Asian Granito India Limited

Instrument	Amount	Rating Action
Cash Credit	Rs. 200.00 crore	[ICRA]A upgraded from [ICRA]A-; rating watch with developing implications removed; Stable outlook assigned
Term Loan	Rs. 15.00 crore (reduced from Rs. 27 crore)	[ICRA]A upgraded from [ICRA]A-; rating watch with developing implications removed; Stable outlook assigned
Unallocated Limits	Rs. 36.16 crore (increased from Rs. 15 crore)	[ICRA]A upgraded from [ICRA]A-; rating watch with developing implications removed; Stable outlook assigned
Short term non fund based limits	Rs. 60.84 crore (reduced from Rs. 70 crore)	[ICRA]A1 upgraded from [ICRA]A2+; rating watch with developing implications removed

ICRA has upgraded the long-term rating to [ICRA]A (pronounced ICRA A) from [ICRA]A- (pronounced ICRA A minus) assigned to the Rs. 200.00 crore[1] cash credit limits, the Rs. 15.00 crore term loans (reduced from Rs. 27 crore) and the Rs. 36.16 crore unallocated limits (increased from Rs. 15 crore) of Asian Granito India Limited (AGL)[2]. ICRA has also upgraded the short-term rating to [ICRA]A1 (pronounced ICRA A one) from [ICRA]A2+ (pronounced ICRA A two plus) assigned to the Rs. 60.84 crore short-term non-fund based facilities (reduced from Rs. 70 crore) of AGL. The rating watch with developing implications has been removed. The outlook on the long-term rating is Stable.

For arriving at the ratings, ICRA has consolidated business and financial risk profile of Asian Granito India Limited, following the amalgamation of Artistique Ceramic Private Limited (Artistique) with AGL with effect from July 01, 2015. Post amalgamation, AGL holds 94.2% stake in Amazoone Ceramics Limited (ACL) and 70% stake in Crystal Ceramic Industries Private Limited (CCPL) through Kedia Ceramics (erstwhile held by Artistique Ceramic Private limited). The upgrade in the ratings factors in the improvement in scale and profit margins in FY2016 and Q1 FY2017 at consolidated levels on account of integration benefits, arising from the amalgamation of AGL with Artistique. At consolidated levels, the profit margins are expected to improve further on account of increasing focus on manufacturing premium products in vitrified tiles segment, with newly commissioned plant of double charged vitrified tiles (DCVT) in Crystal Ceramics; and declining trend of gas prices coupled with domestic gas supply arrangement with RasGas Company Limited and ONGC Limited in two of its unit (Artistique and Crystal) at relatively lower rate (~Rs. 11 per scm). ICRA notes that the gearing levels have increased to 0.9 time in FY2016 at consolidated levels due to highly leveraged capital structure of subsidiaries following debt funded capex undertaken in the last two fiscals for capacity addition. Nevertheless, the plans to convert Rs. 22.50 crore of unsecured loans to equity in Crystal Ceramics, healthy accruals, scheduled debt repayments and improvement in working capital requirements are likely to improve capital structure going forward. The ratings also take in to account the comfortable liquidity position of the company, AGL's wide product range, strong brand and established market position in the domestic tiles market in the Western & Southern region.

The ratings are, however, constrained by the highly competitive nature of the tile industry marked by the presence of large organised players as well as numerous small scale tile manufacturers, centred largely in Morbi; high working capital intensity of operations driven by high inventory requirements and receivables, which result in moderate return indicators; and vulnerability of profitability to rise in input costs, especially power and gas. Profit margins may also be tempered by a higher proportion of trading sales. Nevertheless, the company's strong brand should help it in passing these rising costs to its customers to a large extent, as has been the case in the past.

Company Profile

Asian Granito India Limited (AGL) was incorporated in 2002 as a manufacturer of ceramic tiles, by Mr Kamlesh Patel and Mr. Mukesh Patel. The company has extended production capacities as well as the product range

[1] 100 lakh = 1 crore = 10 million

[2] For complete rating definition, please refer to ICRA Website www.icra.in or any of the ICRA Rating Publications

over the years and is a leading ceramic player todayengaged in manufacturing and marketing of flooring solutions under its brand name 'AGL'. The product range includes wall tiles, vitrified tiles, ceramic floor tiles, marble and quartz. AGL has eight manufacturing facilities (including two facilities of subsidiaries) located in the state of Gujarat. With acquisitions and expansions carried out both in-house and in subsidiaries, the total tile manufacturing capacity of the company has increased to 33.2 million square meters (msm) on a consolidated basis.

At standalone level, AGL reported an operating income of Rs 872.98 crore and PAT of Rs. 18.93 crore in FY2016 as against an operating income of Rs 823.23 crore and PAT of Rs. 14.48 in FY2015. At consolidated levels, AGL reported an operating income of Rs 993.90 crore and PAT of Rs. 23.74 crore in FY2016.

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