SMERA BOND RATINGS
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Press Release

Zip Industries Limited (ZIL)

5 February, 2018

Rating Upgraded

Total Bank Facilities Rated*	Rs. 11.38 Cr.
Long Term Rating	SMERA BB-/Stable (Upgraded)
Short Term Rating	SMERA A4+ (Upgraded)

**Refer annexure for details*

SMERA has upgraded the long term rating to **'SMERA BB-' (read as SMERA double B minus)** and short term rating to **'SMERA A4+' (read as SMERA A Four plus)** on the Rs.11.38 crore bank facilities of Zip Industries Limited (ZIL). The outlook is **'Stable'**.

The Chennai based ZIL, established in 1956 is part of the Jhavar Group promoted by Mr. Parthiban Dhanapal, Mr. Raman Subramanian and Mr. Sanjay Harigopal Jhaver. The company is engaged in the manufacturing of zippers (nylon, concealed, moulded, metal, plastic etc) and sells the same under the 'ZEE' brand name.

Key rating drivers

Strengths

• Long operational track record and experienced management

ZIL was established in 1956. The company has track record of over six decades in the manufacturing of zippers. It is a part of the over 110 years old, Jhaver Group.

• Reputed clientele

ZIL largely caters to vendors of Levi's, Johnson, Pantaloons and other established players in the textile/apparel industry.

Weaknesses

• Moderate scale of operations

With operational track record of six decades, ZIL's revenue stands at a moderate Rs.36.90 crore in FY2017 as against Rs.31.81 crore in FY2016. The company utilises 75 percent of its production capacity.

• **Average financial risk profile**

The financial risk profile is average marked by low net worth, comfortable gearing and healthy debt protection measures. The net worth stood at Rs 6.93 crore as on 31 March, 2017 as compared to Rs. 7.68 crore as on 31 March, 2016. The debt equity stood at at 1.00 times in FY2017 compared to 1.09 times in FY2016 and Interest coverage at 3.02 times in FY2017 as against 1.86 times in FY2016. Moreover, the Net Cash Accruals to Total Debt (NCA/TD) stood at 0.23 times while Debt Service Coverage (DSCR) stood at 1.47 times as on 31 March, 2017.

Analytical approach:

SMERA has considered the standalone business and financial risk profile of ZIL.

Outlook – Stable

SMERA believes that ZIL will maintain a Stable outlook over the medium term and continue to 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 further deteriorates.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	36.90	31.81	27.11
EBITDA	Rs. Cr.	3.31	2.52	(3.50)
PAT	Rs. Cr.	(0.21)	1.10	(5.84)
EBITDA Margin	(%)	8.97	7.91	(12.90)
PAT Margin	(%)	(0.56)	3.45	(21.54)
ROCE	(%)	13.25	9.19	(29.22)
Total Debt/Tangible Net Worth	Times	1.00	1.09	2.14
PBDIT/Interest	Times	3.02	1.86	(2.64)
Total Debt/PBDIT	Times	2.02	3.25	-3.15
Gross Current Assets (Days)	Days	117	128	158

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - https://www.smera.in/criteria-default.htm
- Manufacturing Entities - https://www.smera.in/criteria-manufacturing.htm
- Financial Ratios And Adjustments - https://www.smera.in/criteria-fin-ratios.htm

Note on complexity levels of the rated instrument:
https://www.smera.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

None

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
15 Nov, 2016	Term Loan	Long Term	3.89	SMERA B/ Stable
	Cash Credit	Long Term	4.50	SMERA B/ Stable
	Cash Credit	Long Term	1.84	SMERA B/ Stable
	Bill Discounting	Short Term	0.10	SMERA A4
	Letter of Credit	Short Term	1.00	SMERA A4
	Bank Guarantee	Short Term	0.05	SMERA A4

Annexure – Details of instruments rated

Name of the facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	NA	NA	NA	0.55	SMERA BB- / Stable (Upgraded)
Cash Credit	NA	NA	NA	4.00	SMERA BB- / Stable (Upgraded)
Bill Discounting	NA	NA	NA	0.50	SMERA BB- / Stable (Upgraded)
PC/FDB/FBE	NA	NA	NA	0.75	SMERA BB- / Stable (Upgraded)
Cash credit	NA	NA	NA	2.50	SMERA BB- / Stable (Upgraded)
Bank Guarantee	NA	NA	NA	3.00	SMERA A4+ (Upgraded)
Proposed fund based	NA	NA	NA	0.08	SMERA BB- / Stable (Upgraded)

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ABOUT SMERA

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