



— Beautiful Life —

Date: 23rd July, 2024

To,
Corporate Relations Department
BSE Limited
2nd floor, P.J. Tower,
Dalal Street,
Mumbai – 400 001
Company Code: 532888

To
Corporate Relations Department
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1, G-Block
Bandra Kurla Complex, Bandra (E),
Mumbai- 400 051
Company Code: ASIANTILES

Dear Sir/ Madam,

Subject: Reply to Clarification under Regulation 30 of SEBI (LODR) Regulations, 2015 against NSE mail dated 23rd July, 2024 on credit rating announcement filed on 03rd June, 2023.

With reference to the captioned subject, please find intimation on credit rating made on 03rd June, 2023 along with Rating Letter and the rationale of Credit Rating published by the Credit Rating Agency.

Rating Letter and the rationale of Credit Rating published by Credit Rating Agency is attached as per the requirement of National Stock Exchange of India Limited vide their mail dated 23rd July, 2024.

Request you to take the same on record.

Thanking You.

Yours faithfully,

For Asian Granito India Limited

Dhruti Trivedi
Company Secretary and Compliance Officer

Regd. & Corp. Office:
202, Dev Arc, Opp. Iskcon Temple,
S. G. Highway, Ahmedabad - 380 015
Gujarat (INDIA)
Tel : +91 79 66125500/698
E : info@aglasiangranito.com
W : www.aglasiangranito.com
CIN : L17110GJ1995PLC027025

TILES | MARBLE | QUARTZ | BATHWARE



Asian Granito India Ltd.

Date: 3rd June, 2023

To,
Corporate Relations Department
BSE Limited
2nd floor, P.J. Tower,
Dalal Street,
Mumbai – 400 001
Company Code: 532888

To
Corporate Relations Department
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1, G-Block
Bandra Kurla Complex, Bandra (E),
Mumbai- 400 051
Company Code: ASIANTILES

Dear Sir/ Madam,

Subject: Revision in Rating.

Pursuant to regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that ICRA Limited, vide its letter dated 2nd June, 2023 has downgraded the long term rating to [ICRA]BBB+ (pronounced ICRA BBB plus) from [ICRA]A- (pronounced ICRA A minus) and the short-term rating to [ICRA]A2 (pronounced ICRA A2) from [ICRA]A2+ (pronounced ICRA A two plus) – assigned to the Rs. 156.00 crore for the Bank facilities of Asian Granito India Limited. The Outlook on the long-term rating is Negative.

Request you to take the same on record.

Thanking You.

Yours faithfully,

For Asian Granito India Limited

DHRUTI
MAHESH
TRIVEDI

Dhruti Trivedi
Company Secretary and Compliance Officer

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Asian Granito India Ltd.



ICRA

ICRA Limited

Ref: ICRA/Asian Granito India Limited/02062023/1

Date: June 02, 2023

Mr. Kamlesh Patel

Managing Director

Asian Granito India Limited

202, Devarc, Opp Iskon Temple,
Sarkhej Gandhinagar Highway,
Ahmedabad, Gujarat - 380015

Dear Sir,

Re: ICRA-assigned Credit Rating for Rs. 156.00 crore Bank Facilities (details as per Annexure) of Asian Granito India Limited.

Please refer the Rating Agreement dated August 28, 2014 between ICRA Limited (“ICRA”) and your company, whereby, ICRA is required to review the ratings assigned to your company on an annual basis or as and when the circumstances so warrant. Based on a review of the latest developments, the Rating Committee of ICRA, after due consideration, has downgraded the long-term rating to [ICRA] BBB+ (pronounced ICRA BBB plus) from [ICRA] A- (pronounced ICRA A minus). The outlook on the long-term rating is Negative. The Rating Committee of ICRA, after due consideration, has downgraded the short-term rating to “[ICRA]A2” (pronounced ICRA A two) from ICRA A2+(pronounced ICRA A two plus). For Rating definition(s), please refer to ICRA website at www.icra.in.

In any of your publicity material or other document wherever you are using the above Rating(s), it should be stated as [ICRA]BBB+ (Negative)/[ICRA]A2.

The aforesaid Rating(s) will be due for surveillance any time before June 01, 2024. However, ICRA reserves the right to review and/or, revise the above Rating(s) at any time on the basis of new information becoming available, or the required information not being available, or other circumstances that ICRA believes could have an impact on the Rating(s). Therefore, request the lenders and investors to visit ICRA website at www.icra.in for latest Rating(s) of the Company.

