

## Qutone Ceramic Private Limited

July 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	199.49 (Reduced from 237.59)	CARE BBB-; Stable	Reaffirmed
Short Term Bank Facilities	26.04	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of Qutone Ceramic Private Limited (QCPL) continue to derive strength from the vast experience of its promoters in the ceramic industry, established dealership & distribution network with strong brand positioning in the domestic market, well-diversified customer base along with strategic presence in the ceramic tile cluster of Gujarat. The rating also take cognizance of growth in scale of operations with healthy profitability in FY25 (Audited) (refers to the period April 01 to March 31), comfortable financial risk profile and adequate liquidity.

The above rating strengths, however, are partially offset by QCPL's moderate capital structure, elongated operating cycle and working capital intensive nature of operations. The ratings continue to remain constrained on account of its presence in a highly competitive and fragmented tile industry due to homogenous product profile marked by few large-organised players as well as numerous small scale tile manufacturers, strong linkages of the industry with the cyclical real estate sector and susceptibility of its profitability to volatile raw material & fuel cost considering the time lag in passing it entirely to the customers.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Substantial volume driven increase in its scale of operations along with improvement in PBILDT margin above 15% on a sustained basis.
- Sustained improvement in debt coverage indicators with PBILDT interest coverage above 5x and total debt/PBILDT below 3x.
- Significant reduction in operating cycle on a sustained basis.

#### Negative factors

- Significant volume driven decline in scale of operations with TOI below Rs.300 crore or PBILDT margin below 12% on sustained basis.
- Any debt-funded capex or increase in working capital borrowings resulting in moderation in interest coverage below 3x and total debt/ PBILDT above 6x on sustained basis.
- Significant elongation in the operating cycle impacting the liquidity of the company

### Analytical approach: Standalone

#### Outlook: Stable

CARE Ratings believes that QCPL will continue to derive benefit from its experienced promoters having long-track record of operations and QCPL's brand positioning in the ceramic industry

### Detailed description of key rating drivers:

#### Key strengths

##### Experienced management and established distribution network

Under the leadership of the experienced management and QCPL's long track record of operations in the ceramic industry, expansion of its product portfolio and established marketing and distribution network, the company has developed a strong brand recall of 'Qutone' for value-added tiles. QCPL exports to more than 60 countries and has a nation-wide marketing network with dedicated dealers, regional offices and company-owned showrooms across India.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

**Location advantage with presence in the ceramic tile manufacturing cluster of India**

The manufacturing facilities of QCPL are located at Wankaner in Rajkot district of Gujarat, which is the largest ceramic cluster in India. It provides advantage in terms of raw material sourcing and easy availability of skilled manpower. Clay and glaze frit is easily available from Gujarat & parts of Rajasthan and fuel (liquefied natural gas/ propane) for firing of kilns is supplied by a Gujarat State PSU, Gujarat Gas Ltd, and propane by other private players. Moreover, the vicinity of the city to major ports (such as Kandla and Mundra) also lowers the transportation cost and thus helps the exporters of ceramic from the region.

**Growing scale of operations and moderate profitability**

During FY25, the total operating income (TOI) of QCPL grew by 16% to Rs.495.67 crore as compared to Rs. 428.70 crore in FY24. The growth in scale of operations in FY25 is on account of strong domestic sales and increased exports to UAE, compensating for reduced sales in the US and Europe due to subdued demand.

The company's sales mix remains focused on high-value products, with GVT and slab tiles comprising 54% and 44% of sales respectively (PY: 54% and 42%). Average capacity utilization improved to 74% in FY25 (Slab tiles: 54%, GVT: 96%) from 52% in FY24 (Slab tiles: 53%, GVT: 51%), driven by increased domestic demand for GVT.

The PBILDT margin of the company, remained healthy at 14.51% (PY: 15.87%) in FY25 with marginal decline of 136 bps on account of increased spending on selling and marketing cost related to launch of new products in the market.

However, owing to reduction in finance cost, PAT margin remained stable at 3.48% with a marginal improvement of 79 bps in FY25 (PY: 2.69%). Consequently, the gross cash accruals also grew by 15% to Rs. 45.27 crore in FY25 (PY: Rs. 39.19 crore).

As per the provisional financials of 2MFY26, QCPL has reported sales of approximately Rs. 80 crore.

**Comfortable capital structure and debt coverage indicators**

QCPL's capital structure improved and stood comfortable marked by overall gearing level of 0.88 times as on March 31, 2025 (PY: 1.00 times as on March 31, 2024). The improvement in gearing level is on account of scheduled reduction in term debt along with accretion of profits to reserves. Further, as per the latest bank sanction, the company is not required to maintain the any amount of unsecured loans as quasi equity thus, the quasi equity of Rs. 49.78 crore (unsecured loan subordinated to bank debt) in FY24 stands omitted from the net worth in FY25.

Further, during the year QCPL has issued 3,16,915 equity shares of face value of Rs. 10 each with a premium of Rs.1592 per share with a total raised amount of Rs. 50.77 crore. These funds have been utilized towards growth and operations of the company and repayment of unsecured loans.

Consequent to above, the debt coverage indicators marked by PBILDT interest coverage and term debt to PBILDT improved to 3.08 times (PY: 2.61 times) and 1.50 years (PY: 1.65 years) respectively in FY25.

