

MARCH 13, 2015

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF
ZONAC KNITTING MACHINES PRIVATE LIMITED
Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	23.81 (enhanced from 20.37)	CARE BBB- (Triple B Minus)	Reaffirmed
Long-term / Short-term Bank Facilities	2.50 (enhanced from 2)	CARE BBB- / CARE A3 (Triple B Minus / A Three)	Reaffirmed
Total Facilities	26.31		

Rating Rationale

The ratings assigned to Zonac Knitting Machines Private Limited (ZKM) continue to derive strength from the experienced management, long track record of operations, brand presence and well-established marketing and distribution network. The ratings further draw comfort from the moderate financial risk profile of the company characterised by the growing scale of operations, moderate profitability margins, capital structure and coverage indicators.

The ratings, however, continue to be constrained by its modest scale of operations, long operating cycle, exposure to raw material price volatility and high level of competition.

Going forward, the ability of the company to increase the scale of operations in a highly competitive industry while managing its working capital requirements to support its operations, and maintaining its favourable capital structure are the key rating sensitivities.

Background

Incorporated in 1988, ZKM is currently being managed by Mr Raj Kumar Jain and Mr Sanjay Jain. The company is engaged in the manufacturing of hosiery garments, ie, socks, stockings, etc, at its manufacturing facility located at Greater Noida with an installed capacity of 1.86 crore knitted products per annum as on March 31, 2014. The main raw materials include different yarns and fabrics which are directly procured from the manufacturers located in Delhi, Maharashtra, Punjab, etc. ZKM sells the products under its own brands, ie, 'Bonjour', 'Bongio' and 'Vami', mainly in the domestic market and also exports the same. ZKM markets and sells its products through its own distributors, tie ups with domestic retail chains as well as eight exclusive brand outlets (EBO's) under its group concern, Bonjour Retail. The company also manufactures for big retail chain for their private labels. Besides ZKM, the group consists of Sogo Fashions Private Limited (SFP) engaged in the manufacturing of garments and yarn coupled with Bonjour Retail, a partnership firm engaged in retail trading of hosiery goods.

ZKM has reported a profit after tax (PAT) of Rs.2.67 crore on a total operating income (TOI) of Rs.62.28 crore during FY14 (refers to the period April 01 to March 31) as against PAT of Rs.1.61 crore on a TOI of Rs.47.60 crore during FY13. During 10MFY15, the company achieved a total income of Rs.61.85 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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