The Rating(s) are specific to the terms and conditions of the bank facilities as indicated to us by you, and any change in the terms or size of the same would require a review of the Rating(s) by us. In case there is any change in the terms and conditions or the size of the rated bank facilities, the same must be brought to our notice before the bank facilities is used by you. In the event such changes occur after the Rating(s) have been assigned by us and their use has been confirmed by you, the Rating(s) would be subject to our review, following which there could be a change in the Rating(s) previously assigned. Notwithstanding the foregoing, any change in the over-all limit of the LOC from that specified in the first paragraph of this letter would constitute an enhancement that would not be covered by or under the said Rating Agreement.

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The Rating(s) assigned must be understood solely as an opinion and should not be treated, or cause to be treated, as recommendation to buy, sell, or hold the rated bank facilities availed/issued by your company.

You are also requested to forthwith inform us about any default or delay in repayment of interest or principal amount of the instrument rated, as above, or any other debt instruments/ borrowing and keep us informed of any other developments which may have a direct or indirect impact on the debt servicing capability of the company including any proposal for re-schedulement or postponement of the repayment programmes of the dues/ debts of the company with any lender(s) / investor(s) or occurrence of any significant development that could impact the ability of the company to raise funds such as restriction imposed by any authority from raising funds through issuance of debt securities through electronic bidding system. Further, you are requested to inform us immediately as and when the borrowing limit for the instrument rated, as above, or as prescribed by the regulatory authority(ies) is exceeded.

We look forward to your communication and assure you of our best services.

With kind regards,

Yours sincerely,

For ICRA Limited

SUPRIO
BANERJEE

Digitally signed by
SUPRIO BANERJEE
Date: 2023.06.02
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Suprio Banerjee
Sector Head & Vice President
Supriob@icraindia.com



Annexure: Instrument Details

Details of Bank Limits Rated by ICRA (Rated on Long-Term Scale)	Amount (Rs. crore)	Rating	Rating Assigned on
	Working Capital Loan		
IDBI Bank	45.00	[ICRA]BBB+(Negative)	June 02, 2023
HDFC Bank	40.00	[ICRA] BBB+ (Negative)	June 02, 2023
IndusInd Bank	15.00	[ICRA] BBB+ (Negative)	June 02, 2023
Total	100.00		

Details of Bank Limits Rated by ICRA (Rated on Short-Term Scale)	Amount (Rs. crore)	Rating	Rating Assigned on
	Bank Guarantee & Letter of Credit		
IndusInd Bank	46.00	[ICRA]A2	June 02, 2023
IDBI Bank	10.00	[ICRA]A2	June 02, 2023
Total	56.00		

June 02, 2023

Asian Granito India Limited: Ratings downgraded to [ICRA] BBB+ (Negative); short-term rating downgraded to [ICRA] A2

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based – Working capital	100.00	100.00	[ICRA]BBB+(Negative); downgraded from [ICRA] A- (Negative)
Non-fund based – Bank guarantee & Letter of credit	56.00	56.00	[ICRA]A2; downgraded from [ICRA] A2+
Total	156.00	156.00	

Rationale

The downgrade in the ratings of Asian Granito India Limited (AGL) factors in the continued moderation in its profitability in Q4 FY2023 and FY2023 because of input cost pressure and bad debt write-offs, which has weakened its debt coverage metrics. The performance has remained weaker than ICRA's expectations and the Negative outlook reflects that the company's credit profile is likely to remain under pressure in the medium term, in the backdrop of elevated input cost pressure. AGL has underperformed compared to other larger peers because of non-availability of APM gas (resulting in spot purchase from Sabarmati Gas) in its subsidiary Crystal Ceramic Industries Pvt Ltd (CCIPL) and change in product profile (in subsidiaries – Amazone Ceramics Ltd and CCIPL), which led to lower capacity utilisation. Moreover, the debtor write-off, increase in advertisement expenses and input cost pressure impacted the profitability of standalone operations, thereby further dragging the profitability at the consolidated level. Going forward, the company's ability to ramp-up operations of its subsidiary and improve the overall profitability levels remains a key rating monitorable.

Apart from the susceptibility of its profitability to adverse fluctuations in raw material and fuel prices, the ratings remain constrained by the working capital-intensive nature of the company's operations. AGL derives a sizeable share of its revenues from the project business, which results in an elongated receivable cycle and higher working capital intensity than other similar-sized peers in the industry. The debtor cycle is expected to moderate in FY2024, given the substantial write-offs in bad debt in FY2023. The ratings factor in the intense competition in the industry from large as well as mid-sized players in the organised market, and the cyclical nature associated with the real estate sector, which remains the key end-user of tiles.

