



Date : 29<sup>th</sup> May, 2021  
Ref. : BSE/20/2021-2022.

**To,**  
**Dept. of Corporate Services,**  
**Bombay Stock Exchange Limited,**  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai – 400 001.  
Company Code: 514300  
Company ISIN: INE156C01018

**To,**  
**The Listing Department,**  
**National Stock Exchange of India Limited,**  
Exchange Plaza, Bandra Kurla Complex,  
Bandra (East), Mumbai- 400051.  
Company Code: PIONEEREMB  
Company ISIN: INE156C01018

Dear Sir/ Madam,

**Sub: Transcript pertaining to Analyst/ Investors Meet held on 25<sup>th</sup> May, 2021.**

This is with reference to the ‘Analyst/ Investor Conference Call’ held on Tuesday, 25<sup>th</sup> May, 2021 at 2.00 P.M. (IST) and pursuant to Regulation 30 and 46(2)(o) of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, as amended from time to time, we enclosed herewith transcript of the audio call recording of the meet.

This is for your information and records.

Thanking you.

Yours faithfully,

**For PIONEER EMBROIDERIES LIMITED**

**(AMI THAKKAR)**  
**Company Secretary and Compliance officer**  
**FCS No.: 9196**

## **PIONEER EMBROIDERIES LIMITED**

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**CIN: L17291MH1991PLC063752**



## “Pioneer Embroideries Limited FY21 Annual Results Conference Call”

May 25, 2021



**MANAGEMENT: MR. HARSH VARDHAN BASSI- MANAGING DIRECTOR**

**MR. DEEPAK SIPANI- CFO**

**MODERATOR: MR. VASTUPAL SHAH – KIRIN ADVISORS**

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**Moderator:** Ladies and gentleman, good day and welcome to FY21 Annual Results Conference Call of Pioneer Embroideries Limited hosted by Kirin Advisors. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vastupal Shah from Kirin Advisors Ltd. Thank you and over to you sir.

**Vastupal Shah:** Thank you. Good afternoon everyone, I would like to welcome Mr. Harsh Vardhan Bassi- Managing Director of Pioneer Embroideries Ltd. And Mr. Deepak Sipani- CFO of the company. Mr. Harsh over to you.

**Harsh Vardhan Bassi:** Thank you Mr. Vastupal, I started by welcoming everyone, so thank you for taking time to address our Conference Call and we sincerely hope that everyone is safe and healthy.

Financial year 2021 was affected severely by Corona Virus and it has left a significant impact on the way we live and the overall economic growth. We did see the green shoots of economic recovery from the third quarter of financial year '21 and while the forecast for FY22 was encouraging but then the second wave arrived, throwing all the calculations out of gear but we are very happy to state that even in these difficult times Pioneer Embroideries has grown at a very healthy rate and it is actually after a very long interval that we are interacting with you on this platform. So, I will just give you a brief idea about Pioneer and its business for those of you who have not much of a background.

So, Pioneer Embroideries Ltd was established in 1991 by Mr. Raj Kumar Sekhani who is the Chairman of the company and over the year it has risen to become one of India's notable manufacturer and exporter of value-added polyester filament yarn, SPFY as you call it internally and embroider fabrics and laces. We have four factories, a state-of-the-art manufacturing facility for SPFY at Himachal Pradesh and three factories for manufacturing embroidered fabrics and laces in Gujarat and Dadra Nagar Haveli and in Tamil Nadu.

We export our products to about 26 countries across, basically covering North America, Latin America, Europe, Middle East and some parts of Africa. We are perhaps the only company to have an established brand in SPFY segment, we call it SILKOLITE and lot of you would be familiar with our brands of the embroider fabric is called Hakoba which

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is a heritage brand and retail segment, especially well known for Salwar Kameez, Dupattas and Sarees and embroidered Kurta Pajamas for gents.

