

ZODIAC

7th June, 2019

To,
National Stock Exchange of India Ltd.,
Exchange Plaza,
5th Floor, Plot No. C/1, G Block,
Bandra Kurla Complex,
Bandra East
Mumbai - 400051

BSE Limited,
Corporate Relationship Department,
First Floor, New Trading Ring,
Rotunda Building, P.J. Tower,
Dalal Street,
Mumbai – 400001

Sub: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sirs,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we would like to inform you that ICRA Limited (ICRA) has revised the short term rating for Rs. 80 Crore Line of Credit of the Company to ICRA A2 (ICRA A Two) from ICRA A2+ (ICRA A Two plus).

The reasons provided by ICRA for the revision in rating is reproduced below:

“The rating revision factors in Zodiac Clothing Company Limited's (ZCCL) continued weak business and financial performance, reflected in the YoY decline in revenues and operating loss during 9M FY2019 and higher working capital intensity leading to pressure on debt protection metrics. The export business remained under pressure because of subdued consumer off-take in the key markets of the US, the UK and the Middle East, and competition from other low-cost countries which was exacerbated after reduction in export incentives, post introduction of the goods and services tax (GST). The top-line of the domestic business has remained under pressure post closure of 20 non-performing stores during FY2017 and a further seven stores each during FY2018 and 9M FY2019; additionally, consumer sentiments were weak and competitive intensity remained high. Though there has been improvement in gross margins with increased focus



ZODIAC CLOTHING COMPANY LTD.,

Nyloc House, 254, D-2, Dr. Annie Besant Road, Worli, Mumbai - 400 030. India.
Tel.: +91 22 6667 7000 Fax : +91 22 6667 7279 CIN: L17100MH1984PLC033143.

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on value-added products in the domestic business, the YoY decline in revenues has led to under-absorption of fixed costs, and hence the operating loss.

The rating nevertheless favourably factors in equity infusion by the promoters' - Rs. 30 crore through a preferential share allotment and Rs. 15 crore towards warrants - during FY2019 which has helped the company fund its losses, working capital requirements and capital commitments in the short-term. Though the equity infusion and the company turning EBITDA profitable during Q3 FY2019 are positives in the near-term, sustained improvement in business performance across markets would be crucial to support the company's profitability and overall credit risk profile. The rating continues to favourably factor in the extensive experience of the promoters of ZCCL in the readymade garments business; its professional management team, low gearing and adequate market value of its strategic investments.

ICRA continues to draw comfort from its holding of listed liquid investments (Rs. 25 crore as on May 27, 2019) which can be used to fund its business. Further, collection of its Rs. 18.5 crore receivables (as on March 31, 2019) from sale of its second level subsidiary holding properties in the UK during FY2017 would help support the company to fund any expansion in the overseas business. ICRA continues to acknowledge the company's established brands in the premium men's wear category and their niche positioning in the branded garments industry. In the exports market, the business is supported by its in-house design capabilities and the long-term relationships that ZCCL enjoys with its customers.

Going forward, ICRA would continue to monitor the company's quarterly performance; continued pressure on profitability and an adverse liquidity position would be key rating triggers."

You are requested to kindly take the above information on record.

Thanking you.

For Zodiac Clothing Company Limited


Kumar Iyer
Company Secretary
Membership No.: A9600



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