

June 12, 2026

R A K Ceramics India Private Limited: Ratings continue on Watch with Developing Implications; provisional rating finalised for NCDs

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Working capital	100.00	100.00	[ICRA]BBB+; continues on Rating Watch with Developing Implications
Proposed non-convertible debentures	200.00	200.00	[ICRA]A (CE); provisional rating finalised; continues on Rating Watch with Developing Implications
Total	300.00	300.00	

*Instrument details are provided in Annexure II

Rating without explicit credit enhancement

[ICRA]BBB+

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is to be backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The table above also captures ICRA's opinion on the rating without factoring in the proposed explicit credit enhancement.

Rationale

For the [ICRA]A (CE); Rating Watch with Developing Implications for Rs. 200-crore proposed NCD programme

ICRA has finalised the provisional rating for the Rs. 200-crore proposed non-convertible debenture programme (NCD) of R A K Ceramics India Private Limited (RAKCI/the company/Issuer) at [ICRA]A(CE). RAKCI has shared the executed/finalised transaction documents such as corporate guarantee, term sheet and debenture trust deed. The provisional rating has been finalised based on these documents, with the key terms largely in line with the terms indicated at the time of assigning the provisional rating. The key difference in the indicated terms compared to the provisional rating exercise is the coupon/charges being linked to three-year Modified Mumbai Interbank Forward Offer Rate + spread, effective at 10.60% p.a. (from 10.00% p.a. in earlier indicative terms), which is fixed for the NCD tenure. ICRA notes that the increase in coupon rate is not expected to have a material impact on RAKCI's credit profile, given the demonstrated funding support from the parent RAK Ceramics PJSC (RAKC PJSC or the Group/the guarantor) and ongoing expectation of the same, if required. The rating continues to remain on Watch with Developing Implications because of the geopolitical tensions in West Asia, which may impact the credit profile of RAKC PJSC.

Adequacy of credit enhancement

The rating continues to be based on the credit substitution approach, wherein the NCD programme of RAKCI has been assigned [ICRA]A (CE), backed by an unconditional, irrevocable and continuing corporate guarantee provided by RAKC PJSC. The corporate guarantee carries a well-defined invocation and payment mechanism and remains in force until the full repayment of principal and coupon obligations, supporting timeliness of debt servicing for the rated instrument.

According to the payment mechanism, in case the issuer is unable to fund the redemption account (RA) eight days prior to the due date for payment to the debenture holders, the guarantor, upon request by the debenture trustee, shall fund the requisite amount no later than four days prior to the due date. In the event of failure by the guarantor to fund the RA within the stipulated timelines, the debenture trustee, shall invoke the guarantee, following which the guarantor shall make the payment no later than one day prior to the due date. The deed of corporate guarantee stipulates that the guarantee shall remain in

force until full repayment of the principal amounts and coupon thereon, and that the debenture trustee may act as though the guarantor were the principal obligor, thereby ensuring timeliness of debt servicing.

Salient covenants of the rated facility:

1. The corporate guarantee provided by the guarantor is unconditional, irrevocable and shall remain in full force and effect until the principal amounts and coupon thereon under the debentures payable by the Issuer until the debentures are fully discharged.
2. The debenture trustee may act as though the guarantor were the principal obligor.
3. As per the payment mechanism:
If the issuer is unable to fund the RA at least eight days prior to the payment date, the debenture trustee shall request the guarantor to fund the shortfall, and the guarantor shall fund the RA no later than one four days prior to the payment date. In case the guarantor fails to fund the RA as per the above mechanism, the debenture trustee shall invoke the corporate guarantee, following which the guarantor shall make the payment no later than one day prior to due date.

Rationale for [ICRA]BBB+; Rating Watch with Developing Implications

The rating factors in the strong parentage of RAKCI as a wholly-owned subsidiary of RAKC PJSC, one of the world's largest ceramic manufacturers with a diversified product portfolio across tiles, sanitaryware, tableware and faucets, and a sizeable operating scale (revenue of AED 329.4 crore in CY2025¹). As a part of the Group, RAKCI benefits from access to the parent's global R&D, design, procurement and technology pipelines, supported by shared managerial oversight that ensures alignment with the Group's global operating standards. The rating draws comfort from the parent's demonstrated commitment to the India operations, as seen with the timely financial support by way of capital infusions and corporate guarantees for borrowings, including the guarantee provided for the upcoming NCD issuance of Rs. 200 crore. The rating notes RAKCI's established presence in the domestic premium tiles segment, supported by a pan-India footprint comprising 450 dealers and 10 experience centres.

