

## Pacific Industries Limited

April 08, 2025

Facilities	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	81.00	CARE BBB-; Stable	Assigned
Long Term / Short Term Bank Facilities	48.00 (Enhanced from 26.80)	CARE BBB-; Stable / CARE A3	Reaffirmed
Short Term Bank Facilities	23.00	CARE A3	Reaffirmed
Long Term Bank Facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of Pacific Industries Limited (PIL) continues to derive strength from PIL's experienced promoters with strong group position, established track record of operations with diversified product portfolio and location advantage. Further, the ratings also derive strength from PIL's moderate albeit improving scale of operations in 9MFY25, comfortable capital structure and adequate liquidity.

The ratings, however, continue to remain constrained on account of moderation in profitability, moderate debt coverage indicators, susceptibility of profitability to fluctuations in forex exchange as well as its presence in highly competitive industry and prospects linked to real estate sector.

CARE Ratings Limited (CARE Ratings) has withdrawn the ratings assigned to the term loan and working capital term loan facility of PIL sanctioned by HDFC Bank as the company has repaid the said facility in full and there is no amount outstanding under the same as on date. The rating action has been taken at the request of the company and receipt of 'No Dues Certificate' from HDFC Bank for the facilities rated by CARE Ratings.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Sustained Improvement in scale of operations marked by total operating income (TOI) above Rs.350 crore along with PBILDT margin above 13% on sustained basis.
- Improvement in working capital cycle below 100 days.

#### Negative factors

- Decline in scale of operations with TOI below Rs. 140 crore or decline in PBILDT margin below 7.00% on a sustained basis.
- Deterioration in capital structure with overall gearing above 1.50x.
- Increase in working capital cycle above 180 days
- Deterioration in financial/ liquidity profile due to any negative impact of IT search

### Analytical approach: Standalone

#### Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the entity shall continue to benefit from the extensive experience of the promoters in the granite and quartz industry.

### Detailed description of key rating drivers:

#### Key strengths

##### Experienced and qualified management with strong group presence

Mr. Jagdish Prasad Agarwal, Chairman and Managing Director of PIL, has more than three decades of experience and looks after overall affairs of the company. He is assisted by Mr. Kapil Agarwal, Executive Director, who has around 15 years of experience in the industry. Further, the promoters are supported by the experienced second-tier management. The company belongs to Udaipur based Geetanjali Group and group concerns include Ojaswi Marbles and Granites Private Limited, Geetanjali Marble, Krishna Marble, Pacific Exports, Pacific Leasing and Research Limited, Yash Processors Private Limited, Pacific Iron manufacturing Limited, Chaitanya international Mineral LLP and Geetanjali University.

As per the clarification submitted by PIL to stock exchange on February 21, 2023, Income Tax department has conducted inquiry under section 132 and 133 of Income Tax Act, 1961 from February 16, 2023, to February 21, 2023. As conveyed by PIL's management to CARE Ratings, there have been no material findings from the inquiry conducted so far. As per disclosure made

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

to stock exchange, PIL will update stock exchange on material information of event, if any. CARE Ratings shall however continue to monitor the developments of the case and its impact, if any on the credit profile of PIL.

**Established track record of operations and diversified product portfolio**

PIL was incorporated in the year 1989 and has a track record of more than three decades in the industry having established relationship with its customers and suppliers. The company majorly exports its products to USA, Europe, Indonesia, Vietnam as well as Middle East countries. Over the years, PIL has received various awards and certification, such as "Star Export House" certification from the Ministry of Commerce and Industry, certificate of life member of All India Granite and Stone Association. It also has membership of Centre for Development of Stones and Confederation of Export Unit. Further, the company offers diversified products which includes variety of North Indian and South Indian granites in different styles, color, size and pattern etc. Further, it has flexibility to manufacture different varieties of quartz slabs by blending resins with quartz and other key materials to get slabs with desired colour, hardness and durability.

