

December 05, 2024

## Amman Granites: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Export packing credit (EPC)	12.00	12.00	[ICRA]BBB- (Stable); reaffirmed
Long-term – Fund-based – Cash credit (CC)^	(0.20)	(0.20)	
Long-term – Fund-based – Foreign bill discounting	15.00	15.00	
Short-term – Non-fund based	3.00	3.00	[ICRA]A3; reaffirmed
<b>Total</b>	<b>30.00</b>	<b>30.00</b>	

\*Instrument details are provided in Annexure-I; ^Sub-limit of EPC limits

### Rationale

For arriving at the ratings, ICRA has consolidated the operational and financial profile of Amman Granites (AG) and AG Granites Private Limited (AGGPL) (together referred as the Group), based on the common shareholders, management, the presence of cross default clauses and the entities being operated as extended arms of each other.

The reaffirmation of the ratings factors in the sustained comfortable financial risk profile and established operational track record of the Group in the granite industry. The Group's leverage and debt coverage indicators are likely to be adequate in the medium term, supported by moderate debt levels and absence of debt-funded capex plans. The working capital debt has increased in FY2024 to support elongation in debtor and inventory cycle due to global headwinds. However, the leverage and debt coverage metrics remained adequate with total outside liabilities (TOL)/tangible net worth (TNW) at 1.4 times, interest coverage of 3.4 times and debt service coverage ratio (DSCR) of 2.9 times in FY2024. The ratings derive comfort from the Group's established relationship with key customers, which has resulted in repeat orders and lend stability to its revenue. It has a strong supplier network, along with own quarries, which ensures timely availability of raw materials of desired quality.

The ratings, however, remain constrained by the Group's high working capital-intensive nature of operations, with net working capital/operating income (NWC/OI) increasing to 49% in FY2024 from 32% in FY2023 on account of delayed payments and shipments due to geopolitical issues like the Red Sea crisis and the Russia-Ukraine war. The NWC/OI is expected to be in the range of 43-46%, owing to high inventory levels, driven by large number of stock keeping units (SKUs), own quarrying and elongated debtors' position. Further, the operating income declined by 18% in FY2024 to ~Rs. 185 crore on account of significant decrease in realisation and the operating margins reduced to 9.3% in FY2024 (PY: 10%) due to increase in logistics costs. While the revenues are projected to rise by 5-10% YoY in FY2025 and FY2026, the operating margins are expected to remain in the range of 8.5-9.5% in the medium term.

The ratings are constrained by the high geographical concentration of the Group's revenues in the European region, which exposes it to the risk of adverse macro-economic developments in those markets. Further, the ratings consider the susceptibility of the Group's margins to raw material prices and foreign exchange fluctuations.

The Stable outlook on the long-term rating reflects ICRA's expectation that the Group will benefit from the strong supplier network and healthy relationship with key customer, which results in repeat orders and adequate debt protection metrics.

## Key rating drivers and their description

### Credit strengths

**Adequate debt protection metrics** – The Group’s leverage and debt coverage indicators are likely to be adequate in the medium term, supported by moderate debt levels and absence of debt-funded capex plans. The working capital debt has increased in FY2024 to support elongation in debtor and inventory cycle due to global headwinds. However, the leverage and debt coverage metrics remained adequate with TOL/TNW at 1.4 times, interest coverage of 3.4 times and DSCR of 2.9 times in FY2024.

**Established relationship with key customers, and strong supplier network** – The ratings derive comfort from the Group’s established relationship with key customers, which has resulted in repeat orders and lend stability to its revenue. It has a strong supplier network, along with own quarries, which ensures timely availability of raw materials of desired quality.

**Extensive experience of promoter** – The Group’s promoter, Mr. Ramaswamy, has extensive experience of nearly three decades in the granite industry. He is involved in managing the Group’s day-to-day operations. His long presence in the industry supports the Group’s growth prospects by facilitating customer acquisition.

### Credit challenges

**Increase in working capital intensity in FY2024, expected to remain elevated** – The ratings remain constrained by the Group’s high working capital-intensive nature of operations, with NWC/OI increasing to 49% in FY2024 from 32% in FY2023 on account of delayed payments and shipments due to geopolitical issues like the Red Sea crisis and the Russia-Ukraine war. The NWC/OI is expected to be in the range of 43-46%, owing to high inventory levels, driven by large number of SKUs, own quarrying and elongated debtors’ position.

**Vulnerability of margins to raw material and foreign exchange fluctuations** – The operating income declined by 18% in FY2024 to ~Rs. 185 crore due to significant reduction in realisation and operating margins decreased to 9.3% in FY2024 (PY: 10%) owing to increase in logistics costs. While the revenues are projected to rise by 5-10% YoY in FY2025 and FY2026, the operating margins are expected to remain in the range of 8.5-9.5% in the medium term.

