

Asian Quaartz Private Limited

December 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	54.99 (Reduced from 62.00)	CARE BB; Stable	Downgraded from CARE BB+; Stable
Long Term / Short Term Bank Facilities	25.00 (Enhanced from 19.00)	CARE BB; Stable / CARE A4	Downgraded from CARE BB+; Stable / CARE A4+

Details of facilities in Annexure -1

Rationale and key rating drivers

The revision in ratings assigned to the bank facilities of Asian Quaartz Private Limited (AQPL) is on the back of fructification of negative sensitivities with delay in full-fledged operationalization of debt funded greenfield project resulting in lower than expected scale of operations and cash loss during H1FY25 (FY refers to period from April 01 to March 31) leading to weak debt coverage indicators. The rating also consider risk associated with achieving envisaged operational performance post completion of the said capex, and strong linkages of its prospects with highly cyclical real estate sector and susceptibility of profit margins to volatile raw material prices with limited finished goods pricing flexibility and foreign exchange rate fluctuations.

The ratings, however, continue to derive strength from experienced and resourceful promoters having established track record of operations in ceramic and quartz industry along with location advantage with expected benefits through government incentives and operational synergy with group companies for sourcing of raw materials and selling of finished goods.

Rating Sensitivities: Factors likely to lead to rating actions

Positive Factors

- Timely stabilization of operations as envisaged with total operating income (TOI) of more than Rs.100 crore and profitable operations.

Negative Factors

- Any further delay in commencement of operations or inability to ramp up scale of operations resulting in further deterioration of liquidity
- Inability of promoter group to extend support in form of need based infusion of funds, if required

Analytical Approach: Standalone

Outlook: Stable

The 'Stable' outlook reflects CARE Ratings' expectation that the entity will continue to benefit from favourable location of the project along with its experienced promoters.

Detailed description of the key rating drivers

Key weaknesses

Delay in full-fledged operationalization of debt funded greenfield project

AQPL is setting up a quartz processing plant with capacity of 3,00,000 MTPA at Sabla Dugarpur, Rajasthan which majorly consists of crushing, washing, sorting and grinding with ancillary facilities. The company had initially envisaged project cost of Rs.75 crore, however, it was revised to Rs.92 crore (considered during last review) largely on account of addition of plant and machinery of Rs.12 crore for better production process and balance was towards civil cost.

As on November 28, 2024, AQPL has incurred 98% of envisaged project cost. It had already commenced partial operations from March 2024 onwards, however, full-fledged operations are expected to commence from December 2024 onwards as against initial estimate of September 2024 owing to teething issues. The company has incurred ~Rs.90 crore of project cost as on date and remaining ~Rs.1.5-2 crore of cost is expected to be incurred in next couple of weeks.

Nascent stage of operations:

The company registered low TOI of Rs.0.02 crore in FY24, and subsequently, Rs.0.42 crore in H1FY25 from quartz grain sale which resulted in cash loss from operations during the period.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Weak debt coverage indicators

AQPL's overall gearing remained leveraged as on March 31, 2024, owing to significantly high debt level as against low net worth base. Subsequently, overall gearing further deteriorated and remained weak as on September 30, 2024 due to reported cash loss in H1FY25 resulting in negative net worth base. The operations have been supported by way of infusion of unsecured loans by promoters. Timely need based infusion of the same going forward shall remain crucial from credit perspective.

Debt coverage indicators of the company also remained weak in FY24 as well as in H1FY25 due to nascent stage of operations and cash losses as against high debt level.

Susceptibility of profit margin to volatile raw material prices with limited finished goods pricing flexibility and foreign exchange rate fluctuation

For manufacturing quartz powder, main raw material is raw quartz stone from mines. Most of the raw material is procured from the domestic market wherein there is high competition, thus, restricting the bargaining power with the suppliers. Any adverse movement in raw material prices can put pressure on the profit margins of the company. Since the end use of the product is used to develop the quartz which is majorly exported, thus, AQPL's profitability is also vulnerable to the foreign exchange fluctuation.

Prospects linked to cyclical real estate sector

The demand of quartz powder and grain largely depends on the demand for quartz tiles/ slabs and is directly linked with the demand from its end-user industry i.e., real estate sector. Thus, slowdown in demand due to adverse macroeconomic environment or inherent cyclical nature remains crucial from the credit perspective.

