

Zip Industries Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Term Loan	3.89	SMERA B+/Stable (Assigned)
Cash Credit	6.34	SMERA B+/Stable (Assigned)
Bill Discounting	0.10	SMERA A4 (Assigned)
Letter of Credit	1.00	SMERA A4 (Assigned)
Bank Guarantee	0.05	SMERA A4 (Assigned)

SMERA has assigned long term rating of **'SMERA B+' (read as SMERA B plus)** and short term rating of **'SMERA A4' (read as SMERA A four)** on the Rs.11.38 crore bank facilities of Zip Industries (ZI). The outlook is **'Stable'**.

The ratings are constrained by the moderate financial risk profile and modest scale of operations. However, the ratings draw support from the experienced management, group support and reputed clientele. The moderate financial risk profile is marked by moderate gearing, low net worth and average debt protection metrics. The debt equity stands at 1.25 times and interest coverage at 1.95 times in FY2016 (Provisional). The net worth is at a low level of Rs.6.77 crore. While net cash accrual to total debt is at 0.15 times in FY2016, the Debt Service Coverage Ratio is at 1.79 times. With an operational track record of six decades, ZIL's revenue stands at a moderate level of Rs.31.97 crore in FY2016 (Provisional) as compared to Rs.26.24 crore in FY2015.

Part of the Jhaver Group, ZIL, established in 1956, manufactures zip fasteners at Chengalpattu, Chennai. The promoters of the group Mr. Parthiban Dhanapal, Mr. Raman Subramaniam and Mr. Sanjay Harigopal Jhaver possess extensive experience across industries including pharmaceuticals, agricultural chemicals, textile and chemicals. The company has a reputed client base and caters to Levi's, Johnson, Pantaloons among others.

Rating Sensitivity Factors

- Increase in scale of operations and profitability
- Improvement in the capital structure

Criteria applied to arrive at the ratings:

- Manufacturing Entities

Outlook - Stable

SMERA believes that ZIL will benefit from its experienced management and established relations with clients. The outlook may be revised to 'Positive' if the company registers profitable operations while improving the capital structure. Conversely, the outlook may be revised to 'Negative' if ZIL fails to scale up operations, profitability or if the financial risk profile further deteriorates.

About the Company

The Chennai-based ZIL was established in 1956. Part of the 100 year old Jhavar Group, ZIL is engaged in the manufacture of zip fasteners under the 'ZEE' brand name at Chengalpattu. The company offers a range of zippers including nylon, concealed, moulded, metal to name a few and operates at 80 per cent capacity.

For FY2015-16 (Provisional), the company reported profit after tax (PAT) of Rs.0.17 crore on total operating income of Rs.32.10 crore as compared to net loss of Rs.5.84 crore on total operating income of Rs.27.11 crore in FY2014-15.

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ABOUT SMERA

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