation under Letter	Short Term	INR 6	SMERA A4
	Forward Purchase Contract	Short Term	INR 6	SMERA A4
13-Apr-2015	Term Loan 1	Long Term	INR 0.8	SMERA B+ / Stable
	Term Loan 2	Long Term	INR 3.69	SMERA B+ / Stable
	Packing Credit Limit	Short Term	INR 2.65	SMERA A4
	Foreign Documentary Bills Negotiation under Letter	Short Term	INR 6	SMERA A4
	Forward Purchase Contract	Short Term	INR 6	SMERA A4
11-Sep-2014	Term Loans	Long Term	INR 0.8	SMERA B+ / Stable
	Packing Credit Limit	Short Term	INR 2.65	SMERA A4
	Foreign Documentary Bills Negotiation under Letter	Short Term	INR 3	SMERA A4
	Forward Purchase Contract	Short Term	INR 3	SMERA A4
27-Feb-2014	Term Loan	Long Term	INR 0.8	SMERA B+ / Stable
	Packing Credit Limit	Short	INR 2.65	SMERA A4

		Term		
	Foreign Documentary Bills Negotiation under Letter	Short Term	INR 3	SMERA A4
	Forward Purchase Contract	Short Term	INR 3	SMERA A4
13-May-2013	Term Loan	Long Term	INR 0.8	SMERA B+ / Stable
	Packing Credit Limit	Short Term	INR 2.65	SMERA A4
	Foreign Documentary Bills Negotiation under Letter	Short Term	INR 3	SMERA A4
	Forward Purchase Contract	Short Term	INR 3	SMERA A4

#### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	0.80	SMERA D
Term loans	Not Applicable	Not Applicable	Not Applicable	3.69	SMERA D
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	2.65	SMERA D
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA D
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA D

#### Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 <a href="mailto:vinayak.nayak@smera.in">vinayak.nayak@smera.in</a>	Varsha Bist Sr. Executive Tel: 022-67141160 <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a>
Kashish Shah Analyst - Rating Operations Tel: 022-67141152 <a href="mailto:kashish.shah@smera.in">kashish.shah@smera.in</a>	

#### ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit [www.smera.in](http://www.smera.in).

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.