So, for the SPFY our current capacity is 18000 metric tons per annum, where the yarn is produced in (+1200) colors depending on what the customer needs. And so basically, as a company we do look like to do lot of R&D, we like to experiment and we like to come up with different things and that was the reason why we went behind having our own color batch making and making yarn available to our customers in any color they sort of conceive.

The same is followed in embroidery as well, we have a very strong library of more than 300,000 designs for our embroidered design and for our laces and so all this gives us a lot of edge over the competition.

We have a very well-established marketing network both in SPFY and embroidery and lace segment and our expertise in designing and manufacturing process, we have been doing it for over 3 decades, so it is a well-established system there.

Now, I would request Deepak – our CFO to share results for Q4 and the year ended March' 2021, for you to comprehend and then we can take up the questions later. Deepak over to you.

**Deepak Sipani:**

Thanks, Harsh. And good afternoon to all. Company reported a robust set of numbers for this 4<sup>th</sup> quarter of FY21 as well as Financial year 2021. Now let me start with sharing the performance highlights of Q4 FY21. The company recovered from the pandemic loss of 1<sup>st</sup> quarter with impressive quarter 4 FY21.

Profit After Tax before deferred tax improved 5 times to Rs. 80 million over the corresponding period last year, total income for Q4 FY21 was Rs. 806 million, an increase of 57% on year-on-year basis. EBITDA was Rs. 111 million an increase of 26% on year-on-year basis. EPS diluted for quarter 4 FY21 at Rs. 4.09 a 539% increase on year-on-year basis.

Now I will share the performance of our company on a full year basis. While the total income declined by 5% to Rs. 2278 million the overall export of the company increased by 24% to touch Rs. 444 million.

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If we look at the business wise performance the yarn business contributed to Rs. 2028 million and embroidery and laced business contributed Rs. 249 million. The EBITDA for the full year FY21 was at Rs. 294 million. A substantial increase of 41% given the difficult condition that the industry had faced, over the previous year period of Rs. 209 million. EBITDA margin improved substantially from 8.7% to 12.9% in the same period. The Profit After Tax before deferred tax improved to Rs. 168 million compared to Rs. 83 million in the corresponding period last year.

This improvement was primarily driven by the strong performance of the SPFY business while we are even positioned ourselves as a niche player. The secured borrowing stands to lowest ever level of recent years Rs. 298 million including Rs. 116 million level of working capital limits, which helped the company lower its financial cost by 27% to Rs. 45 million.

In addition, the company generated one of the highest ever yearly operational tax profit of Rs. 250 million, up from Rs. 170 million in the previous year. Company's net profit for the year grew by 137% to Rs. 197 million from Rs. 83 million a year ago. While PAT margin expanded to 8.6% from 3.5%.

PEL is happy to propose a dividend of Rs. 0.25 per share to its shareholders. This dividend has come after a gap of 7 years. Now I would like to invite Mr. Harsh back to give you flavor of the future.

**Harsh Vardhan Bassi:** Thanks Deepak. Before I touch on some macro points where we feel that which would affect the industry as a whole and Pioneer is part of that larger ecosystem, the key take ways and something that I am extremely happy to note as you would have understood from Deepak's address that our PAT is increased, our EBITDA has increased, our EPS is increased and moreover, this was the first year of net operational cash flow for the company. Our last 3 quarters were substantially better than the previous year, year-on-year.

Very importantly our loan position has become much better, our secured borrowings have come down substantially and we are in a much much better position to service our debts, which in any case, we are in a very good position in terms of the total debt numbers that you would have noted, already they are uploaded on the website. So, financially and operationally the company is in much better place and we are in a position now to tap any opportunities, as and when required or as they unfold.

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So, basically COVID for us yes, it has been extremely painful and challenging in more ways than one but COVID also made us learn a lot. For the first time, we largely operate in a segment which is considered to be a little bit traditional and conservative but then we learned the true ways of working from home, we learnt how we could optimize our cost and the results are there for all of you to see. And I would also like to give a lot of credit to our team who actually converted the vision and executed it flawlessly and to bring forth a good performance.

