

Press Release

Zip Industries Limited

February 18, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 11.38 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

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

Zip Industries Limited (ZIL) was established in 1956 in Chengalpattu, Chennai as a part of the 110 year old corporate conglomerate, Jhaver Group. The Jhaver Group has rich experience in varied industries like pharmaceuticals, agricultural chemicals, textile chemicals, coated fabrics, apparels and software. ZIL is engaged in manufacturing of zip fasteners under its brand name 'ZEE'. It offers a wide range of zippers like nylon zippers, concealed or invisible zippers, and moulded metal and plastic zipper.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of ZIL to arrive at this rating.

Key Rating Drivers

Strengths

- **Long operational track record and experienced management**

ZIL, established in the year 1956 with its manufacturing facility in Chengalpattu, has been in the business of manufacturing zip fasteners for more than six decades now. ZIL was started by promoters of the Jhaver Group, their family and other companies belonging to the group, having rich experience in industries like pharmaceuticals, agricultural chemicals, textile chemicals, coated fabrics, apparels and software.

- **Reputed clientele**

ZIL caters largely to clients in the textile/apparel industry. It supplies to vendors of reputed names in the industry like Levi's, Lifestyle, Pantaloons, MAX, etc. The company does not directly cater to these clients but caters through the customers who in turn send these to the final clients.

Weaknesses

- **Moderate scale of operation**

With an operational track record of six decades, ZIL's revenue stands at a moderate level of Rs.38.66 Crore in FY2018 as compared to Rs.36.90 Crore in FY2017. The company has clocked revenue of around Rs. 34 crore during April 2018 to January 2019 (provisional). Acuité believes the ability of the company to scale up operations will remain a key monitorable.

- **Constrained financial risk profile**

The average financial risk profile is marked by low net worth, high gearing and moderate debt protection measures. The net worth stood at Rs. 3.36 crore as on 31 March, 2018 as compared to Rs. 2.80 crore as on 31 March, 2017. Acuité has changed the treatment of unsecured loans from quasi equity to debt due to partial withdrawal of unsecured loans. Also, the management plans to withdraw unsecured loans further. The gearing stood at 3.44 times as on March 31, 2018 as

compared to 3.96 times in the previous year. The TOL/TNW stood at 5.74 times as on March 31, 2018 as compared to 6.48 times as on March 31, 2017. The interest coverage ratio stood at 2.48 times in FY2018 as against 3.02 times in FY2017. Moreover, Net Cash Accruals to Total Debt (NCA/TD) stood at 0.17 times, while Debt Service Coverage Ratio (DSCR) stood at 1.60 times as on March 31, 2018.

Liquidity Position

ZIL has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. ZIL generated cash accruals of Rs.2.23-1.93 crore over the last three years through FY2018; against which its repayment obligations were about Rs.0.69-0.75 crore. The company's operations are moderately working capital intensive as marked by gross current asset (GCA) days of 130 in FY 18. The company maintains unencumbered cash and bank balances of Rs.0.28 crore as on March 31, 2018. The current ratio stood low at 0.95 times as on March 31, 2018. Acuite believes that the liquidity of the firm is likely to remain moderate over the medium term on account of steady cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuite believes that ZIL will maintain 'Stable' outlook from its experienced management and its long established relations with clients. The outlook may be revised to 'Positive' in case of significant improvement in the financial risk profile of the company. However, the outlook may be revised to 'Negative' if ZIL fails to scale up operations or profitability or if the financial risk further deteriorates.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	39.17	36.90	31.81
EBITDA	Rs. Cr.	3.12	3.31	2.52
PAT	Rs. Cr.	0.56	(0.21)	1.10
EBITDA Margin	(%)	7.96	8.97	7.91
PAT Margin	(%)	1.43	(0.56)	3.45
ROCE	(%)	12.36	13.25	9.19
Total Debt/Tangible Net Worth	Times	3.44	3.96	4.37
PBDIT/Interest	Times	2.48	3.02	1.86
Total Debt/PBDIT	Times	3.65	3.22	5.05
Gross Current Assets (Days)	Days	130	117	128

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
05-Feb-2018	Term Loan	Long Term	0.55	ACUITE BB-/ Stable (Upgraded)
	Cash Credit	Long Term	4.00	ACUITE BB-/ Stable (Upgraded)

	Bill Discounting	Long Term	0.50	ACUITE BB-/ Stable (Upgraded)
	PC/FDB/FBE	Long Term	0.75	ACUITE BB-/ Stable (Upgraded)
	Cash Credit	Long Term	2.50	ACUITE BB-/ Stable (Upgraded)
	Bank guarantee	Short Term	3.00	ACUITE A4+ (Upgraded)
	Proposed fund based	Long Term	0.08	ACUITE BB-/ Stable (Upgraded)
15-Nov-2016	Term Loan	Long Term	3.89	ACUITE B/ Stable (Assigned)
	Cash Credit	Long Term	4.50	ACUITE B/ Stable (Assigned)
	Cash Credit	Long Term	1.84	ACUITE B/ Stable (Assigned)
	Bill Discounting	Short Term	0.10	ACUITE A4 (Assigned)
	Letter of Credit	Short Term	1.00	ACUITE A4 (Assigned)
	Bank guarantee	Short Term	0.05	ACUITE A4 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.55	ACUITE BB-/ Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB-/ Stable (Reaffirmed)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BB-/ Stable (Reaffirmed)
PC/FDB/FBE	Not Applicable	Not Applicable	Not Applicable	0.75	ACUITE BB-/ Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BB-/ Stable (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4+ (Reaffirmed)
Proposed fund based	Not Applicable	Not Applicable	Not Applicable	0.08	ACUITE BB-/ Stable (Reaffirmed)

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