**Improving albeit moderate scale of operations**

In FY24, TOI of PIL increased marginally by 3% and remained stable at Rs.189.46 crore as against Rs.184.11 crore in FY23. In FY24, PIL generated ~10% of the revenue through iron ore trading. Further, in 9MFY25, the company has generated revenue of ~Rs.189.65 crore and expects to achieve full year TOI of Rs.250 -260 crore for FY25. During current year, the company has also bided for iron ore mines at Karauli District of Rajasthan and has also provided performance guarantee for the same. However, company expects revenue generation from mining would commence after 2-3 years, post completion of all legal, environmental and feasibility clearances.

**Comfortable capital structure**

The capital structure of PIL continues to remain comfortable marked by overall gearing of 0.36x (PY: 0.43) as on March 31, 2024. The improvement in overall gearing was on account of repayment of term debt obligations, part payment of unsecured loans from related parties and accretion of profits to reserves.

The debt coverage indicators of the company remained comfortable marked by PBILDT Interest Coverage of 5.17x and total debt/GCA of 3.18x.

**Location advantage with ease of availability of raw material and labour**

PIL's processing facility of granites is situated in Rajasthan and Karnataka which has the largest reserve of marbles & granites in India accounting of more than 91% of the total marble reserves of the country. There are many units located in the cities of Rajasthan, Karnataka and Andhra Pradesh which are engaged in the business of mining and processing of marbles and granites. Further, skilled labour is also easily available by virtue of it being situated in the marble & granite belt of India.

**Key weaknesses****Moderation in profitability**

Profitability of the company marked by PBILDT margin improved by 249 bps and stood at 10.04% in FY24 as against 7.55% in FY23. The improvement was on account of moderation in raw material prices. In line with the PBILDT margin, PAT margin improved by 426 bps and stood at 4.83% in FY24. The improvement was also supported by lower interest costs (due to repayment of part USL in FY24 end).

However, the PBILDT margin for the first nine months of FY25 decreased to 8.93%, due to increased raw material costs and intense competition from other players, which hindered the company's ability to pass on the higher prices to its customers.

**Risk associated with susceptibility to fluctuations in foreign exchange**

PIL is exposed to foreign exchange fluctuation risk considering that the company generated ~83% of TOI from export in FY24. The company gets benefit of natural hedge to some extent through import of raw materials though the proportion of imports is very low. Further, the company does not follow any active hedging policy and hence, profitability is vulnerable to fluctuation in raw material prices and forex fluctuations.

**Presence in highly competitive industry**

Globally, granite production is dominated by China, Brazil, India, Saudi Arabia, Italy and Spain. India has abundant resources of granite, which makes it one of the top three granite producers and one of the top five granite exporters in the world. Geologically, the southern and western belts in India are abundant in granite deposits. Different shades of granites are available in abundance in Tamil Nadu, Andhra Pradesh, Telangana, Karnataka, Maharashtra, Assam, Bihar, Rajasthan, Odisha, Meghalaya and Madhya Pradesh. The presence of vast mineral resources along with increasing demand globally has provided robust growth opportunities to players in the segment. Due to this, the industry is marked with presence of many unorganized players and the granite industry

is a fragmented industry which results in intense competition. Further, the company has ventured into manufacturing and distribution of Quartz stone which reduces the competition from unorganized players in the industry.

#### Prospects linked to cyclical real estate sector

As the entity is mainly involved in exports to USA, it is exposed to the risk of slowdown in demand of its products which is directly related to real estate sector in USA. Furthermore, the real estate sector is cyclical in nature. Also, any imposition of anti-dumping duty going forward may also impact performance of players in this industry.

#### Liquidity: Adequate

The liquidity of PIL continued to remain adequate marked by healthy cash flow from operations of Rs.37.09 crore and no long-term debt repayment obligations. PIL is expected to generate cash accruals in the range of Rs.13-18 crore from FY25 to FY27. The operating cycle of the company remained high at 133 days (168 days in FY23) on account of inventory period of 107 days. The company maintains high inventory due to nature of the product necessitating storage of minimum level of stocks of different types/shades and partly due to nature of business being natural stones. Average utilization of its working capital bank borrowings was high at 93% during last 6 months ended December 2024.

PIL had outstanding receivables of Rs.23.48 crore due for more than 6 months as on December 31, 2024. These clients are primarily based in the US and operate in the granite segment. Most of the outstanding amount is expected to be recovered in the coming months, while Rs. 3-4 crore will be written off over the next few years.

#### Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Short Term Instruments](#)

#### About the company and industry

##### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Granites & Marbles

Udaipur (Rajasthan) based Pacific Industries Limited (PIL) was incorporated in 1989 by Mr Jagdish Prasad Agarwal along with other family members and in 2001, the shares of the company were listed on Bombay Stock Exchange. Further, in FY17, the company formed two 100% wholly owned subsidiary namely, Gaze Fashiontrade Limited (GFL) and Gist Minerals & Technologies Limited (GMTL). In November 2020, PIL incorporated a wholly owned subsidiary in USA in the name of Taanj Quartz INC for marketing of quartz. Presently PIL has 3 wholly owned subsidiaries GMTL, GFL and Taanz Quartz INC.

Initially, PIL was engaged in the business of processing of granite from its processing plant located at Udaipur and Bangalore (Karnataka). Subsequently, to diversify its product portfolio and to cope up with increasing demand of quartz slabs (engineered stone), the company set up a plant in FY20 for manufacturing of quartz slabs in Udaipur. The plants of the company have total installed capacity of 12,000 Tonnes Per Annum (TPA) to process granite and 6,00,000 square meter per annum for quartz slabs. The company sells granite in domestic market as well as export to USA, Europe, Indonesia, Vietnam and Middle East whereas it sells entire quartz slabs and tiles to USA and European countries.

To diversify the business operations, PIL has secured an iron ore mining site in the Karauli district of Rajasthan through a bidding auction for a 50-year period. The lease agreement for the same is pending and is expected to be finalized in the next few years.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	184.11	189.46	189.65
PBILDT	13.91	19.02	16.93
PAT	1.04	9.15	3.18
Overall gearing (times)	0.43	0.36	NA
Interest coverage (times)	1.72	5.17	3.41

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	30/09/2027	0.00	Withdrawn
Fund-based - LT-Working capital Term Loan		-	-	30/11/2024	0.00	Withdrawn
Fund-based - LT/ ST-EPC/PSC		-	-	-	48.00	CARE BBB-; Stable / CARE A3
Non-fund-based - LT-Bank Guarantee		-	-	-	81.00	CARE BBB-; Stable
Non-fund-based - ST-Forward Contract		-	-	-	5.00	CARE A3
Non-fund-based - ST-Letter of credit		-	-	-	18.00	CARE A3

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	-	-	1)CARE BBB-; Stable (01-Apr-24)	1)CARE BBB-; Stable (03-Apr-23)	1)CARE BBB-; Stable (05-Apr-22)	-
2	Fund-based - LT/ST-EPC/PSC	LT/ST	48.00	CARE BBB-; Stable / CARE A3	1)CARE BBB-; Stable / CARE A3 (01-Apr-24)	1)CARE BBB-; Stable / CARE A3 (03-Apr-23)	1)CARE BBB-; Stable / CARE A3 (05-Apr-22)	-
3	Non-fund-based - ST-Letter of credit	ST	18.00	CARE A3	1)CARE A3 (01-Apr-24)	1)CARE A3 (03-Apr-23)	1)CARE A3 (05-Apr-22)	-
4	Fund-based - LT-Working capital Term Loan	LT	-	-	1)CARE BBB-; Stable (01-Apr-24)	1)CARE BBB-; Stable (03-Apr-23)	1)CARE BBB-; Stable (05-Apr-22)	-
5	Non-fund-based - ST-Bank Guarantee	ST	-	-	-	1)Withdrawn (03-Apr-23)	1)CARE A3 (05-Apr-22)	-
6	Non-fund-based - ST-Forward Contract	ST	5.00	CARE A3	1)CARE A3 (01-Apr-24)	1)CARE A3 (03-Apr-23)	1)CARE A3 (05-Apr-22)	-
7	Non-fund-based - LT-Bank Guarantee	LT	81.00	CARE BBB-; Stable				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT-Working capital Term Loan	Simple
3	Fund-based - LT/ ST-EPC/PSC	Simple
4	Non-fund-based - LT-Bank Guarantee	Simple
5	Non-fund-based - ST-Forward Contract	Simple
6	Non-fund-based - ST-Letter of credit	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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### About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

### Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

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