

08 April, 2014

**CARE ASSIGNS 'CARE BBB-' AND 'CARE A3' RATINGS TO THE BANK FACILITIES OF ZONAC KNITTING MACHINES PRIVATE LIMITED**

**Ratings**

Facilities	Amount (Rs crore)	Rating <sup>1</sup>	Remarks
Long-term Bank Facilities	20.37	CARE BBB- (Triple B Minus)	Assigned
Long-term/ Short-term Bank Facilities	2	CARE BBB-/ CARE A3 (Triple B Minus/A Three)	Assigned
<b>Total Facilities</b>	<b>22.37</b>		

**Rating Rationale**

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

The ratings, however, remain constrained by its modest scale of operations, the 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 managing its working capital requirements to support its operations, and maintaining its favorable capital structure are the key rating sensitivities.

**Background**

Zonac Knitting Machines Private Limited (ZKM) incorporated in 1988 and is currently being managed by Mr Raj Kumar Jain and Mr Sanjay Jain. ZKM is engaged in the manufacturing of hosiery garments i.e. socks, stockings, etc. at its manufacturing facility located at Greater Noida. 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 retail chains like Reliance, Max, Bata, etc 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.

For FY13 (refers to the period April 1 to March 31), ZKM achieved a total operating income of Rs. 47.60 crore with PBILDT and PAT of Rs.9.88 crore and Rs.3.76 crore, respectively. Based on the provisional results, in 11MFY14 (refers to the period April 1 to February 28), the company achieved a total operating income of Rs.60 crore.

<sup>1</sup> Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

**Analyst Contact**

Name: Achin Nirwani

Tel: 011- 45333228

Email: [achin.nirwani@careratings.com](mailto:achin.nirwani@careratings.com)

*CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.*

**Disclaimer**

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

**HEAD OFFICE: MUMBAI**

**Mr. D.R. Dogra**

Managing Director  
Mobile : +91-98204 16002  
E-mail : dr.dogra@careratings.com

**Mr. Rajesh Mokashi**

Dy. Managing Director  
Mobile +91-98204 16001  
E-mail: rajesh.mokashi@careratings.com

**Ms. Meenal Sikchi**

Vice President –Bank Loan &  
Instrument Rating  
Mobile: +91-9819009839  
mail: meenal.sikchi@careratings.com

**Mr. Ankur Sachdeva**

Vice President – Banks & Financial  
Services  
Mobile: +91-9819698985  
E-mail: ankur.sachdeva@careratings.com

**CREDIT ANALYSIS & RESEARCH LTD**

**HEAD OFFICE** 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022 | Tel: +91-022- 6754 3456 | E-mail: care@careratings.com | Fax: +91-022- 6754 3457.

**KOLKATA** | **Ms. Priti Agarwal** | Cell: +91-98319 67110 | Tel: +91-33- 4018 1600/ 1602 | E- mail: priti.agarwal@careratings.com | 3rd Flr., Prasad Chambers (Shagun Mall Bldg), 10A, Shakespeare Sarani, Kolkata -700 071

**CHENNAI** | **Mr. V Pradeep Kumar** | Cell: +91 9840754521 | Tel: +91-44-2849 7812/2849 0811 | Fax: +91-44-2849 0876 | Email: pradeep.kumar@careratings.com | Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai - 600 002

**AHMEDABAD** | **Mr. Mehul Pandya** | Cell: +91-98242 56265 | Tel: +91-79-40265656 | Fax: +91-79-40265657 | E-mail:mehul.pandya@careratings.com | 32, Titanium, Prahaladnagar Corporate Road, Satellite, Ahmedabad - 380 015.

**NEW DELHI** | **Ms. Swati Agrawal** | Cell: +91-98117 45677 | Tel: +91- 11- 2331 8701/ 2371 6199 | E-mail: swati.agrawal@careratings.com | 3<sup>rd</sup> Floor, B -47, Inner Circle, Near Plaza Cinema, Connaught Place, New Delhi - 110 001.

**BENGALURU** | **Mr. Dinesh Sharma** | Cell: +91 9900041975 | Tel: +91-80-41150445 | 41654529 E-mail: dinesh.sharma@careratings.com | Unit No. 1101-1102, 11th Floor, Prestige Meridian II, No. 30, M.G. Road, Bengaluru- 560 001.

**HYDERABAD** | **Mr. Saikat Roy** | Tel: +91-40-40102030 | E-mail: saikat..roy@careratings.com | 401, Ashoka Scintilla | 3-6-520, Himayat Nagar | Hyderabad - 500 029.

**PUNE** | **Mr. Rahul Patni** | Cell: +91-78754 33355 | Tel: +91-20- 4000 9000 | E-mail: rahul.patni@careratings.com | 9th Floor, Pride Kumar Senate, Plot No. 970, Bhamburda, Senapati Bapat Road, Shivaji Nagar, Pune - 411 015.

**JAIPUR** | **Mr. Rahul Jain** | Cell: +91-9314921496 | Tel: +91-0141-4020213/14 | E-mail: [rahul.jain@careratings.com](mailto:rahul.jain@careratings.com) | 304, Pashupati Akshat Height, s Plot No. D-91, Madho Singh Road, Near Collectorate Circle, Bani Park , Jaipur – 302016.