

**FOR IMMEDIATE RELEASE**

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ICRA assigns LBBB- (stable) rating to the bank facilities of Zenith Computers Limited

ICRA has assigned an LBBB- (pronounced L triple B minus) rating to the Rs. 78.0 crore¹ long-term bank facilities of Zenith Computers Limited (ZCL)[†]. The outlook on the long-term rating is stable.

The rating takes into consideration the long standing experience of the promoters in the PC business, the sales tax and income tax benefits which the company receives for its manufacturing facility in Goa and healthy demand growth in the industry. The company is amongst the top three domestic PC players but its overall share remains low, with its stagnant desktop volumes and dropping notebook sales, in the Indian PC market which continues to be dominated by multinational players. Technological innovation has been the key in the IT hardware industry and the company's current focus on the 'all-in-one' PC coupled with the recent growth trend seen in the PC shipments in the country could help it improve its market share.

The company has experienced decline in revenues and profitability over the years due to the increasing competition in the industry which has led to a continuous drop in prices and put pressure on margins. High dependence on debt for the working capital requirements and routine capital expenditure result in moderately high gearing of 1.4x as on March 2010. This coupled with the stretched coverage indicators strain the financial profile.

Company Profile

Zenith Computers Limited, incorporated in May 1980, is engaged in assembling and sales of personal computers (Desktops and Notebooks). ZCL has an assembling facility at Goa with a capacity of about 200,000 units per annum. The company markets its products through a network of nine branches and 450 exclusive and non-exclusive dealers across the country.

The company is promoted by Mr. Raj Saraf, a first generation entrepreneur. ZCL is listed on the BSE and NSE with about 43.44% shares being with the Saraf family.

Recent Results

Zenith Computers Limited reported a profit after tax (PAT) of Rs. 2.0 crore in 2009-10 on an operating income of Rs. 261.0 crore. The same for 2008-09 stood at Rs. 1.1 crore and Rs. 285.4 crore respectively.

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For further details please contact:

Analyst Contacts:

Subrata Ray (Tel. No. +91 22 3047 0027)

subrata@icraindia.com

Relationship Contacts:

L. Shivakumar (Tel. No. +91 22 3047 0005)

shivakumar@icraindia.com

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

¹100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.