Dated: 01st January 2025

To,	To,
BSE Limited Corporate Relations Department Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 **Security Code: 543327**	**National Stock Exchange of India Ltd.** Corporate Relations Department Exchange Plaza, Block G,C/1, Bandra Kurla Complex, Bandra (E), Mumbai –400 051 **Symbol: EXXARO**

Dear Sir/Madam,

Subject: Intimation in respect of Credit Ratings under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("SEBI Listing Regulations")

Pursuant to the provisions of Regulation 30 (read with Schedule III) of the SEBI Listing Regulations, we hereby inform you that, after due consideration, CRISIL Ratings Limited **("CRISIL")** has assigned as below rating.

Facilities	**Amount (Rs. Cr)**	**Rating Assigned**	**Rating Action**
Long Term/short term Bank Facilities (Fund Based)	105.5	**CRISIL BBB-/Negative**	**Downgraded from "CRISIL BBB / Negative"**
Short Term Bank Facilities (Non Fund Based)	16.5	**CRISIL A3**	**Downgraded from "CIRSIL A3+"**
Total	**122**		

Company has received the same on 31st December 2024 at 12:45 PM.

Thanking You

Yours Faithfully

For Exxaro Tiles Limited

Mukeshkumar Babubhai Patel
Digitally signed by Mukeshkumar Babubhai Patel
Date: 2025.01.01 11:32:27 +05'30'

Mr. Mukeshkumar B. Patel
Managing Director
DIN: 01944968

Encl: Rating Letter from CRISIL

Exxaro Tiles Limited

Ratings downgraded to 'CRISIL BBB- / Negative / CRISIL A3 '

Rating Action

Total Bank Loan Facilities Rated	**Rs.122 Crore**
Long Term Rating	**CRISIL BBB-/Negative (Downgraded from 'CRISIL BBB / Negative')**
Short Term Rating	**CRISIL A3 (Downgraded from 'CRISIL A3+ ')**

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million
Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale
CRISIL Ratings has downgraded its ratings on the bank facilities of Exxaro Tiles Ltd (ETL) to **'CRISIL BBB-/Negative/CRISIL A3'** from 'CRISIL BBB/Negative/CRISIL A3+'.

The downgrade and continuation of negative outlook reflects the moderation in the business risk profile and weak liquidity. Revenue remained at Rs 70 crore in the second quarter of fiscal 2025 and Rs 130 crore in the first half of the year (Rs 83 crore and Rs 157 crore, respectively, in the corresponding periods of the previous fiscal) while operating margins stood at 8.20% and 4.53%, respectively, (9.33% and 9.95%) due to subdued demand, intense competition and low bargaining power with customers. Net cash accrual remained stretched though tightly matched in the second quarter of fiscal 2025 and fund-based bank limit utilisation (BLU) remained high over 90% throughout the four months ended October 2024. Accordingly, liquidity could continue to be constrained through fiscal 2025 as well. However, capital structure should improve over the medium term, with expected accretion to reserve and scheduled debt repayment. While operating performance is expected to improve over the medium term amidst strategic decisions undertaken by the management and low impact of aforesaid reasons in coming terms, its timely recovery and sustenance thereafter will remain monitorable. Nevertheless, any further decline in revenue or operating margin, impacting net cash accrual and liquidity, is a key rating sensitivity factor.

The ratings continue to reflect the established market presence and comfortable capital structure of ETL. These strengths are partially offset by the modest debt protection metrics, large working capital requirement, and susceptibility to volatile raw material and gas prices, intense competition and cyclicality in the end-user industry.

Analytical Approach
CRISIL Ratings has evaluated the standalone business and financial risk profiles of ETL.

Key Rating Drivers & Detailed Description
Strengths:
Established market presence
ETL has an established market presence, benefiting from the two-decade experience of the promoters, their strong understanding of market dynamics and healthy distribution network. The company has a network of over 800 dealers and 2000+ touch points where its products are sold under the Exxaro brand. It benefits from its production being almost totally in house and sales in its

own brand with presence in large-sized tiles. Revenue stood at Rs 70 crore in the second quarter of fiscal 2025 and Rs 130 crore in the first half of the year and is expected to improve with capacity utilisation and new arrangements made by the company; however, it will remain a key monitorable.

