

ZODIAC

19th April, 2017

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 Obligation 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 and Rs. 20 Crore Commercial Paper of the Company to ICRA A1 (ICRA A One) from ICRA A1+ (ICRA A One Plus).

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

“The rating revision factors in the continued weak business and financial performance during 9M FY2017 reflected in the y-o-y decline in consolidated revenues and operating loss during the period. The export business declined significantly during 9M FY2017 because of weak consumer off-take in the key markets of the US, the UK and Middle East. Furthermore, the domestic business remained subdued on account of overall weak consumer sentiments, high competitive intensity and demonetisation which impacted revenues during November and December 2016. The y-o-y decline in revenues resulted in under-absorption of fixed costs, and consequently in operating loss. ICRA expects pressure on operating profitability to continue, given the tough operating environment especially in the domestic market.

Nevertheless, the rating continues to factor in the extensive experience of the promoters of ZCCL in the readymade garments business; its professional management team and adequate financial flexibility backed by low gearing and strategic investment, with a



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market value significantly in excess of the book value. The rating continues to draw comfort from its stringent receivables policy—low debtor days and comfortable capital structure (consolidated gearing of 0.29 time as on December 31, 2016). ICRA expects the company's liquidity position to be supported by sale of its listed investments as and when required. The sale of its second level subsidiary holding properties in the UK for a consideration of AED 18 million (approximately Rs. 33.0 crore) could help support working capital position for its 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.

Though the operating performance is expected to remain under pressure on account of the difficult operating and economic environment, the company's efforts towards enhancing its liquidity in the near-term through various measures and liquidating its listed investments, will be crucial. Additionally, turn around in business and financial performance during subsequent quarters will be a critical monitorable."

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

Thanking you.

For Zodiac Clothing Company Limited


Kumar Iyer
Company Secretary