So, as far as the larger the macro side is concerned, textile alone is expected to grow to 220 billion by FY '25-26 and exports are also estimated to grow by 70 billion in the same period. So, some contributors to this growth are factors such as per capita income is rising, favorable demographics, fashion is changing, fashion is now a very relative kind of term now and social media plays a lot of part in making fashion more disposable so to say. And that's again an infused increased purchase, online purchases have increased, government is being extremely pragmatic and incentives are there. The present government is proactive and when it comes to our industry and the Director General of Foreign Trade has also devised incentives under the MEIS scheme for two subsectors of textile industry, readymade garments and made up from 2% to 4%, which will definitely have a trickle-down impact in the entire ecosystem.

Then there are several other measures like amended technology upgradation fund scheme, and then few other incentives like PLI, Building Textile Park. So, basically, let's say they announced seven textile mega parks to be set up within a three-year implementation period. So, these parks will help us as a whole in exports, and again being part of this industry and ecosystem. We do expect some trickle-down effect for the entire industry. Speedy recovery in export demand coupled with higher operating leverage will lead to improved profitability for exporters in fiscal '2022 to near '2020 levels.

However, recovery and profitability for the domestic ready-made garments, we see it continue to subdued compared to earlier years, due to second COVID wave of these infections in India. But at the same time, we do see phased demand step-by-step now that vaccination is in full swing. So, hopefully things will turn around sooner than later.

Now, I open the floor to questions-and-answers please. Thank you.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ravi from Sundaram Family Investments. Please go ahead.

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**Ravi:** Sir, I have two questions, we see a general uptrend in the overall yarn industry towards the second half of this financial year, how are you visualizing this panning out through this FY22 as we have started. So, that is my first question.

**Harsh Vardhan Bassi:** Can you please repeat that?

**Ravi:** Yes, my question is yarn prices have done well especially towards the second half of this financial year particularly in Q4, we see it going, the prices being very good across the industry. My question is, how are you seeing it going forward, how are you seeing by on prices?

**Harsh Vardhan Bassi:** We see ourselves as maintaining the same level basically our yarn prices are also governed majorly by the raw material, which in turn is governed by the petrochemical prices, but we are able to pass them through to the customer. So, at best or worse, it is a part of 15 day gap for translation. So, there we do not see any noticeable impact. So, we should be able to hold it, our margins.

**Ravi:** Okay. And the second question is, how are you seeing COVID lockdowns impacting your business in coming quarter, first quarter and the second quarter?

**Harsh Vardhan Bassi:** First quarter, it would be impacted for sure because we are going to first quarters, but I'll not be able to put a number to it because we are still in the midst of it, but it's for all to see the markets are largely closed and so, we already went through a similar period last year, this year right now it's doing better than last year. But at the same time the complete can only be known once the quarter is over. And, by second quarter we do see the situation with COVID stabilizing. As the numbers are showing every day, everyone is reading papers and whatever is being communicated. We are hoping that lockdown will be opening in phases from first June across the country. So, things are going to get better from here in all probability, that's what we feel and that's what we are working for.

**Ravi:** That makes sense sir, just a follow up on that. Are you seeing any demand side impact, I understand the supply side, we should stabilize around once COVID settles down, hopefully by the end of Q1, how's the demand side impact?

**Harsh Vardhan Bassi:** Demand side is also, see for us right now we are operating at about 35 days of order book position so demand side also, it's pretty decent, it's in-line with what our forecasts are. So, as of now, it's a fairly comfortable place and moreover, what has also happened is that due to COVID, globally there has been very strong trend growth in home

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furnishing segments. People were largely operating from home, work from home. So, it impacted people in terms of watching the same thing, same upholstery, same carpet, same curtains and globally what happened that people started investing a lot more towards home furnishing rather than fashion, because fashion was still all basics, everyone was largely operating from home, and that trend is still continuing. And so we do operate a lot in the home furnishing segment, our yarn goes there instead of apparel. So, right now we see a very decent demand. So, we are okay.

