

## Rating Rationale

### Brickwork Ratings reaffirm “BWR BBB- (Outlook: Stable) /BWR A3” for Bank Loan facilities aggregating to ₹ 30.18 Crores of Pioneer Syntex Private Limited.

Brickwork Ratings have reaffirmed following **Ratings<sup>1</sup>** for the Bank Loan facilities of Pioneer Syntex Private Limited.

Facility	Facility Based	Tenure	Previous Limits	Current Limits	Previous Rating (May-2015)	Current Rating
Term Loan I (o/s)	Fund Based	Long Term	3.56	<b>1.51</b>	BWR BBB- (Pronounced as BWR Triple B Minus) (Outlook:Stable)	<b>BWR BBB- (Pronounced as BWR Triple B Minus) (Outlook:Stable)</b>
Term Loan II (o/s)			8.76	<b>6.42</b>		
CC limits			15.50	<b>18.00</b>		
Inland/Import LC	Non Fund Based	Short Term	4.00	<b>3.00</b>	BWR A3 (Pronounced as BWR A Three)	<b>BWR A3 (Pronounced as BWR A Three)</b>
Inland/Foreign Bank Guarantee			1.25	<b>1.25</b>		
<b>Total</b>			<b>33.07</b>	<b>30.18</b>	<b>INR Thirty Crores and Eighteen Lakhs Only</b>	

BWR has essentially relied upon audited Financials up-to FY16, projected Financials up-to FY18, publicly available information, and information/clarifications provided by the company’s management.

The ratings have factored, *inter alia*, promoters’ experience in textile industry, locational advantage in terms of access to raw materials, customer base and funds infusion for the ongoing expansion plan. The ratings, however, are constrained on account of thin profit margins, limited scope for top line growth over next year, and project execution risk in respect of their ongoing expansion plan, for which significant additional debt is raised.

#### Background and Profile:

Pioneer Syntex Private Limited (PSPL) was incorporated in 1987, but started commercial operation in 1994. PSPL is engaged in dying and processing of art silk fabric meant for sarees and dress materials on job work basis. The manufacturing facility is located at Surat, Gujarat. PSPL procures raw material from local market. The associate concern named Maruti Textile Private Limited with similar business activity was merged with PSPL in 2008.

The company is presently implementing a new project with substantial capex.

#### Promoter and Share Holding details:

The company is promoted by Chaudhary family and Periwal family, who hold around 55 % of the share. Company is managed by Mr. Anil Chaudhary, Mr. Shrinarayan Periwal, Mr. Pawan Kumar Kokra, Mr. Bajrang Garg and Mr. Vidut Jain. Entire management team is having more than two decades of experience in industry.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

### Expansion Plan

Company has proposed a new division (within the company) in the name of M/s Pioneer Hygiene Product. The proposed activity is diversified from textile business and will be for manufacturing of PE Films. The project cost is Rs. 135 Crs, funded with debt component of Rs. 86.00 Crs. This project is expected to go for commercial operations in Oct-2017, and the rated amount as per table above does not include this debt.

### Financial Performance:

PSPL has reported revenue of Rs. 144.86 Crs in FY 16 against Rs. 139.23 Crs in FY 15. Company has reported net profit of Rs. 5.64 Crs during this period (Rs. 1.04 Crs in FY 15). Net worth of the company stood at Rs. 49.20 crs as on 31<sup>st</sup> March 2016. The company, for its fabric processing activity has availed Term Loan and Working Capital facilities from Canara Bank and Bank of Baroda.

As per management, company has reported revenue of Rs. 72.90 Crs for the half year ended 30<sup>th</sup> September 2016.

### Rating Outlook:

The outlook is stable. As the new capex program is being implemented within the same legal entity, successful commissioning of the same without cost and time-over-runs, is important. Going forward, the ability of the company to bring in funds as per project funding plan, achieve its projections, manage working capital cycle and improve profitability would be the key rating sensitivities.

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