Key strengths**Experienced promoters with established track record of operations in ceramic and quartz industry**

The company is jointly promoted by Mr. Amit Sharma, Mr. Ankit Sharma and Mr. Vinay Daga along with Nahar Surana group of Udaipur, Rajasthan through its group company i.e. Orient Glazes Private Limited which holds 25% of equity stake in AQPL. The promoters have long standing experience in ceramic glaze frit and in manufacturing of engineered quartz.

Location advantage with expected benefits through government incentives

AQPL's plant is situated on industrial land at Sabla, Dungarpur, which is located near to Udaipur in Rajasthan. Udaipur is considered as one of the major centres for natural stone/minerals business. Proximity to various supplier of raw material in the form of quartz and other mineral ensures easy availability of raw material. The plant is situated in industrial area so adequate infrastructure i.e., power, water, road and transportation facility are available. Also, the plant is eligible for Interest Subsidy and RIPS-19 benefits offered by state government of Rajasthan.

Operational synergy with group companies

AQPL has operational synergy with group companies such as Natural Silica LLP (NSL), for sourcing of raw materials resulting in easy availability of quartz. Further, AQPL is expected to sell 60% of its entire production to two group companies i.e. Cuarzo (rated CARE BBB; Stable/ CARE A3+) and Beyond Rocks Private Limited (BRPL; rated CARE BBB-; Stable / CARE A3) which manufactures Quartz Slabs and exports the same to developed countries like USA and others. Owing to this and along with high demand of quartz grain and powder in the export market the saleability risk associated with the operations of AQPL is mitigated to an extent.

Liquidity: Stretched

AQPL's liquidity position was stretched with recently concluded capex and cash loss envisaged against moderate debt repayment obligation coupled with low cash and bank balance as well as high working capital limit utilization.

AQPL reported cash loss of Rs.4 crore in H1FY25 and expected to report cash loss in FY25 as well, though gross debt repayment remained moderate to the tune of Rs.4.5-5 crore during FY25. The repayments have been supported by way of infusion of unsecured loans. Timely infusion of USLs going forward shall remain crucial from credit perspective.

Furthermore, unencumbered cash and bank balance remained at Rs.0.42 crore as on September 30, 2024. Average utilization of fund based working capital limit remained at 78% in trailing seven months ended in September 2024 [including more than 95% utilization during Jul-Sep 2024].

Assumptions/Covenants: Not Applicable**Environment, social, and governance (ESG) risks: Not Applicable**

Applicable Criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Withdrawal Policy](#)

About the company and industry

Industry Classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Granites & Marbles

About the company

Incorporated in January 2022, AQPL is established to manufacture quartz grain and quartz powder in Rajasthan. AQPL is setting up a quartz processing plant with a capacity of 3,00,000 metric tonne per annum (MTPA). The plant majorly consists of crushing, washing, sorting & grinding with ancillary facilities. The company is jointly promoted by Mr. Amit Sharma, Mr. Ankit Sharma and Mr. Vinay Daga along with Nahar Surana group of Udaipur, Rajasthan through its group company i.e. OGPL which holds 25% of equity stake in AQPL. The promoters have long standing experience in ceramic glaze frit and in manufacturing of engineered quartz.

Brief Financials (Rs. Crore)	FY24 (A)	H1FY25 (UA)
Total operating income	0.02	0.42
PBILDT	-0.06	-1.25
PAT	-0.40	-10.86
Overall gearing (times)	NM	NM
Interest coverage (times)	NM	NM

A: Audited; UA: Unaudited; NM: Not Meaningful; NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Detailed explanation of covenants of rated facility: Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	28-02-2031	54.99	CARE BB; Stable
Fund-based - LT/ ST-Cash Credit	-	-	-	-	20.00	CARE BB; Stable / CARE A4
Non-fund-based - LT/ ST-Letter of credit	-	-	-	-	5.00	CARE BB; Stable / CARE A4

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT/ST-Cash Credit	LT/ST	20.00	CARE BB; Stable / CARE A4	-	1)CARE BB+; Stable / CARE A4+ (06-Oct-23)	1)CARE BB+; Stable / CARE A4+ (22-Feb-23)	-
2	Fund-based - LT-Term Loan	LT	54.99	CARE BB; Stable	-	1)CARE BB+; Stable (06-Oct-23)	1)CARE BB+; Stable (22-Feb-23)	-
3	Non-fund-based - LT/ ST-Letter of credit	LT/ST	5.00	CARE BB; Stable / CARE A4	-	1)CARE BB+; Stable / CARE A4+ (06-Oct-23)	-	-

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Cash Credit	Simple
3	Non-fund-based - LT/ ST-Letter of credit	Simple

Annexure-5: Lender detailsTo view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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