The ratings, however, continue to factor in AGL's low leverage (TOL/TNW of 0.5 times as on March 31, 2023), following the fund raising of ~Rs. 665 crore over the past year, resulting in a reduction in the overall debt levels. Of the total proceeds from the rights issue, around Rs. 172 crore is currently parked in fixed deposits with the banks/financial institutions, which have been earmarked towards the ongoing capacity expansion plans and working capital requirements, limiting the company's dependence on external debt. Further, it has obtained shareholder approval for preferential allotment of Rs. 97.74 crore and the utilisation of the said amount would mainly be towards meeting working capital requirements of CCIPL and the balance towards reducing debt at AGL level. Nonetheless, the return metrics are likely to remain constrained until commensurate returns from the capex starts flowing in due to subdued profitability. ICRA notes the extensive experience of AGL's promoters in the tiles industry and its established brand positioning in the domestic market, which along with its diversified product range and wide distribution network led to steady sales growth.

ICRA has previously considered the search and seizure operation carried out by the Income Tax (I-T) Department at various locations of the AGL Group in May 2022. ICRA would continue to closely monitor any further developments in this regard and take appropriate rating action, if necessary.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters; established presence in Indian ceramic industry – AGL’s promoters have extensive experience spanning over two decades in the ceramic industry, which has helped it to forge strong relationships with its suppliers and customers. At present, AGL is the fourth largest player in the domestic ceramic tiles industry and accounts for approximately ~3-4% of the domestic market share.

Diversified product profile and wide distribution network – The product portfolio of the Group is well diversified and comprise ceramic wall and floor tiles, vitrified tiles, quartz, marble and sanitaryware. At present, the Group has an established presence in the domestic market with a wide distribution network comprising over 6,500 dealers/sub-dealers and 235 exclusive showrooms pan-India. Moreover, the Group exports to the Middle East, the US, the UK, Europe, Africa, and Indonesia (around 13% of the Group’s revenues were derived from exports in FY2023).

Equity infusion through rights issue has resulted in significant improvement in net worth – The company has raised equity of Rs. 625 crore through rights issuance last year, which has resulted in significant improvement in the net worth levels to Rs. ~1,256 crore in March 2023 (from Rs. 918 crore in FY2022). Of the proceeds from the rights issue, around ~Rs. 165 crore has been utilised towards debt reduction, which has improved the capital structure (TOL/TNW of 0.5 times as of March 2023 at the consolidated level), while the balance will be utilised towards its ongoing capacity expansion plans and working capital requirements (to support sales growth). The company obtained shareholder approval for preferential allotment of Rs. 97.74 crore and the utilisation of the said amount would mainly be towards meeting working capital requirements of CCIPL and the balance towards reducing debt at AGL level.

Credit challenges

Moderation in profitability and debt coverage metrics; vulnerability to adverse fluctuations in raw material and fuel prices – Raw material and fuel are the two major cost components (~70%-75%) for the company. Its profitability remains susceptible to fluctuations in raw material and fuel prices, given its limited ability to pass on the rise to customers amid intense competition in the industry. Gas prices witnessed a significant upsurge in the recent past, especially for CCIPL, which earlier enjoyed access to cheaper gas from ONGC. Notwithstanding the periodic price revisions undertaken by the company, its inability to pass on the same, in a timely manner, resulted in a moderation in operating profitability to -4.4% in FY2023, from 8.0% in FY2022. Its ability to pass on the price hikes remains crucial for improvement in the overall profitability indicators and remains a key monitorable. Moreover, substantial capital expansion is expected to result in a considerable moderation in the return indicators in the medium term, until commensurate returns from the capex starts flowing in.

Working capital-intensive operations – The company’s working capital intensity has remained high, reflected by NWC/OI of around 30-35% in the past, because of high receivables and inventory levels. AGL normally provides a credit period of up to 90 -100 days to its customers and receives a credit period of up to 120 days from its suppliers. Besides, it maintains around 60-90 days of its raw material requirement and finished goods inventory to service any immediate requirements, resulting in high overall inventory days.

Intense competition and cyclicity in real estate industry – The ceramic tile industry is intensely competitive, with the presence of large players such as Kajaria Ceramics, H&R Johnson (India) (a division of Prism Johnson) and Somany Ceramics as well as other mid-sized players in the organised market. Moreover, the real estate industry remains the major end-user of ceramic tiles. Hence, the Group’s revenues and cash flows are vulnerable to cyclicity in the end-user industry.

