

August 21, 2015

Facilities	Amount (Rs. Crore)	Ratings
Working Capital Demand Loan	2.00	SMERA B+/Stable (Assigned)
Packing Credit cum FBP/FBN*	6.50	SMERA A4 (Assigned)
Letter of Credit	2.00	SMERA A4 (Assigned)
Duty Drawback	1.30	SMERA A4 (Assigned)

* Sublimit is duty drawback receivable of Rs.1.50 crore.

SMERA has assigned a long term rating of '**SMERA B+** (read as SMERA B plus) and short-term rating of '**SMERA A4** (read as SMERA A four) to the Rs.11.80 crore bank facilities of Pioneer Leder Tex Private Limited (PLTPL). The outlook is '**Stable**'. The ratings are constrained by the company's low scale of operations and stretched liquidity position marked by full utilization of packing credit facility. The ratings are also constrained by adverse foreign exchange fluctuations risk. However, the rating derives comfort from the company's experienced promoters, healthy profit margins and average financial risk profile marked by moderate gearing levels and healthy coverage indicators.

Outlook: Stable

SMERA believes that PLTPL's outlook will remain stable over the medium term owing to its long standing presence in the leather industry and rich experience of the promoters. The outlook may be revised to 'Positive' if the company scales up its revenue along with improvement in the capital structure. Conversely, the outlook may be revised to 'Negative' if the capital structure and margins further deteriorate leading to low profitability and weak coverage ratios.

Key Rating Sensitivity

- Scaling up of operation
- Improvement in capital structure

About the Company

PLTPL, (the erstwhile Pioneer Leather Craft) is a Chennai-based company established in 1992 as a partnership firm by Mr. A. Mohamed Farook, Mr. A. Abdul Careem, Mr. A. Shafi Ahamed and Mrs. M. Regina Begum. Later in 2004, the name was changed to Pioneer International and in 2006 it was converted into a private limited company. The company is a manufacturer and exporter of finished leather.

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SMERA RATINGS LIMITED

Pioneer Leder Tex Private Limited (PLTPL)

Rating
Rationale

For FY2013-14, PLTPL reported profit after tax of Rs.0.78 crore on operating income of Rs.36.37 crore as compared with PAT of Rs.0.22 crore on operating income of Rs.22.86 crore for FY2012-13. For H12014-15, the company reported PAT of Rs.0.58crore on operating income of Rs.18.77crore.

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