

MARCH 14, 2016

CARE REVISES RATINGS ASSIGNED TO BANK FACILITIES OF ZONAC KNITTING MACHINES PRIVATE LIMITED

Ratings

Bank Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	21.50 (Reduced from 23.81)	CARE BBB (Triple B)	Revised from CARE BBB- (Triple B Minus)
Long-term/Short-term bank Facilities	2.50	CARE BBB/CARE A3+ (Triple B/A Three Plus)	Revised from CARE BBB-/CARE A3 (Triple B Minus / A Three)
Total facilities	24.01 (Rupees Twenty Four crore and One lakh only)		

Rating Rationale

The revision in the ratings assigned to the bank facilities of Zonac Knitting Machines Private Limited (ZKM) factor in improvement in financial risk profile marked by growth in total operating income, improved operating profitability, regular infusion of funds by the promoters leading to improvement in capital structure and liquidity indicators. The ratings continue to take comfort from the experienced management, long track record of operations, well-established marketing and distribution network and brand presence. The ratings also take cognizance of the completion of ongoing expansion cum modernization of the existing manufacturing facilities.

The ratings, however, continue to be constrained by ZKM's 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 while managing its working capital requirements efficiently, 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, i.e., socks, stockings, etc, at its manufacturing facility located at Greater Noida with an installed capacity of 225.99 lakh pair/Pcs. as on March 31, 2015. 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, i.e., '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, as well as Bonjour Retail, a partnership firm engaged in retail trading of hosiery goods.

For FY15 (refers to the period April 1 to March 31), ZKM achieved a total operating income of Rs.72.79 crore with PBILDT and PAT of Rs.8.51 crore and Rs.1.50 crore respectively, as against a total operating income of Rs.62.28 crore with PBILDT and PAT of Rs.7.06 crore and Rs.2.66 crore respectively in FY14. During FY16, ZKM has achieved total operating income of Rs.65.82 crore till December, 2015 (as per unaudited results).

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

¹ Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

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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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