Liquidity position: Adequate

As on March 31, 2023, the company had unencumbered cash and liquid investments of around ~Rs. 12 crore (excluding ~Rs. 172 crore earmarked against capex as per the offer letter for rights issuer), which along with undrawn lines of ~Rs. 42.00 crore supports its liquidity position. It has mutual fund investments of ~Rs. 13 crore. ICRA notes that AGL does not have any material long-term debt repayment obligations and is expected to maintain adequate buffer in its working capital lines.

Environmental and social risks

Environmental considerations – Tiles manufacturing is an energy-intensive process requiring substantial quantities of fuel and thus, resulting in greenhouse gas emissions, waste generation and pollution. As such, the industry’s (and AGL’s) exposure to litigation/penalties arising from issues related to waste and pollution management remains relatively high. However, as per the company’s annual report of FY2023, it has taken initiatives towards the use of clean technology and energy efficiency. Its hazardous waste and emissions have remained within the permissible limits of CPCB/SPCB in FY2023. Nonetheless, AGL’s cash flows remain exposed to the increasing investment requirements to comply with stringent pollution norms.

Social considerations – Social risk in the industry stems from the health and safety concerns of employees involved in the mining of clay, among other things. Further, given the dependence on human capital, entities in the tiles industry are exposed to labour-related risks and risks of protests/social issues with local communities, which could impact expansion/modernisation plans or disrupt regular operations. While these issues have not hindered AGL’s expansion plans in the past, a lack of sensitivity in managing these risks could result in cost overruns in the context of its large medium-term capacity expansion plans. It also remains exposed to any major shift in consumer preferences, which are a key driver for demand, and accordingly may need to make material investments to realign its product portfolio.

Rating sensitivities

Positive factors – The outlook can be revised to Stable with improvement in the profit margins and the overall liquidity position, on a sustained basis, at a consolidated level.

Negative factors – Downward pressure on the ratings could arise in case of a substantial decline in scale or inability to improve profitability. Further, any large debt-funded capex or a considerable stretch in the working capital cycle or any significant demand from the I-T Department (on account of search and seizure operation in the past), which weakens the consolidated liquidity profile, may lead to a downward revision in the ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	ICRA has considered the consolidated financials of AGL.

About the company

Incorporated in 2002 by Mr. Kamlesh Patel and Mr. Mukesh Patel, AGL is a leading manufacturer of ceramic tiles with a product range including wall tiles, floor tiles, vitrified tiles, marble, quartz and sanitaryware. Over the years, the company has expanded its production capacities as well as product range, providing manufacturing and marketing of flooring solutions under the brand name of AGL. AGL has ten manufacturing facilities (including three facilities of subsidiaries) in Morbi and Himmatnagar region of Gujarat, with an overall installed capacity of ~26.4 million sq. mt. at present. The company is listed on the Bombay Stock Exchange and the National Stock Exchange.

Key financial indicators (audited)

	Standalone			Consolidated		
	FY2021	FY2022	FY2023	FY2021	FY2022	FY2023
Operating income (Rs. crore)	1,036.2	1,349.1	1,353.7	1,292.3	1,563.8	1,562.7
PAT (Rs. crore)	49.2	87.9	(26.4)	55.7	91.6	(86.9)
OPBDIT/OI (%)	9.4%	6.5%	(2.8%)	10.5%	8.0%	(4.4%)
PAT/OI (%)	4.8%	6.5%	(1.9%)	4.3%	5.9%	(5.6%)
Total liabilities/Tangible net worth (times)	0.8	0.3	0.3	1.1	0.6	0.5
Total debt/OPBDIT (times)	1.2	0.2	(2.1)	2.2	1.6	(3.3)
Interest coverage (times)	5.7	12.6	(4.3)	3.9	5.3	(2.5)

Status of non-cooperation with previous CRA: Not applicable
Any other information: None
Rating history for past three years

Instrument	Type	Amount (Rs. crore)	Amount Outstanding as on Jun 02, 2023 (Rs. crore)	Current Rating (FY2024)	Chronology of Rating History for the Past 3 Years								
					Date & Rating	Date & Rating in FY2023				Date & Rating in FY2022		Date & Rating in FY2021	
						02-Jun-23	10-Feb-23	25-Nov-22	13-Sep-22	3-Jun-22	27-Oct-21	23-Mar-21	27-Jul-20
Term loans	Long-term	-	NA	-	-	-	-	[ICRA] A+ (Negative)	[ICRA] A+ (Stable)	[ICRA] A+ (Stable)	[ICRA] A (Stable)	[ICRA] A (Negative)	[ICRA] A (Negative)
Working capital facilities	Long Term	100	NA	[ICRA]BBB+ (Negative)	[ICRA]A- (Negative)	[ICRA]A (Negative)	[ICRA] A+ (Negative)	[ICRA] A+ (Stable)	[ICRA] A+ (Stable)	[ICRA] A (Stable)	[ICRA] A (Stable)	[ICRA] A (Negative)	[ICRA] A (Negative)
Bank guarantee & Letter of credit	Short Term	56	NA	[ICRA]A2	[ICRA]A2+	[ICRA]A2+	[ICRA] A1	[ICRA] A1	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1
Unallocated limits	Long Term	-	-	-	-	-	-	-	-	-	-	[ICRA] A (Negative)	[ICRA] A (Negative)

