



SMERA RATINGS LIMITED

Gokul Hi Fashions (GHF)

Rating Rationale

September 17, 2013

Facilities	Amount (Rs. Crores)	Rating
Packing Credit	3.0	SMERA A4 / Assigned
Foreign Documentary Bills Negotiation under LC (FDBN/FDBP/FDBD)	5.0	SMERA A4 / Assigned

SMERA has assigned a rating of '**SMERA A4**' (read as **SMERA A Four**) to Rs. 8.00 crore short term bank facilities of Gokul Hi Fashions (GHF). The ratings are constrained by the firm's limited operational track record, moderate scale of operations and customer concentration. The ratings are also constrained by the intense competition prevalent in the garment industry and the inherent risk of raw material price volatility. However, the ratings favourably factor in the management's vast experience in the textile industry.

GHF, established in 2010, is engaged in manufacturing and export of knitted garments. The firm mainly caters to Vetir S.A, France, which has more than 600 showrooms across France. Sales to Vetir S.A account for around 80 per cent of GHF's total revenues, which indicates a high degree of customer concentration risk. GHF has a moderate scale of operations with FY 2012-13 revenues (as per sales tax returns) at Rs.20.08 crores. GHF is a small player in a highly fragmented textile industry, which limits the firm's pricing power. Moreover, GHF's profitability is susceptible to volatility in raw material prices.

The ratings however factor in the management's long standing experience in the textile industry; the promoters have been in this business for over two decades now which adds strength to the company's creditworthiness.

About the firm

GHF was established in 2010 as a partnership firm by Mr. S. Saravanan, Mr. K. Raju, Mr. R. Mohan Kumar and Mr. R. Balachandiran. In 2012, Mr. R. Mohan Kumar and Mr. R. Balachandiran retired from the firm. At present, the overall operations of the firm are being managed by Mr. S. Saravanan and Mr. K. Raju, who were associated (till FY 2011-12) with Gokul Knit Fabs, a firm engaged in similar line of business.

GHF is engaged in manufacturing and export of knitted garments. GHF has its factory in Tirupur, Tamil Nadu. For FY 2011-12, GHF reported net profit of Rs.0.09 crores on a total income of Rs.06.96 crores. Further, as per sales tax returns, GHF has earned revenues of Rs.20.08 crores in FY 2012-13.

Contact List

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) for the latest information on any instrument rated by SMERA.



SMERA RATINGS LIMITED

Gokul Hi Fashions (GHF)**Rating
Rationale**

Media/Business Development	Analytical Contacts	Rating Desk
Mr. Virendra Goyal, Vice President – SME Sales Tel : +91-22-6714 1177 Cell : +91 99300 74009 Email: virendra.goyal@smera.in Web: www.smera.in	Mr. Umesh Nihalani, Head – Corporate Ratings Tel: +91-22-6714 1106 Email: umesh.nihalani@smera.in Web: www.smera.in	Tel: +91 22 6714 1170 Email: ratingdesk@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) for the latest information on any instrument rated by SMERA.