**Ravi:** Last question before I come back in the queue. What is your current capacity utilization, are we seeing any capacity?

**Harsh Vardhan Bassi:** Right now, it is at about 80% for our yarn business.

**Moderator:** Thank you. The next question is from the line of Prithvi Jain an Individual Investor. Please go ahead.

**Prithvi Jain:** My question is like, is performance linked incentive scheme will impact your business?

**Harsh Vardhan Bassi:** No, not really because we do not fall into criteria of that scheme. So, it's for a much larger ticket size. To that extent where it impacts positively the entire ecosystem and the industry, the trickle-down effect in the positivity that it will impart to the whole sector, Yes, to that extent.

**Prithvi Jain:** Okay. And one more question from my end is, what kind of industrial trend are you seeing in the industry regard to cotton yarn and manmade yarn?

**Harsh Vardhan Bassi:** The way we are thinking since we are in the manmade, side of things, we do see a lot of interest there, especially because people are moving towards sustainability. And they are looking at better alternatives to save the natural resources, so in the investor interest who typically follow. Okay, so I was saying we are towards the mandate side of things. And from our perspective the way we see from our window, the investors would typically follow where the general perception or the demand is following and the way we see a lot of people are gravitating towards more sustainable living and looking at cleaner alternatives. And to that end, we do see a fairly good interest towards the site.

**Moderator:** Thank you. The next question is from the line of Amit Doshi from Care PMS. Please go ahead.

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**Amit Doshi:** Sir, you mentioned about one of the participant also alluded to that, this H2 has been really for yarn in general. And that probably looks like we also have an added advantage of. So, can you just share what is the volume growth because I am sure that there is a part of inventory gains which we would have achieved of the price pass on that you mentioned about, but if you can say broadly 2019-2020 and now 2021 what has been the volume growth broadly in three years?

**Harsh Vardhan Bassi:** We can give you that, Deepak can take that question, Deepak the volume growth?

**Deepak Sipani:** The volume is about 14,000 tons during the last year, in similar line of FY20, not only we have gained due to increase in prices and our margins have improved last year. In FY '20 our average realization is Rs.140 per kg which have increased to Rs.149 per kg in last year.

**Amit Doshi:** Okay, Rs.140 to Rs.149 a kg?

**Deepak Sipani:** Yes. This had given us a boost.

**Harsh Vardhan Bassi:** Also, if you see that last year our first quarter was impacted by COVID and before that it was clear but still the models.

**Deepak Sipani:** One thing you need to add, in last two quarters our capacity utilization is around 94%/95%, which was around 85% in FY20 second half.

**Amit Doshi:** Okay. Sir during the opening remarks you also mentioned that the exports have, the contribution of exports have risen from 24% to 60%. So, what has made this significant jump in the export contribution, anything that you can share significant steps that would have taken in last say, two, three years or so?

**Harsh Vardhan Bassi:** Mr. Doshi, this is a combination of both exports and indirect exports. So, the direct exports are about 20%, and then another 40% of indirect. So indirect I am tagging the number where we are supplying to let's say EOUs or we are supplying to the certified exporters, which in turn they converted into let's say carpet or upholstery or whatever the end product and the product is exported. So, they increase like I mentioned, there have been global uptrend for home furnishings. So, that has contributed a lot in terms of, because last year the domestic market was subdued obviously, because of Corona impact. But then internationally, because the countries were closing and opening in phases, and probably they were little ahead of us in terms of the graph. So, we are in a very unique position actually Mr. Doshi, the thing is that the kind of capacity that we