The rating continues on Watch with Developing Implications because of the ongoing geopolitical tensions in West Asia, which led to supply restrictions and a sharp increase in gas prices, interrupting operations for its manufacturing units. While natural gas supply has relatively eased from May 2026 for the Indian operations, prices remain elevated, which may adversely impact the operating margins. The company's ability to pass on the price hikes shall remain a key monitorable. The recent congestion around the Strait of Hormuz has disrupted export logistics as well as the import of key raw materials for the Group's UAE operations. This not only affects finished goods movement but also constrains the production side, with the Group expected to largely rely on the existing inventory in the interim. While domestic sales in the UAE remain resilient, the possibility of a prolonged escalation continues to be a concern and remains monitorable. In the near term, RAKCI's ability to secure stable fuel supplies to support normal operations will be crucial from the credit perspective.

The rating is restrained by RAKCI's weak financial profile, marked by losses in CY2024, CY2025 and Q1 CY2026, linked to planned maintenance shutdowns, challenges related to raw material sourcing, liquidation of aged inventory at discounted prices and production disruption owing to the West Asia conflict. While inventory days reduced to 89 in CY2025 due to said liquidation, inventory levels historically remained at 100–120 days during CY2021–CY2024, elevating the working capital intensity, which is supported largely by extended credit from suppliers. RAKCI is planning a business transformation through cost optimisation, strengthening distribution channels and improving brand visibility. However, the impact of the same on its scale and profitability is expected to materialise only over the medium term. RAKCI's profitability is vulnerable to fluctuations in raw material and fuel prices amid limited pricing flexibility. The rating also factors in the intense competition in the tiles industry and the susceptibility of its revenues and cash flows to the cyclicity of the real estate sector, which is a key end-user segment. The sustained improvement in cost competitiveness will remain a key monitorable.

¹ Translating into around Rs. 7,800 crore turnover, considering 1 AED = Rs. 23.73

Key rating drivers and their description

Credit strengths

Strong parentage by virtue of being a wholly-owned subsidiary of RAKC PJSC – RAKCI is a part of the RAKC PJSC Group, which is one of the largest ceramics manufacturers in the world, with a diversified product portfolio across tiles, sanitaryware, tableware and faucets, and presence predominantly across West Asia, India, Bangladesh, Europe, Africa. Established by the royal family of Ras Al Khaimah, the Group has a track record of nearly four decades, a workforce of more than 12,000 employees, a market capitalisation of around \$700 million and an annual revenue of AED 329.4 crore for CY2025. The Group has a tile production capacity of 118 million square metres (msm) per annum and enjoys considerable brand presence in its key markets. This parentage provides RAKCI access to global R&D, design, procurement and technology pipelines.

Demonstrated support from parent with capital infusion/corporate guarantees extended over the years – RAKC PJSC's support for RAKCI has been demonstrated over several years, notably through past equity infusions and the extension of corporate guarantee for its borrowings, including the guarantee provided for the upcoming NCD issuance of Rs. 200 crore. The company's strategic importance within the Group is further underscored by shared management oversight and clear assurance from the parent that it will continue to provide timely operational and financial backing, including for timely meeting the debt servicing requirements.

Established position in domestic tiles market with pan-India presence – RAKCI holds an established position in the domestic tiles industry, particularly in the premium category, supported by the strength of the global RAK brand. It has a track record of close to two decades and operates through a pan-India network of around 450 dealers and 10 experience centres, enabling reach across both metro and non-metro markets. Its product portfolio is positioned at the higher end of the market, benefitting from the Group's global design, R&D and technology platforms. RAKCI's manufacturing operations are based in Samalkot (Andhra Pradesh) and Morbi (Gujarat), with an aggregate capacity of ~14 msm per annum, primarily catering to institutional/project sales.

Credit challenges

Vulnerability of profitability to changes in raw material and fuel prices – Raw materials (mainly clay) and fuel are the two major cost components (~35%) in tiles production, which determine the cost competitiveness of operations. The company has limited control over the prices of key inputs. Restricted ability to pass on the same to end-users amid stiff competition exposes its profitability to adverse raw materials and fuel price fluctuations. With the recent congestion around the Strait of Hormuz, supply of natural gas is curtailed, and prices have spiked, disrupting production. It is likely to impact revenue and operating profitability in the near term. Its ability to secure stable fuel supplies to support normal operations shall be crucial from the credit perspective.

