

## Press Release

**Global Knitfab**

13 April, 2018

**Rating Assigned**



<b>Total Bank Facilities Rated*</b>	Rs.9.70 Cr.
<b>Long Term Rating</b>	SMERA B / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

SMERA has assigned the long-term rating of '**SMERA B** (read as SMERA B)' on the Rs.9.70 crore bank facilities of Global Knitfab. The outlook is '**Stable**'.

Global Knitfab is a Gujarat based partnership firm established in 2014 by Mr. Ankit Agarwal and Mr. Pravin Khakharia. The firm is engaged in the manufacturing of knitted fabrics (grey fabrics) used in the textile industry. The firm manufactures knitted fabrics using polyester yarn and the manufacturing facility is located in Surat (Gujarat).

### Key Rating Drivers

#### **Strengths**

- **Experienced management**

The Partners, Mr. Ankit Agarwal and Mr. Pravin Khakharia have been in the same line of business for almost a decade through other group companies in the textile industry. SMERA believes that the extensive experience of the management will help the firm acquire and maintain long term relations with its customers and suppliers.

#### **Weaknesses**

- **Below average financial risk profile**

The financial risk profile of the firm is below average marked by net worth of Rs.3.35 crore as on 31 March, 2017 as against Rs.2.99 crore as on 31 March, 2016. The gearing stood high at 3.24 times as on 31 March, 2017 as against 3.27 times in the previous year. The total debt of Rs.10.85 crore outstanding as on 31 March, 2017 comprises term loan of Rs.5.92 crore, unsecured loans from promoters of Rs.2.00 crore and working capital borrowing of Rs.2.94 crore. The Interest Coverage Ratio (ICR) and DSCR stood at 2.11 times in FY2017 as against 2.68 times in FY2016. The net cash accruals of the group are low at Rs.1.26 crore in FY2017. The net cash accruals to total debt ratio stood at 0.12 times in FY2017 as against 0.08 times in FY2016.

- **Working capital intensive operations**

The operations of the firm are working capital intensive marked by Gross Current Asset (GCA) days of 234 in FY2017 as against 367 in FY2016. This is on account of high inventory holding period of 96 days in FY2017 as against 266 days in FY2016. The debtor days stood at 98 in FY2017 as against 174 in FY2016. The creditor days stood at 63 in FY2017 as against 171 in FY2016. The bank limit utilisation stood at ~90-95 percent for the last six months ended February, 2018.

- **Competitive and fragmented industry**

The textile industry is highly competitive and fragmented. Hence, the firm faces intense competition by a large number of unorganised players in the market.

### **Analytical Approach**

SMERA has considered the standalone business and financial risk profile of Global Knitfab to arrive at the

rating.

### Outlook: Stable

SMERA believes that the firm will maintain 'Stable' outlook in the medium term owing to the extensive experience of its promoters. The outlook may be revised to 'Positive' in case the firm achieves higher than expected revenues while sustaining its operating margins leading to improvement in the overall business risk profile. Conversely, the outlook may be revised to 'Negative' in case the working capital cycle elongates or the company registers deterioration in its financial risk profile especially liquidity.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	11.93	3.37	0.00
EBITDA	Rs. Cr.	2.31	1.23	0.00
PAT	Rs. Cr.	0.03	0.03	0.00
EBITDA Margin	(%)	19.36	36.54	0.00
PAT Margin	(%)	0.25	0.75	0.00
ROCE	(%)	8.61	7.72	0.00
Total Debt/Tangible Net Worth	Times	3.24	3.27	0.00
PBDIT/Interest	Times	2.11	2.68	0.00
Total Debt/PBDIT	Times	4.55	7.81	0.00
Gross Current Assets (Days)	Days	234	367	0

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

None

### Any other information

Not Applicable

### Applicable Criteria

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

### Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

### Rating History (Upto last three years)

Not Applicable

### \*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	6.69	SMERA B / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.01	SMERA B / Stable

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**ABOUT SMERA**

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