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have in our yarn and the product we churn up, we are extremely nimble. And that gives us a unique ability to change both our product mix and also let's say the product mix or in terms of geographies, and most importantly we are an EBITDA driven company. I know it sounds very money minded or selfish to say, but we are an EBITDA driven company. So, we see wherever there is better, obviously there is a policy, there is a vision attached to it. But the governing factor is EBITDA generation bottom line. So, we see the trend, we study whatever number like let's say today we are sitting on a 35-day order book position now, the new orders which are going to unfold, we take a call what is more beneficial for the company. So, then it doesn't matter to us whether it is being sold to someone in Panipat or it is going to a customer in Panama. If Panipat is going to give me more, a better realization than a customer in Panama, it will go to Panipat. So, that's how we operate and that learning and the way of doing business is somehow works for us.

**Amit Doshi:** Okay. Sir, initially you mentioned global uptrend something, but your voice got cut, so I couldn't hear you, did you say global up trend in?

**Harsh Vardhan Bassi:** Home furnishings sales, home furnishing segment.

**Amit Doshi:** Majority of our application goes.

**Harsh Vardhan Bassi:** Yes.

**Amit Doshi:** Okay. So, that's why now, and then more of the indirect export growth has happened rather than the direct export growth?

**Harsh Vardhan Bassi:** No, even direct export was growing but then combined was about 60%, like I said 20% was direct export, then 40% was indirect and the balance is domestic. So, it was a combination.

**Amit Doshi:** Okay fair enough. You mentioned about the overall demand, etc will get impacted, on the production side do you see any impact and I see that your plant is inoperational lockdown steps are there, so anything on the production side there is a bit of curbs or impact or I don't know you need more employee or more people are employed and maybe for the social distancing norms, you would have to cut down or curb anything on that you would want to add?

**Harsh Vardhan Bassi:** No, you see the learning curve is already over, during the first wave the learning curve was over in the first quarter itself. So, everything is in place, we are practicing social

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distancing, we are practicing robust testing, the good part is that we hardly had any cases internally in any of our factories. So, because of the strict protocol and probably more than that, God is kind because you never know where it strikes from, the systems are set so if in that sense yes, the impact can be when you don't find labor, if there is a panic and labor goes away and all that, it is actually impacting our embroidery operations for now, but yarn because probably because it is Himachal Pradesh and the state has largely been, I will not say insulated, but has been able to manage or better or probably had lesser numbers compared to the country as a whole. So, we are okay, we are not impacted on that count.

**Amit Doshi:** Okay. So, you want to say that 90%, 95% capacity at which you are operating in H2 is broadly continuing?

**Harsh Vardhan Bassi:** It will continue see, right now I am at 80%. So, this impact would obviously be there. Best of their ability, if labor wants to go home they will go home. But, then it's a situation which can largely be contained.

**Amit Doshi:** Okay. This textile we have this RoDTEP scheme, about rate of taxes and levies, etc. So, do we have any advantage of it and if yes, what could be the percentage of it in our books as of now?

**Harsh Vardhan Bassi:** Right now, I would not be able to quantify it, yes like every exporter it would impact us it's a benefit with the government is going to be but it's largely a conversion from earlier benefit to this one. So, numbers are broadly the same, or probably a little lower. So, I don't see any substantial change vis-à-vis last year.

**Amit Doshi:** Okay. And just one more bookkeeping question, what could be the carry-forward loss that we would be having, because of course we have not been paying taxes for quite some time now. So, how much more amount we have left as a carry forward losses?

**Harsh Vardhan Bassi:** Deepak you want to take that?

**Deepak Sipani:** This loss will be available in next year also. Hopefully next year, no tax liability will be paid. We are safe in FY22 against tax liability. We have enough carry forward losses.

