

## Rating Advisory

March 04, 2020 | Mumbai

### Pioneer Embroideries Limited

#### Advisory as on March 04, 2020

This rating advisory is provided in relation to the rating of Pioneer Embroideries Limited

The key rating sensitivity factors for the rating include:

- Timely repayment of term debt obligation
- Operating Margin
- Working Capital Management
- Capital Expenditure (Capex) plans and their funding

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from Pioneer Embroideries Limited (PEL) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If PEL continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016 and SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

#### About the Company

Incorporated in 1991, PEL manufactures and exports DDPY and embroidered fabrics, and laces. The Mumbai-based company has been promoted by Mr Raj Kumar Sekhani. The manufacturing facilities are located in six different locations across India.

*Please note: This advisory should not be construed as a rating reaffirmation.*

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## Rating Rationale

April 11, 2019 | Mumbai

### Pioneer Embroideries Limited

*Ratings Reaffirmed*

#### Rating Action

Total Bank Loan Facilities Rated	Rs.17.5 Crore
Long Term Rating	CRISIL D (Reaffirmed)
Short Term Rating	CRISIL D (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL has reaffirmed its ratings on the bank facilities of Pioneer Embroideries Limited (PEL) at 'CRISIL D/CRISIL D'.

The ratings reflect delays in interest servicing, caused primarily by stretch in working capital cycle, further aggravated by a weak liquidity position characterized by near-full utilization of fund-based working capital limits.

#### Key Rating Drivers & Detailed Description

##### **Weakness:**

##### **\* Delays in interest servicing and weak liquidity:**

There have been instances of delay in interest servicing because of stretched liquidity. That's primarily due to working capital intensive operations which is reflected in gross current days (GCA) of 89 days as on March 31, 2018, further aggravated by a weak liquidity position characterized by full utilization of fund-based working capital limits. Liquidity is likely to remain under pressure over the medium term because of working capital intensive operations.

##### **\* Susceptibility to volatile raw material prices and intense competition:**

Volatility in raw material prices and intense competition constrain the pricing pressure and ability to pass on the hike in raw material prices to customers, as a result of which consolidated operating margin has been range bound at 4-7% over the two years ended March 31, 2018.

##### **Strengths:**

##### **\* Established market position, backed by extensive experience of the promoters:**

The established market position, also reflected in revenue of Rs.257.93 crore in fiscal 2018, is backed by more than two decade-long experience of the promoters in the embroidered and knitted fabric segment. The company is also engaged in retail through its subsidiary, Hakoba Lifestyle Ltd, and sells fabrics under the Hakoba brand.

##### **Liquidity**

PEL has weak liquidity marked by marginal cash and cash equivalents of Rs.2 crores as on March 31, 2018 and cash accruals expected to remain modest in FY19 and FY20. PEL has access to fund based limits of Rs.15 crores, which are fully utilized over the 12 months ended November 2018. The company has long term repayment obligations around Rs.27 crores in FY19. The accruals are insufficient to meet these repayment obligations. The company will need additional bank lines to fund its incremental working capital requirements. Promoters have supported the company in the past with unsecured loans of Rs.0.78 crores, which is subordinated to debt, and are expected to continue to do so as and when required.

#### **About the Company**

Incorporated in 1991, PEL manufactures and exports DDPY and embroidered fabrics, and laces. The Mumbai-based company has been promoted by Mr Raj Kumar Sekhani. The manufacturing facilities are located in six different locations across India.

## Key Financial Indicators

Particulars	Unit	2018	2017
Revenue	Rs crore	257.93	238.22
Profit After Tax (PAT)	Rs crore	(5.85)	(41.79)
PAT Margin	%	(2.3)	(17.5)
Adjusted debt/Adjusted networth	Times	0.82	1.24
Interest coverage	Times	1.27	2.09

**Any other information:** Not applicable

## **Note on complexity levels of the rated instrument:**

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## Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Cr)	Rating assigned with outlook
NA	Bank Guarantee	NA	NA	NA	0.4	CRISIL D
NA	Cash Credit	NA	NA	NA	15	CRISIL D
NA	Proposed Fund-Based Bank Limits	NA	NA	NA	1.45	CRISIL D
NA	Working Capital Term Loan	NA	NA	Mar-2020	0.65	CRISIL D

## Annexure - Rating History for last 3 Years

		Current		2019 (History)		2018		2017		2016		Start of 2016
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	17.10	CRISIL D			27-04-18	CRISIL D	30-01-17	CRISIL B-/Stable	15-01-16	CRISIL D	--
Non Fund-based Bank Facilities	LT/ST	0.40	CRISIL D			27-04-18	CRISIL D	30-01-17	CRISIL A4		--	--

All amounts are in Rs.Cr.

## Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	.4	CRISIL D	Bank Guarantee	.4	CRISIL D
Cash Credit	15	CRISIL D	Cash Credit	15	CRISIL D
Proposed Fund-Based Bank Limits	1.45	CRISIL D	Proposed Fund-Based Bank Limits	1.45	CRISIL D
Working Capital Term Loan	.65	CRISIL D	Working Capital Term Loan	.65	CRISIL D
Total	17.5	--	Total	17.5	--

## Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

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