**High geographical concentration** – The ratings are constrained by the high geographical concentration of the Group’s revenues in the European region, which exposes it to the risk of adverse macro-economic developments in those markets.

### Liquidity position: Adequate

The Group’s liquidity position is adequate, supported by free cash balance of Rs. 7.1 crore as of September 2024. Further, it has cushion in the form of undrawn fund-based working capital facilities, amounting to Rs. 36.8 crore as on October 31, 2024. The Group is likely to meet its debt obligation of Rs. 2.8 crore in FY2025 and Rs. 1.3 crore in FY2026 comfortably through the estimated cash flow from operations.

### Rating sensitivities

**Positive factors** – ICRA may upgrade the Group’s ratings if it witnesses a material increase in its scale of operations, coupled with an improvement in its profitability and working capital intensity, while maintaining adequate debt protection metrics.

**Negative factors** – Negative pressure on the Group’s ratings could arise if there is a material decline in scale of operation, profitability and coverage metrics or if its working capital intensity increases thereby weakening its liquidity position. Specific credit metrics could be an interest coverage of less than 3.0 times could trigger a negative rating action.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Amman Granites and AG Granites Private Limited.

## About the company - AG

Amman Granites was established as a partnership firm by Mr. Muthu Gounder in 1986. Mr. Gounder's son, Mr. M. Ramasamy is the current managing partner of the firm. In the initial years, it was involved in quarrying as well as trading of rough blocks. Subsequently, it commenced exports of granite monuments including tombs, tombstones and other granite artefacts to European countries. The firm's manufacturing facility is situated in Harur Taluk, Dharmapuri district, in Tamil Nadu.

## About the company - AGGPL

AG Granites Private Limited (AGGPL) was incorporated in 2000 by Mr. M. Ramasamy. The company was started as an export-oriented unit (EOU) to manufacture granite monuments. While most of the monuments are manufactured as tombs and tombstones, it produces societal monuments such as monolithic sofa, garden benches, and specially crafted artefacts. Its manufacturing facility is in Harur Taluk, Dharmapuri district, in Tamil Nadu.

## Key financial indicators (audited)

Consolidated	FY2023	FY2024
Operating income	225.2	184.3
PAT	10.3	5.5
OPBDIT/OI	10.0%	9.3%
PAT/OI	4.6%	3.0%
Total outside liabilities/Tangible net worth (times)	1.2	1.4
Total debt/OPBDIT (times)	2.5	4.3
Interest coverage (times)	4.8	3.4

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; OI: Operating income

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

## Any other information: None

## Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years				
		Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024			Date & rating in FY2023	Date & rating in FY2022
			Dec 05, 2024	Feb 29, 2024	Jan 12, 2024	Dec 30, 2022	Sept 27, 2021	
Fund-based - EPC	Long-term	12.00	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	
Fund-based - CC*	Long-term	(0.20)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	-	
Fund-based - FBD	Long-term	15.00	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	-	-	-	
Fund-based - FBD	Short-term	0.00	-	-	[ICRA]A3	[ICRA]A3	[ICRA]A3	
Non-fund based facilities	Short-term	3.00	[ICRA]A3	[ICRA]A3	[ICRA]A3	[ICRA]A3	[ICRA]A3	

\*Sub-limit of EPC limits

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – EPC	Simple
Long-term – Fund-based – CC	Simple
Long-term – Fund-based – FBD	Simple
Non-fund based facilities	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](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term Fund-based - EPC	NA	NA	NA	12.00	[ICRA]BBB- (Stable)
NA	Long-term – Fund-based - CC*	NA	NA	NA	(0.20)	[ICRA]BBB- (Stable)
NA	Long-term Fund-based – FBD	NA	NA	NA	15.00	[ICRA]BBB- (Stable)
NA	Non-fund based facilities	NA	NA	NA	3.00	[ICRA]A3

Source: Company; \*Sub-limit of EPC limits

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

**Annexure II: List of entities considered for consolidated analysis**

Company Name	AGGPL's Ownership	Consolidation Approach
Amman Granites	*	Full Consolidation
AG Granites Private Limited	Rated entity	Full Consolidation

Source: Group, ICRA Research; \*both the companies are owned by common promoters

## ANALYST CONTACTS

**Ashish Modani**

+91 22 6606 9912

[ashish.modani@icraindia.com](mailto:ashish.modani@icraindia.com)

**Anupama Reddy**

+91 40 6939 6427

[anupama.reddy@icraindia.com](mailto:anupama.reddy@icraindia.com)

**Abhishek Lahoti**

+91 40 6939 6433

[abhishek.lahoti@icraindia.com](mailto:abhishek.lahoti@icraindia.com)

**Aashay Jain**

+91 80 4332 6431

[aashay.jain@icraindia.com](mailto:aashay.jain@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

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## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



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