Asian Granito India Limited

August 28, 2018

Summary of Rated Instrument:

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term Fund-based Term Loan	24.00	24.00	[ICRA]A (Stable)
Long-term Fund-based Cash Credit	200.00	200.00	[ICRA]A (Stable)
Unallocated Limits	17.16	17.16	[ICRA]A (Stable)
Short-term Non-fund-based limits	70.84	70.84	[ICRA]A1
Total	**312.00**	**312.00**	

Material Event

Asian Granito India Limited (AGL) has announced its quarterly results on August 13, 2018. At consolidated levels, AGL reported steady revenue growth of ~6% from Rs. 225.7 crore in Q1FY2018 to Rs. 238.7 crore in Q1FY2019, driven by healthy volume growth of ~23%. Realisations however, declined by ~12%, following increase in competition with large capacity addition (~100 new units in Morbi region) in the last two fiscals. Operating profitability witnessed a significant decline from ~13.1% in Q1FY2018 to ~8.7% in Q1FY2019, because of decline in realisations, increase in fuel cost and sharp increase in employee cost. Correspondingly, the PAT margins also declined to 2.2% Q1 FY2019 from 4.5% in Q1 FY2018.

Impact of the Material Event

The ratings remain unchanged at the earlier rating of [ICRA]A (Stable) and [ICRA]A1 as ICRA expects the margins to recover from the current levels in the coming quarters, owing to sustained volume growth, the price hike of ~5% by the company across all product segments w.e.f. July 01, 2018 and the cost control measures adopted by the company to reduce other direct/indirect expenses.

Further, the ratings continue to factor in AGL's strong brand presence and established market position in the domestic tiles industry, wide product range and healthy financial risk profile, marked by comfortable capital structure and debt coverage indicators and adequate liquidity position. 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, cyclicality associated with the real estate sector and the working capital intensive nature of the company's operations. Going forward, the company's ability to expand and stabilize its operating margins, scale up its business while also maintaining its comfortable capital structure and debt protection metrics would remain key rating sensitivities.

The previous detailed rating rationale is available on the following link: Click here

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