Comfortable capital structure
The company has a comfortable financial profile with networth of Rs 272 crore and gearing of 0.38 time as on September 30, 2024 (Rs 274 crore and 0.43 time, a year earlier), though on account of profit after tax (PAT) loss since a few quarters, the same is declining. Networth is expected to remain comfortable on account of scheduled debt repayment, while gearing is likely to remain below 1 time in the absence of any debt-funded capital expenditure (capex) plan over the medium term.

Weaknesses:
Modest debt protection metrics: Debt protection measures are modest with interest coverage of 1.05 times and net cash accrual to total debt of 0.01 time in the first half of fiscal 2025 (2.38 times and 0.08 time, respectively, for the corresponding period of the previous fiscal). Moderation in profitability, high borrowing and interest costs/burden restrained interest coverage. With expected revival in business and better profitability, interest coverage ratio should improve over the medium term, but will remain monitorable.

Large working capital requirement
Gross current assets have been sizeable at ~417 days as on first half of fiscal 2025, driven by huge inventory of 251 days on account of a wide range of designs and continuous changes in the same with production being largely in-house. Also, the company had debtors of around ~150 days, led by extension of large credit to dealers as on September 30, 2024. Working capital is partially supported by extended credit received from suppliers of ~380 days. While ETL is undertaking measures to control the working capital cycle, the extent and sustenance of improvement remains monitorable.

Susceptibility to volatile raw material and gas prices, intense competition and cyclicality in the end-user industry
Raw materials (different types of clay, feldspar, silica, kaolin and carbonates) comprise 35-40% of the total operating cost, while cost of gas and power forms 35-40%. Hence, even a slight variation in input prices will drastically impact profitability.

Operating margin remained at 4.53% in the first half of fiscal 2025 (9.95% in the corresponding period of the previous fiscal), though it improved to 8.2% in the second quarter of fiscal 2025 and the same is expected to be maintained over the next few quarters. Profitability was also impacted by sizeable marketing expenditures incurred in the first quarter of fiscal 2025 for its advertising campaign. Improvement and sustenance of the margin will remain monitorable.

ETL caters to the real estate, construction and infrastructure industries, whose performance is strongly correlated with economic cycles. Due to economic recessions in the past, the construction sector faced a slowdown, with several projects getting delayed or cancelled, restraining the performance of ceramic tile manufacturers. Besides, the industry is intensely competitive and dominated by unorganised entities. However, with changes such as closure of ceramic units running on coal gasifiers, and implementation of the Goods and Services Tax and Real Estate (Regulation and Development) Act, 2016, organised players have gained market share in value terms.

Despite being an established player in the ceramic tiles industry, the company faces intense competition from both unorganised entities and reputed brands. The ability to pass on any increase in raw material cost, amidst the competitive scenario, remains a key rating sensitivity factor. Any moderation in demand from the real estate sector and its impact on pricing and offtake will be closely monitored.

Liquidity: Stretched
Bank limit utilisation was high around 92% for fund-based limits and 73% for non-fund based limits for the four months ended October 2024. Net cash accrual was insufficient against debt obligation in the first half of fiscal 2025 and the shortfall was met via working capital limits. In fiscal 2025 too, net cash accrual will be tightly matched against repayment obligation of Rs 7.5 crore. Current ratio was moderate at 1.5 times as on September 30, 2024. The promoters are likely to extend support via equity and unsecured loans to meet the working capital requirement and debt obligation.

Outlook: Negative
The business risk profile of ETL will continue to weaken, marked by lower-than-expected operating performance, leading to modest cash accrual and stretched liquidity.

