



SMERA RATINGS LIMITED

P.G. Industry Limited (PGIL)**Rating
Rationale****July 18, 2014**

Facility	Amount (Rs. Crore)	Rating
Cash Credit	18.00	SMERA C (downgraded from SMERA B+/Stable)

SMERA has downgraded the bank loan rating of P.G. Industry Limited (PGIL) to '**SMERA C**' (read as **SMERA C**) from 'SMERA B+/Stable'. The downgrade reflects the company's weakened liquidity position. The downgrade also reflects risks related to the enhanced corporate guarantee extended by the company to its group entity. The rating is constrained by deterioration in the company's financial risk profile on account of decline in revenue. The rating factors in benefits related to the company's established brand name and experienced management.

SMERA has arrived at the rating opinion on the basis of publicly available information (provisional financial statements of financial year 2013-14, as available on the Bombay Stock Exchange).

PGIL's weak liquidity position is evidenced by stretch in working capital cycle, which extended from 155 days in FY2012-13 (refers to financial year, April 01 to March 31) to 293 days (provisional) in FY2013-14 on account of increase in inventory holding from 146 days in FY2012-13 to 229 days in FY2013-14. Moreover, the company's cash credit limit is fully utilized during the past few months. PGIL has extended a corporate guarantee of Rs.9.25 crore in FY2012-13 (Rs.2.00 crore in FY2011-12) to its group company. The value of the corporate guarantee is ~90.16 per cent of the company's total tangible net worth (Rs.10.26 crore) as on March 31, 2014. SMERA thus believes that PGIL's financial risk profile is highly susceptible to invocation of the corporate guarantee.

About the company

PGIL, incorporated in December 1993, is a Delhi-based company engaged in cutting and processing of marble. PGIL imports marble slabs from Italy, Egypt, Spain, Turkey, China and Iran. The company has a processing unit in Behror (Rajasthan), with total processing capacity of 10,000 metric tonnes per annum (MTPA). PGIL mainly caters to the requirements of the real estate sector (commercial and residential).

For FY2013-14 (as per provisional financial statements), PGIL reported profit after tax (PAT) of Rs.0.38 crore on net sales of Rs.46.12 crore, as compared with PAT of Rs.0.82 crore on net sales of Rs.46.12 crore for FY2012-13. The company's net worth stood at Rs.10.26 crore (provisional) as on March 31, 2014, as compared with Rs.9.88 crore a year earlier.

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