

May 13, 2013

Facility	Amount (Rs. Crore)	Rating
Cash Credit (Sub Limit –Book Debts)	18.00 (7.50)	SMERA B+ / Stable/ Assigned

SMERA has assigned a rating of '**SMERA B+ (read as SMERA single B plus)**' to Rs. 18.00 crores long term facility of P. G. Industry Limited (PGIL). The outlook is 'Stable'. The rating is primarily constrained by modest scale of operation, below average capital structure and coverage indicators arising from the high working capital intensity of operations and strong correlations with cyclicity in construction and realty sector. The rating is further constrained by geographical concentration risk, susceptibility to foreign exchange fluctuations, de-licensing risk and exposure to intense competition due to existence of a large number of unorganized players in the industry. The rating however, derives support from the established presence of brand "Marble City" and experience of promoters in the marble industry.

PGIL is engaged in importing, processing & selling of imported marble. PGIL's revenue witnessed a moderate growth at a CAGR of 19% from FY 2008 to FY 2012.

PGIL procures rough marble blocks/ slabs from Italy and Turkey; import constitutes around 83% of the company's raw material requirement. PGIL does not hedge its foreign exposure despite its reliance on imports, thus exposing its profitability to foreign exchange fluctuation risk. The performance of the company is strongly correlated with the cyclicity of construction and realty sector. Further, PGIL is exposed to risk of de-licensing of marble imports, which could impact its competitive position. High working capital borrowings resulted in relatively high gearing of 2.72 times in FY 12 and thereby affecting its margins on account of increased interest expenses.

Further, delays in receivables from its major customers (primarily reputed real estate developers and constructions companies) & stiff credit terms from its suppliers has resulted in high working capital intensity for the company. Additionally, the company has to stock variety of marble sheets/slabs in its retail outlets and factory (on display as well as for processing) leading to higher inventory holding and further stretching its working capital cycle.

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The company has its retail shops and stock keeping units at Chandanhulla Village, Chattarpur Mandir Road and Ring Road, New Delhi and sells marble under the brand “Marble City” in northern India. Main customers of the company are Unitech Limited, Omaxe Limited, Parasvnath Developers Limited, Emaar MGF, BPTP, Aria Hotel and Three C Universe etc.

Outlook: Stable

PGIL has ‘Stable’ outlook due to its strength of longstanding presence, brand name and experience of the promoters in the marble industry. The company’s ability to improve its financial risk profile in terms of turnover, profitability, capital structure and effective working capital management are the key rating sensitivities.

About P. G. Industry Limited

PGIL, incorporated in December 1993, is engaged in cutting and processing of imported and indigenous marble. PGIL imports marbles from Italy, Egypt, Spain, Turkey, China and Iran. It has marble processing unit at Behror, Rajasthan, with a capacity to process 10,000 MTPA of raw marble blocks/ slabs. Majority of its revenue is contributed by construction and realty sector followed by interior designers and other retail customers.

For FY 2012, PGIL reported a net profit of Rs. 0.75 crores on a total income of Rs. 41.87 crores as against a net profit of Rs. 0.96 crores on a total income of Rs. 37.65 crores for FY 2011.

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