

December 16,2014

Facility	Amount (Rs. Crore)	Rating
Cash Credit	20.00	SMERA BB-/ Stable (Assigned)

SMERA has assigned a rating of '**SMERA BB-**' (**read as SMERA double BB minus**) to abovementioned bank facility of Pioneer Dyeing Private Limited (PDPL). The outlook is '**Stable**'. The rating derives comfort from the company's established track record of operations and experienced management. The rating is also supported by the high financial flexibility available to the company. However, the rating is constrained by the company's moderate debt protection metrics and working capital-intensive operations. The rating is also constrained by the company's exposure to intense competition in the textile industry. The rating notes that the company's operations are susceptible to changes in pollution control norms.

PDPL, incorporated in 1992, is a Mumbai-based company engaged in manufacturing of cotton sarees and fabric. PDPL also undertakes dyeing of grey fabric on job work basis. The company benefits from its experienced management. Mr. Anil Kumar Ganeriwal and Mr. Anup Kumar Ganeriwal, directors of PDPL, have around three decades of experience in the textile industry. PDPL's comfortable financial flexibility is evidenced by low average utilisation (18.49 per cent) of cash credit limit during the six months ended September 2014; however, the utilisation levels may increase significantly in case the company repays the unsecured loans (which stood at Rs.22.89 crore as on March 31, 2014).

PDPL has moderate debt protection metrics marked by low net worth of Rs.9.21 crore as on March 31, 2014. The company's overall gearing (TOL/TNW ratio) is high at 2.86 times (excluding subordinated unsecured interest-bearing loans of Rs.14.18 crore from directors and shareholders) as on March 31, 2014. PDPL's interest coverage ratio stood at 1.35 times in FY2013-14. The company's operations are working capital-intensive, as evidenced by working capital cycle of 143 days and collection period of 106 days in FY2013-14. PDPL faces intense competition from several players in the textile industry. The company's operations are susceptible to changes in pollution control norms.

PDPL's operations were adversely affected by fire accidents in FY2010-11 and FY2011-12; however, the company had adequate insurance cover and the claims were settled in FY2013-14.

Rating sensitivity factors

- Working capital management
- Net cash accruals
- Higher-than-expected capital expenditure

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Outlook: Stable

SMERA believes PDPL will maintain a stable credit risk profile over the medium term. The company will continue to benefit from its experienced management and comfortable liquidity position. The outlook may be revised to 'Positive' in case the company registers healthy cash accruals while achieving efficient working capital management. The outlook may be revised to 'Negative' in case of decline in the company's cash accruals, or in case of deterioration in the company's financial risk profile or working capital management.

About the company

PDPL, incorporated in 1992, is a Mumbai-based company promoted by members of the Ganeriwal family. PDPL manufactures cotton sarees and fabric (for ladies dress material). The company also undertakes dyeing of grey fabric on job work basis. PDPL has a manufacturing unit in Dombivali (Maharashtra), with total installed capacity of 1,00,000 meters per day. The company caters to customers in the domestic market.

For FY2013-14, PDPL reported profit after tax (PAT) of Rs.0.83 crore on operating income of Rs.84.68 crore, as compared with PAT of Rs.0.87 crore on operating income of Rs.89.42 crore in FY2012-13. The company's net worth stood at Rs.9.21 crore as on March 31, 2014, as compared with Rs.8.38 crore a year earlier.

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