

August 2, 2010

CARE ASSIGNS 'CARE C' AND 'PR4' RATING TO THE BANK FACILITIES OF PIONEER EMBROIDERIES LIMITED.

Ratings Assigned

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	167.87	'CARE C' (Single C)	Assigned
Short-term Bank Facilities	5.86	'PR4' (PR Four)	Assigned
Total Facilities	173.73		

Rating Rationale

The ratings are constrained by delay in the payment of statutory dues, weak financial profile characterised by high gearing level, long working capital cycle and cash losses in FY08 and FY09, moderate accounting policies substantiated by several auditors' qualifications and corporate guarantee to a weak subsidiary company (Hakoba Lifestyle Limited).

The rating assigned derives strength from PEL's experienced management and vertical integration in embroidered fabrics and laces with operations from spinning to retailing (through a subsidiary company).

The ability of the company to turnaround operations in the scenario of volatile raw material prices, aggressive competition and service its debt obligation remains key rating sensitivity.

Company Profile

Pioneer Embroideries Limited (PEL), established in 1991 is one of the largest players in the embroideries and laces segment in India. The company also manufactures dope-dyed polyester yarn and sells readymade embroidered garments under the brand name "Hakoba" (through its subsidiary). The company is currently under the purview of the Corporate Debt Restructuring (CDR) cell for debt restructuring.

In FY09 (12 months ending September, 2009) on net sales of Rs.122.72 Crore, PEL made net loss of Rs.5.54 Crore.

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¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

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