**Moderator:** Thank you. The next question is from the line of Apurva Mehta an Individual Investor. Please go ahead.

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- Apurva Mehta:** Good Afternoon, first of all congratulations sir for good growth number. I have couple of questions sir. Around 60% of the promoter holding is pledged, what is the reason?
- Harsh Vardhan Bassi:** Okay. So, yes 61% of promoter holding pledged that has seen actually, it's not a pledge in terms of the way we understand, this is a part of our collateral security that has been given to our existing bank as Kotak. So, it is not that company has taken any loan by pledging these share or anything of that sort or a market pledge. Nothing as that sort, it is just normal part of the loan documentation, where it was pledged and in fact we are looking at getting this whole thing also released based on our performance and the fact that the debt position has become much better, we are looking at getting this released as well.
- Apurva Mehta:** Okay. So, what is the current debt level in the company and what is the interest cost on the same?
- Harsh Vardhan Bassi:** Deepak you want to take this?
- Deepak Sipani:** Current debt level is Rs.294 million. And average cost of interest is 11% as of now.
- Harsh Bassi:** So, basically 29 crore debt for the entire company.
- Deepak Sipani:** Out of this Rs.29 crores, Rs.8 crore will be payable in this FY22.
- Moderator:** Thank you. The next question is from the line of Amit Doshi from Care PMS. Please go ahead.
- Amit Doshi:** Sir, you mentioned that whatever growth that is coming in because of the global uptrend in demand, in terms of prices the margins you may said that you will be able to do it, but historically we have been in the range 7%, 8% margin, this year clearly, we had the better margin and probably one of the key reason is the price realization as you mentioned. So, what would change or what change has happened that would allow us to generate from a margin of say 10%, 12% instead of 7%, 8% historically?
- Harsh Vardhan Bassi:** So, the cost optimization measures and the product mix which keeps on changing dynamically. So, all that would ensure that we maintain healthy margins. We are looking at it on a daily basis. And with a major focus on the bottom line, like I said focuses bottom line. So, we are extremely cognizant of the fact so especially the cost optimization would really help just to maintain it, because the learning which was complete and now it's been implemented on an everyday basis.

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**Amit Doshi:** So, on the product mix can you just share some more points, like what kind of different products that we have, and which has higher margin, lower margin anything that you can add?

**Harsh Vardhan Bassi:** So, basically Mr. Doshi the thing is that we do right from basic yarn to value added yarn. So, value added yarns obviously give you a better margin. And then amongst value-added also, let's say we are doing flame retardant, we are doing anti-microbial, we're doing different kind of texturize yarn with different applications, some yarns are only for carpets, some are for upholstery, and so like different segments or we could do a coarser yarn and a finer yarn both so the product mix, essentially would mean that when we are having decent order book position, and when the new inquiries come, you plan your production according to what is the most optimum mix based on your machinery. And the way you produce and the way you deliver. Our idea is to every order comes in, moves out in the shortest possible time with the best quality, in line with our production. So, that's how we optimize and change. And then suddenly let say another big order come or something comes, so like I said we are very, very nimble, we can change pretty fast. And these are all German machines from Barmag, this is the latest technology that is there in the world. And since we setup this plant in 2007, we've been upgrading every few years expanding, upgrading, expanding, upgrading. And so right now, the kind of plant we have is comparable to any other plant, any best plant across the world. And probably we would be counted amongst the best in our size. So, that's where the thread comes from.

**Amit Doshi:** Okay. Who could be our key competitors in India, we were just to comparing in your space?

**Harsh Vardhan Bassi:** Not many, but let's say a company like Dodiya, then a Creative Textiles and there is another textile company called Sujata Synthetics, PNR to name a few. I don't know their numbers or their capacities and all that. But these are the names which are in competition, which were doing a good work.

**Amit Doshi:** Okay, fine. And this 8 crores debt repayment mentioned that these could be repaid is part of that schedule or it's more like a voluntary reduction in the debt?

**Deepak Sipani:** No, this is scheduled payment, and this 8 crore will be repaid over the year, over FY22.

**Amit Doshi:** Okay. So, what is our target as of now, what level debt you would want to achieve or what level you would be comfortable?

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**Deepak Sipani:** Last year we have achieved EBITDA of 29 crores. And this year we should achieve this EBITDA also again.