Loss-making and working capital-intensive nature of operations – RAKCI's financial profile remains weak, characterised by continued losses in CY2024, CY2025 and Q1 CY2026. This is attributable to planned maintenance shutdown at its Samalkot (three months in CY2025) and a Morbi plant (six months in CY2024), inefficient raw material sourcing and the liquidation of aged inventory at discounted prices, and production disruption in March 2026 due to West Asia conflict. Its key plant in Samalkot remained shut for maintenance, which moderated the company's revenue to Rs. 805 crore in CY2025 (YoY decline of -7.7%) and an operating loss of -3.7%. While inventory days reduced to 89 in CY2025 (from 114 days in CY2024) owing to the liquidation exercise, inventory levels historically remained at 100–120 days during CY2021–CY2024. This resulted in a stretched working capital cycle, which is largely supported by extended supplier credit, with creditor days of 160–170. RAKCI is planning a business transformation through cost optimisation, strengthening distribution channels and improving brand visibility. The entity plans to raise Rs. 200 crore through an NCD issue to repay a portion of long-term and short-term bank debt, undertake capex and support the transformation initiatives. The NCD is likely to have an 18-month moratorium followed by a three-year repayment period, which will support the financial profile. However, the NCD coupon is linked to three-year

Modified Mumbai Interbank Forward Offer Rate + spread, effective at 10.60% p.a. (from 10.00% p.a. in earlier indicative terms), which is fixed for the NCD tenure. ICRA notes that the increase in coupon rate is not expected to have a material impact on RAKCI's credit profile, given the demonstrated funding support from the parent RAKC PJSC and ongoing expectation of the same, if required. The impact of the business transformation plans on its scale and profitability is likely to materialise only over the medium term.

Intense competition from other organised and unorganised players; exposure to cyclicity in real estate industry – The domestic ceramic tiles industry faces stiff competition from organised as well as unorganised players that offer a wide product portfolio. Although RAKCI benefits from the global RAK brand, it faces significant competition from reputed players such as Kajaria Ceramics Limited, Somany Ceramics Limited and Asian Granito India Limited, among others. The cost competitiveness of RAKCI, over its industry competitors, shall remain a key monitorable factor.

Liquidity position for the guarantor (RAKC PJSC): Adequate

RAKC PJSC has free cash of AED 28.25 crore as on March 31, 2026 and fund-based lines of AED 134.78 crore with an average utilisation of 32% for the 12 months that ended on December 31, 2025. It has principal repayment obligation of AED 32.2 crore for CY2026, which is expected to be sufficiently covered from cash accruals and refinancing as done in the past. The liquidity is likely to remain at the current levels, supported by internal accruals, buffer in working capital lines and access to both conventional and Islamic banking channels, wherein refinancing is very common, coupled with unsecured borrowing facility.

Liquidity position for the issuer (RAKCI): Adequate

RAKCI has free cash balance of Rs. 47.3 crore as on May 31, 2026. The average utilisation against the fund-based working capital limits stood at 38% for the past 12 months that ended in May 2026. It reported a liquidity buffer in fund-based limits worth Rs. 90.2 crore as on May 31, 2026. Moreover, the liquidity position is expected to be supported in the near term with proceeds from the proposed NCD issue, with around Rs. 50 crore earmarked for general corporate purpose. The company has a long-term debt repayment obligation of Rs. 13.3 crore in CY2026, which is likely to be sufficiently funded through these available buffers.

Rating sensitivities

For [ICRA]A (CE); Rating Watch with Developing Implications

Positive and negative factors – The rating assigned by ICRA to the proposed NCDs of RAKCI is principally based on the strength of the corporate guarantee executed by RAKC PJSC. Accordingly, any future rating change, upgrade or downgrade, will remain synchronous with changes, if any, in the credit quality of RAKC PJSC. The rating watch could be resolved if geopolitical risks subside, thereby improving visibility and comfort around the entity's operational and financial performance.

