

August 23, 2023

Asian Granito India Limited: Update on Material Event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term Fund-based – Working capital	100.00	100.00	[ICRA]BBB+(Negative)
Short-term Non-fund based – Letter of credit/Bank guarantee	56.00	56.00	[ICRA]A2
Total	156.00	156.00	

*Instrument details are provided in Annexure-I

Rationale

Material Event

On August 12, 2023, the board of Asian Granito India Limited (AGL) has approved the demerger scheme for AGL and its subsidiaries Affil Vitrified Private Limited (AVPL, rated [ICRA]B+(Stable)/[ICRA]A4), Ivanta Ceramics Industries Private Limited, Crystal Ceramics Industries Limited (CCIL, rated [ICRA]BBB-(CE) (Negative)/ [ICRA]BB (Negative)), Adicon Ceramics Industries Limited (ACIL) and Amazoone Ceramics Limited (ACL, rated [ICRA]BB(Negative)/[ICRA]A4). The deal is expected to be concluded over the next 9-12 months, subject to receipt of the necessary approval/consents from the concerned stock exchange, stakeholders and completion of certain conditions precedent therein.

Impact of Material Event

ICRA has taken note of the proposed scheme of demerger, wherein the manufacturing units of subsidiaries viz., AVPL, ICIPL, CCIL and ACIL are transferred to separate subsidiaries to focus on operational synergies and consequent cost synergies. Post the demerger arrangement, these manufacturing entities will be the wholly-owned subsidiaries of AGL and erstwhile shareholders of these subsidiaries will get the shares of AGL. Moreover, AGL's marble and quartz manufacturing division is getting transferred to ACL for a consideration of Rs. 102 crore. ICRA would continue to closely monitor any further developments related to this event and take appropriate rating action, if necessary.

Earlier, in June 2023, ICRA revised the ratings of AGL to [ICRA]BBB+ (Negative)/[ICRA]A2, given the input cost pressure and the consequent impact on profitability and coverage metrics. AGL's ability to ramp-up its operations of its subsidiary and improve the overall profitability levels remains a key rating monitorable, going forward.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position, rating sensitivities: Click [here](#).

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	1036.2	1349.1	1353.1	1292.3	1563.8	1562.7
PAT	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 outside 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)

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument		Current rating (FY2024)				Chronology of rating history for the past 3 years								
		Type	Amount rated (Rs. crore)	Amount outstanding as on Jun 30, 2023 (Rs. crore)	Date & rating in FY2024			Date & rating in FY2023			Date & rating in FY2022	Date & rating in FY2020		
					Aug 23, 2023	Jun 02, 2023	Feb 10, 2023	Nov 25, 2022	Sep 13, 2022	Jun 03, 2022	Oct 27, 2021	Mar 23, 2021	Jul 27, 2020	Jun 08, 2020
1	Term loans	Long term	-	NA	-				[ICRA] A+(Negative)	[ICRA] A+(Stable)	[ICRA] A+(Stable)	[ICRA]A(Stable)	[ICRA]A (Negative)	[ICRA]A (Negative)
2	Working capital facilities	Long term	100.0	NA	[ICRA]BBB+ (Negative)	[ICRA]BBB+ (Negative)	[ICRA]A- (Negative)	[ICRA]A (Negative)	[ICRA] A+(Negative)	[ICRA] A+(Stable)	[ICRA] A+(Stable)	[ICRA]A(Stable)	[ICRA]A (Negative)	[ICRA]A (Negative)
3	Bank guarantee & Letter of credit	Short term	56.0	NA	[ICRA]A2	[ICRA]A2	[ICRA]A2+	[ICRA]A2+	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1
4	Unallocated limits	Long term	-	NA	-								[ICRA]A (Negative)	[ICRA]A (Negative)

Complexity level of the rated instruments

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](#).

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	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

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

Annexure II: List of entities considered for consolidated analysis

Company Name	LTHL 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: LTHL annual report FY2019

Note: ICRA has taken a consolidated view of the parent (LTHL), its subsidiaries and associates while assigning the ratings.

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