**Harsh Vardhan Bassi:** No, he is asking more towards the debt.

**Amit Doshi:** Yes, my question is on the debt level, comfortable debt level for the company?

**Deepak Sipani:** Right now we are at comfortable level. Three years back it was 65 crores, in last two years we have paid 22 crores of debt.

**Amit Doshi:** Right. Okay, so I wanted to know basically, if you want to kind of become debt-free say by.....

**Deepak Sipani:** As of now we are very comfortable position.

**Harsh Vardhan Bassi:** If we don't expand or don't take any more debts then we will be debt-free in few years, then growth does demand expansion. And that expansion would require some outside funding as well. So, it's all part of the normal business and whenever we've expanded or done any such exercise, it's being taken in isolation. So, we do not calculate that what we are doing right now, whatever we are doing right now, we are paying for it right now. So, we calculate what extra will we generate, and how will that extra generate whatever extra liability is going to be taken. So, that's largely the thought process. So, I think, we will always maintain a very comfortable level irrespective.

**Amit Doshi:** Okay, so on the growth side, that was my next question so based on the current capacity that we have, we have around 10%, 15% room grow at current capacity level and what would be your just general judgment that by when you will be able to achieve so, then you will have to think about next level of capacity expansion or growth, etc?

**Harsh Vardhan Bassi:** Mr. Doshi, that's an ongoing process. As an entrepreneur, one doesn't stop dreaming or stop his vision. So, the idea is we continuously keep on planning and right now also we are internally we are debating which side to sort of expand and how to do it and all that but, I can only comment once the things fructify in plan and we sort of inform the exchanges and our board. Right now internally with, let's say, brainstorming within the team, we are evaluating different options.

**Amit Doshi:** Okay. And this SILKOLITE brand, so while I understand we are primarily into B2B business. So, how much this brand helps us, in terms of achieving better margins like to something say non branded product or is there any, because it's more like B2B, So,

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HAKOBA I understand that's more like a retail product, but this is more like a B2B. So, can you explain this SILKOLITE brand?

**Harsh Vardhan Bassi:** Yes, so SILKOLITE, we are probably the only company selling something which was always considered a commodity as a branded item. And let's say you go to Europe, or wherever segments we operate in people do know us by this name, we manage to create a niche and a name for the brand. Now, the impact is that let's say, a customer has a choice between SILKOLITE and non-branded, I'm very sure we do get some brownie points for the brand. And we do get a little push up there and that again is backed by, a brand is only as good as your performance. So, it's been rock solid 15 years of hard work and we've been using this brand from day one. The whole idea was, polyester yarn with look, feel and luster of silk. So, that's how SILKOLITE was coined. And it has always helped us, it's become sort of a calling card for our yarn business. People just know us by SILKOLITE, Pioneer may be there would be some odd person who would not know Pioneer in that segment but still know SILKOLITE for yarn and it's same with HAKOBA, embroidered fabric means HAKOBA so it does help.

**Amit Doshi:** Okay. You mentioned about overall second wave impact, so I believe that impact would probably restricted to the 40% of the business, which is domestic because broadly exports are kind of quite doing well, general and global economy other than India is opening up quite well. So, anything on that, so would that impact more on the domestic business?

**Harsh Vardhan Bassi:** Logically, what you are saying is correct. It would largely be towards the domestic demand only, that's what we feel but then again like I said, we are extremely bullish now that cases are going down, country's been open up, there is going to be a latent pent-up demand, it's not that people are stop usage and otherwise the economy is the larger numbers, government is quite cognizant and things are in place. So, we do see, and then there's a festive season ahead, probably aided by the fact that a lot of vaccinations would take place, I know there is lot of negative about slow speed and all that, but then for a country of our size, we are still doing quite well, and things are going to be speeding up soon. So, yes, to your point, it will be towards domestic only, but then we do feel that it should cover up to a great extent.