For [ICRA]BBB+; Rating Watch with Developing Implications

Positive factors – The rating watch may be resolved once there is clarity on gas availability amid the recent supply disruptions and the company is able to secure stable fuel supplies to support normal operations. The rating could be upgraded if the company demonstrates sustained improvement in scale and profitability, resulting in a meaningful improvement in its leverage and coverage indicators on a sustained basis. Further, improvement in the credit profile of the parent company would be credit positive.

Negative factors – The rating watch may be resolved once there is clarity on gas availability amid the recent supply disruptions and the company is able to secure stable fuel supplies to support normal operations. Sustained pressure on the company's operational and financial metrics amid supply disruption or due to adverse cost structure could result in rating downgrade. Moderation in the parent company's credit profile or weakening in linkages with the parent company could also put pressure on the rating.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Policy On Provisional Ratings
Parent/Group support	Parent/Group Company: R.A.K Ceramics PJSC (RAKC PJSC) ICRA expects RAKC PJSC to be willing to extend financial support to RAKCI out of its need to protect its reputation from the consequences of a Group entity's distress.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the company's consolidated financials. List of entities consolidated are given in Annexure III.

About the company

R A K Ceramics India Private Limited (RAKCI) is a tiles manufacturer that was incorporated in 2004. Its operations started from 2006 and is 100% owned (on standalone level) by RAK Ceramics PJSC UAE (RAKC PJSC). It functions as the RAK Group's exclusive Indian manufacturing and distribution platform. With a production capacity of ~14 msm per annum, the company has pan-India operations with a dealer network of 450 dealers and 10 experience centres across the country. Its product offerings command premium pricing due to the RAK brand.

Key financial indicators (audited)

RAKCI (Consolidated)	CY2024	CY2025
Operating income (Rs. crore)	872.0	805.1
PAT (Rs. crore)	-20.0	-110.5
OPBDIT/OI (%)	4.8%	-3.7%
PAT/OI (%)	-2.3%	-13.7%
Total outside liabilities/Tangible net worth (times)	2.7	4.6
Total debt/OPBDIT (times)	6.2	-9.3
Interest coverage (times)	1.8	-1.1

Source: Company, ICRA Research; All ratios as per ICRA's calculations; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

About the guarantor

RAKC PJSC, headquartered in Ras Al Khaimah (UAE), is a leading global ceramics manufacturer with presence across tiles, sanitaryware, tableware and faucets. It is listed on Abu Dhabi Securities Exchange, UAE, with a market capitalisation of around USD 700 million. RAKC PJSC was incorporated in 1989 by the royal family of Ras Al Khaimah, with its first plant commissioned in 1991. Between 2000 and 2010, the Group expanded outside UAE by adding units in India, Bangladesh, Sudan, Iran and China. India and Bangladesh remain as the key operating jurisdictions. In Ras Al Khaimah, which is RAKC PJSC's core manufacturing hub, the Group operates 10 tile plants with 27 production lines, along with sanitaryware, tableware and faucet capacities.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2027)					Chronology of rating history for the past 3 years							
					FY2027		FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating		
Fund-based – Working capital	Long-term	100.00	June 12, 2026	[ICRA]BBB+; Rating Watch with Developing Implications	-	-	-	-	-	-		
			April 23, 2026	[ICRA]BBB+; Rating Watch with Developing Implications	-	-	-	-	-	-		
Proposed non-convertible debentures*	Long-term	200.00	June 12, 2026	[ICRA]A (CE); Rating Watch with Developing Implications	-	-	-	-	-	-		
			April 23, 2026	Provisional [ICRA]A (CE); Rating Watch with Developing Implications	-	-	-	-	-	-		

*expected to be listed

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10,2026

ICRA rated Instruments fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs (\$)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) Includes securitisation transactions involving assignee payout, acquirer's payout.

(\$) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other Activities offered by ICRA fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.

(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Disclosure: SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – Working capital	Simple
Proposed non-convertible debentures	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 II: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long-term – Fund-based – Working capital	NA	NA	NA	100.00	[ICRA]BBB+; Rating Watch with Developing Implications
Yet to be placed	Proposed non-convertible debentures	NA	NA	NA	200.00	[ICRA]A (CE); Rating Watch with Developing Implications

Source: Company

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

Annexure III: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
Gris Ceramics LLP	100%	Full consolidation
Gryphon Ceramics Private Limited	51%	Full consolidation
Totus Ceramics India Private Limited	100%	Full consolidation
RAK Retail India Private Limited	51%	Full consolidation

Source: Company annual report CY2025

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