

OCTOBER 29, 2014

## CARE ASSIGNS 'CARE BBB- / CARE A3' RATINGS TO THE BANK FACILITIES OF QUTONE CERAMIC PVT. LTD.

**Rating**

Bank Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Remarks
Long-term Bank Facilities	14.00	<b>CARE BBB- [Triple B Minus]</b>	Assigned
Short-term Bank Facilities	4.00	<b>CARE A3 [A Three]</b>	Assigned
<b>Total Facilities</b>	<b>18.00</b>		

**Rating Rationale**

The ratings derive strength from the wide experience of the promoters of Qutone Ceramic Pvt. Ltd. (QCPL) in the tiles industry, QCPL's strategic presence in the ceramic tile cluster of Gujarat, established marketing and distribution network, effective working capital management and increasing scale of operations along-with improvement in profitability.

The ratings are, however, constrained due to susceptibility of its profitability margins to volatile input prices, modest scale of operations and its presence in the highly competitive ceramic tile manufacturing industry which has close linkages to the cyclical real estate sector.

QCPL's ability to scale up its operation, improvement in its profitability in the wake of rising fuel and power cost and improvement in capital structure would be the key rating sensitivities.

**Background**

Incorporated in 2008, QCPL is engaged in manufacturing of ceramic wall tiles & vitrified floor tiles. QCPL is a closely held private limited company promoted by seven promoters who have wide experience in the tile manufacturing industry. QCPL's manufacturing facility is located at Wankaner in Rajkot district of Gujarat, which is a ceramic tile hub, and it has an installed capacity of 18.25 lac square meters per annum (lsm pa) of tiles as on March 31, 2014. QCPL is a part of the Qutone Group which also includes other companies operating in the similar line of business viz. Qutone Tiles Pvt. Ltd.; Qutone Granito Pvt. Ltd. QCPL sells its products under the brand name 'Qutone'.

During FY14 (refers to the period April 1 to March 31), QCPL reported a total operating income of Rs.81.25 crore (FY13: Rs.57.89 crore) with a PAT of Rs.2.11 crore (FY13: Rs.1.17 crore). As per the provisional results for Q1FY15, QCPL has reported a total operating income of Rs.35.12 crore with a PAT of Rs.1.04 crore.

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*CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.*

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<sup>1</sup> Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

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**CIN - L67190MH1993PLC071691**