**Moderator:** Thank you. The next question is from the line of Apurva Mehta an Individual Investor. Please go ahead.

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**Apurva Mehta:** Sir, who are the end users of Embroidery and lace products, and what kind of growth we can expect in that segment?

**Harsh Vardhan Bassi:** Mr. Mehta the end users are, in the industrial embroidery segment, if I were to say the end users would be the apparel manufacturers, or even let say home furnishing manufacturers where they are selling embroidered curtains and all that or bed sets and where they are using laces, so for the industrial part, those people would be the end users. Otherwise for sarees the end users would be an individual, it goes to distributors, it goes to right from big chains to mom 'n' pop stores, chains even like people who are supplying to Reliance or to any big brands globally. See there are only so many embellishments that you can do on fabric, plain fabric you could either dye it or you could embroider it, you could do some sort of a hand embroidery, there are a few elements of embellishments. And see right now, where I see the embroidery headed, right now we are operating out of our three factories. One is in Coimbatore, one is in Silvassa which is in Dadra Haveli Union Territory, and then one is in Sarigam which is in Gujarat. So, going ahead we are looking at consolidating our operations to bring about cost optimization in this segment as well. And at the same time, we need to modernize our plants. So, the machinery and everything we would be looking at modernizing and which would then have a very good impact on, great impact on the numbers which once the plans are sort of firmed up then we can sort of share those numbers, that we are looking at it.

**Apurva Mehta:** Okay. We have seen many small unorganized players are finding difficult to operate the business after three reforms. So, we have to see its impact in our embroidery business as most of the competition is from unorganized segments.

**Harsh Vardhan Bassi:** If you could repeat that question again Mr. Mehta?

**Apurva Mehta:** Sir, we have seen many small unorganized players which finding difficult to operate the business after few reforms. So, we have seen it impacting our embroidery business as most of the competition is from unorganized segment.

**Harsh Vardhan Bassi:** Yes, especially after the GST and everything so we did see a turn around and after COVID so smaller, I would not say smaller players, but unorganized players would have no choice but to organize themselves in that sense and they will have to pay the taxes, they will have to take care of their employee benefits and everything. So, it's a slow process, but steadily slowly, purely they will have to get there. And for that part, till the time journey from here till there, there are very few players in organized segments,

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when as there are very good factories there are some very good factories in South region, there are very good factories in Delhi NCR or Amritsar side. So, it's a mix and I don't call them unorganized, while they may not be a listed company, but then they are very well managed factories, good setups. And then obviously, there are smaller players, two machines, three machines and smaller unorganized players. So, there is a competition, but then you see with the end customer again depends on end customer if the end customer is going to be supplying to larger chains globally, let's say someone who is supplying to Inditex, let's say Zara, they cannot do their production in a factory which is not approved by Zara. So, smaller players cannot get it approved because of the strong compliances they have, so our factory in Coimbatore is approved for Inditex, we have got certified in our factory, so our factory in South it can produce organic embroideries. And we are also working on getting our other two factories also approved and then we work with a lot of other let say if there is an order with the manufacturer for Reliance, the kind of numbers they want it cannot be done in a smaller factory. So, to that extent, you are largely insulated because of the segment that you operate in.

**Moderator:** Thank you. That was the last question, I would now like to hand the conference over to Mr. Vastupal Shah from Kirin Advisors for closing comments.

**Vastupal Shah:** Thank you everyone for joining the conference call of Pioneer Embroideries Limited. If you have any questions or queries you can write us at [vastupal@kirinadvisors.com](mailto:vastupal@kirinadvisors.com) and once more many thanks to everyone for joining the conference. Thank you.

**Harsh Vardhan Bassi:** Thank you everyone.

**Deepak Sipani:** Thank you everyone.

**Harsh Vardhan Bassi:** Thanks Deepak.

**Moderator:** Thank you. On behalf of Kirin Advisors that concludes this conference, thank you for joining us and you may now disconnect your lines.

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