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term – Fund-based – Working capital	Simple
Short-term – Bank guarantee & Letter of credit	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Working capital	NA	NA	NA	100.00	[ICRA]BBB+(Negative)
NA	Bank guarantee & Letter of credit	NA	NA	NA	56.00	[ICRA]A2

Source: Company

Annexure-II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Amazoone Ceramics Ltd	97.83%	Full Consolidation
Crystal Ceramic Industries Pvt. Ltd.	70%	Full Consolidation
Future Ceramics Pvt. Ltd.	100%	Full Consolidation
AGL Sanitaryware Pvt. Ltd	100%	Full Consolidation
AGL Industries Limited	100%	Full Consolidation
AGL Global Trade Pvt. Ltd	100%	Full Consolidation
AGL Surfaces Pvt. Ltd.	100%	Full Consolidation

Source: Company's annual report FY2023

ANALYST CONTACTS

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info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



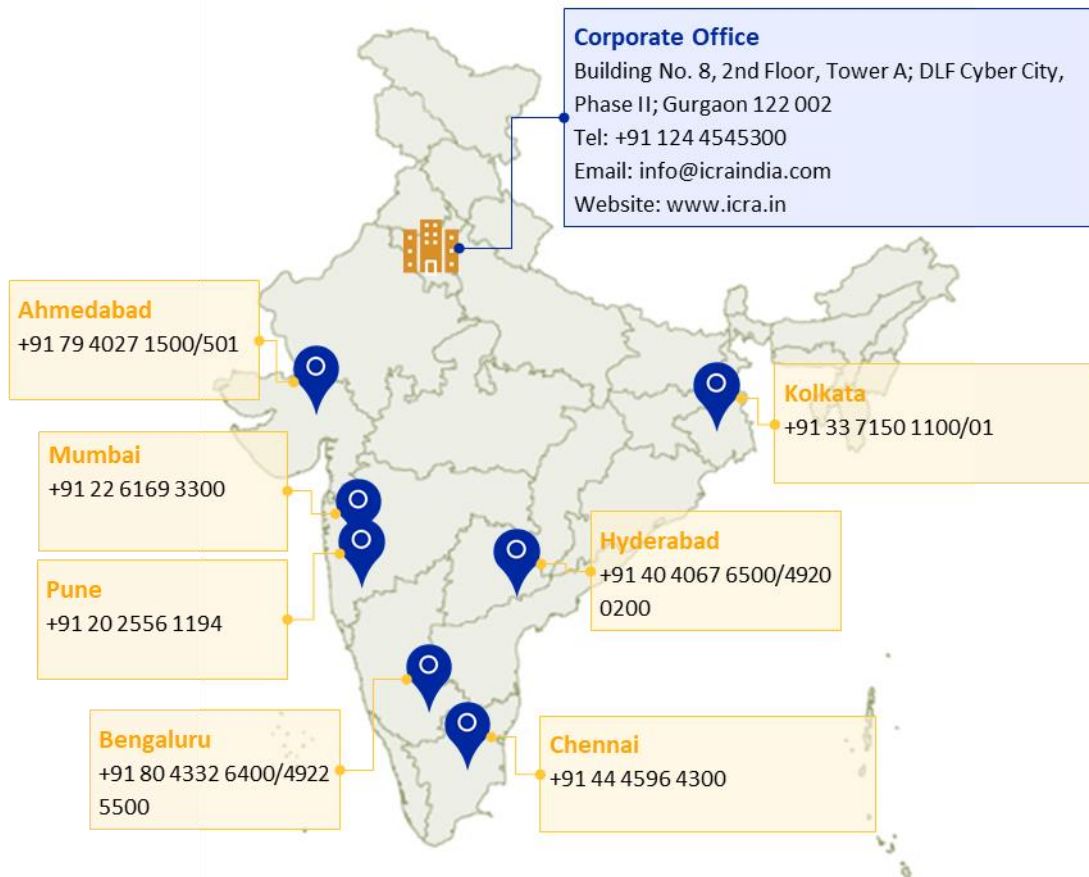
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Branches



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