Rating sensitivity factors
Upward factors
- Considerable rise in revenue with operating margin over 10% leading to higher net cash accrual
- Decline in working capital intensity and subsequent improvement in financial risk profile, especially liquidity

Downward factors
- Fall in revenue or operating profitability declining below 6.5% over the next few quarters, resulting in lower-than-expected net cash accrual.
- Further stretch in the working capital cycle, constraining the debt servicing ability of the company.
- Any large, debt-funded capex

About the Company
ETL is engaged in the manufacturing and marketing of vitrified tiles that are primarily used as flooring solutions. It was set up fiscal 2008 as a partnership firm that manufactured frit, a raw material used in tile manufacturing and have over the years, diversified, expanded and evolved into a manufacturer of vitrified tiles. It has two units in Gujarat (Unit 1 - Padra in Vadodara and Unit 2- Talod in Sabarkantha) and has total installed capacity of 146 lakh square metre. The company is listed on the Bombay Stock Exchange and National Stock Exchange.

Key Financial Indicators- CRISIL Ratings adjusted numbers

As on / for the period ended March 31		2024	2023
Operating income	Rs crore	303.96	318.54
Reported profit after tax	Rs crore	2.28	7.30
PAT margins	%	0.75	2.29
Adjusted Debt/Adjusted Net worth	Times	0.35	0.34
Interest coverage	Times	1.89	3.79

Status of non cooperation with previous CRA: ETL had previously not cooperated with Brickwork Ratings India Pvt Ltd, which had published its ratings as an issuer not cooperating through release dated August 16, 2024. The reason provided by the rating agency was non furnishing of information by ETL for monitoring the ratings.

Any other information: Not applicable

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments

Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Crore)	Complexity Levels	Rating Outstanding with Outlook
NA	Bank Guarantee	NA	NA	NA	11.40	NA	CRISIL A3
NA	Cash Credit	NA	NA	NA	70.00	NA	CRISIL BBB-/Negative
NA	Credit Exposure Limits / Loan Exposure Risk Limits	NA	NA	NA	0.50	NA	CRISIL A3
NA	Letter of Credit	NA	NA	NA	4.60	NA	CRISIL A3
NA	Proposed Fund-Based Bank Limits	NA	NA	NA	5.67	NA	CRISIL BBB-/Negative
NA	Term Loan	NA	NA	29-Feb-28	7.83	NA	CRISIL BBB-/Negative
NA	Working Capital Term Loan	NA	NA	29-Feb-28	22.00	NA	CRISIL BBB-/Negative

Annexure - Rating History for last 3 Years

	Current			2024 (History)		2023		2022		2021		Start of 2021
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	ST/LT	106.0	CRISIL BBB-/Negative /	21-08-24	CRISIL A3+ / CRISIL BBB/Nega	20-11-23	CRISIL BBB+/Stable / CRISIL	10-08-22	CRISIL BBB+/Positive / CRISIL A2	12-11-21	CRISIL BBB+/Stable	Suspended

			CRISIL A3		tive		A2					
			--		--	13-10-23	CRISIL BBB+/Stable		--		--	--
Non-Fund Based Facilities	ST	16.0	CRISIL A3	21-08-24	CRISIL A3+	20-11-23	CRISIL A2	10-08-22	CRISIL A2	12-11-21	CRISIL A2	Suspended
			--		--	13-10-23	CRISIL A2		--		--	--

All amounts are in Rs.Cr.

Annexure – Details of Bank Lenders/Facilities

Facility	Amount (Rs. Crore)	Name of Lender	Rating
Bank Guarantee	11.4	State Bank of India	CRISIL A3
Cash Credit	35	Axis Bank Limited	CRISIL BBB-/Negative
Cash Credit	35	State Bank of India	CRISIL BBB-/Negative
Credit Exposure Limits / Loan Exposure Risk Limits	0.5	State Bank of India	CRISIL A3
Letter of Credit	4.6	State Bank of India	CRISIL A3
Proposed Fund-Based Bank Limits	5.67	Not Applicable	CRISIL BBB-/Negative
Term Loan	7.83	Axis Bank Limited	CRISIL BBB-/Negative
Working Capital Term Loan	22	Axis Bank Limited	CRISIL BBB-/Negative

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About CRISIL Limited

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