**Key weaknesses****Working capital intensive nature of operations**

Apart from the inherent requirement of the Indian ceramic industry to maintain higher inventory levels (due to vast product portfolio, better customer service and faster deliveries), QCPL's inventory (primarily finished goods) holding period and operating cycle remains high at 186 days (PY:202 days) and 170 days (PY: 188 days) respectively as on March 31, 2025. Collection period was moderate at 73 days on account of management's focus on maintaining receivables efficiency in the domestic as well as international markets. Consequently, the gross current asset days also remained high at 247 days in FY25 (PY: 262 days).

**Exposure to volatility in prices of natural gas and key raw materials**

The prices of major raw material i.e. clay and fuel (natural gas) constitute a major part of the cost structure of an entity in the ceramic tile industry. Considering prices of both (clay and natural gas) is market driven, inability of the company to pass it on to its customers may exert pressure on profitability of the company.

**Presence in a highly competitive tile industry with linkages to cyclical real estate industry**

The ceramic industry is highly competitive and fragmented with the presence of numerous organized as well as unorganized players manufacturing a homogenous product profile i.e. GVT and slabs for domestic and international markets. Moreover, with increase in competition in the wall tiles segment, QCPL has discontinued operations of its wall tiles unit. The ceramic tile industry has strong linkages with the real estate industry, which, in is a cyclical industry.

**Liquidity:** Adequate

QCPL's liquidity remains adequate characterised by moderate cash accruals vis-à-vis its debt repayment obligations. The reliance on working capital limits stood moderate marked by average utilisation of fund-based limits at 77% during the trailing 12 months ended May 2025. During FY25, QCPL had healthy cash flow from operations of Rs. 57.69 crore in FY25 as compared to Rs. 46.11 crore in FY24.

Going forward, the company is expected to generate cash accruals in the range of Rs. 45 to Rs. 55 crore as against the debt repayment obligation of around ₹25-₹28 crore, annually over next three years which provides sufficient cushion to its liquidity, in absence of any major capex planned by the entity.

**Assumptions/Covenants:** Not Applicable

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

**Applicable criteria**

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

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[Short Term Instruments](#)

[Withdrawal Policy](#)

**About the company and industry****Industry classification**

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Ceramics

Incorporated in 2008, Qutone Ceramic Private Limited (QCPL) is engaged in manufacturing of ceramic wall tiles & vitrified floor tiles. Post amalgamation with QGPL and QTPL and completion of capex, QCPL has an installed capacity of 16.50 lakh square meter per annum (lsmqa) of wall tiles, 75.90 lsmqa of glazed vitrified tiles and 66.00 lsmqa of large sized tiles as on March 31, 2025.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (UA)
Total operating income	428.70	495.67
PBILDT	68.03	71.94
PAT	11.55	17.25
Overall gearing (times)	1.00	0.88
Interest coverage (times)	2.61	3.08

A: Audited UA: Unaudited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Nil

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	127.25	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	June 2029	72.24	CARE BBB-; Stable
Fund-based/Non-fund-based-Short Term		-	-	-	15.00	CARE A3
Non-fund-based - ST-BG/LC		-	-	-	11.04	CARE A3

**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 2025-2026	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
1	Fund-based - LT-Cash Credit	LT	127.25	CARE BBB-; Stable	-	1)CARE BBB-; Stable (03-Sep-24)	1)CARE BBB-; Stable (05-Jul-23)	1)CARE BBB-; Stable (10-Jun-22)
2	Fund-based - LT-Term Loan	LT	72.24	CARE BBB-; Stable	-	1)CARE BBB-; Stable (03-Sep-24)	1)CARE BBB-; Stable (05-Jul-23)	1)CARE BBB-; Stable (10-Jun-22)
3	Fund-based - LT-Cash Credit	LT	-	-	-	1)Withdrawn (03-Sep-24)	1)CARE BBB-; Stable (05-Jul-23)	1)CARE BBB-; Stable (10-Jun-22)
4	Non-fund-based - LT-Bank Guarantee	LT	-	-	-	-	-	1)Withdrawn (10-Jun-22)
5	Non-fund-based - ST-BG/LC	ST	11.04	CARE A3	-	1)CARE A3 (03-Sep-24)	1)CARE A3 (05-Jul-23)	1)CARE A3 (10-Jun-22)
6	Fund-based/Non-fund-based-Short Term	ST	15.00	CARE A3	-	1)CARE A3 (03-Sep-24)	1)CARE A3 (05-Jul-23)	1)CARE A3 (10-Jun-22)

LT: Long term; ST: Short 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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based/Non-fund-based-Short Term	Simple
4	Non-fund-based - ST-BG/LC	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on 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.

## Contact us

<p><b>Media Contact</b></p> <p>Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a></p> <p><b>Relationship Contact</b></p> <p>Ankur Sachdeva Senior Director <b>CARE Ratings Limited</b> Phone: 912267543444 E-mail: <a href="mailto:Ankur.sachdeva@careedge.in">Ankur.sachdeva@careedge.in</a></p>	<p><b>Analytical Contacts</b></p> <p>Kalpesh Ramanbhai Patel Director <b>CARE Ratings Limited</b> Phone: 079-40265611 E-mail: <a href="mailto:kalpesh.patel@careedge.in">kalpesh.patel@careedge.in</a></p> <p>Anuja Parikh Associate Director <b>CARE Ratings Limited</b> Phone: 079-40265616 E-mail: <a href="mailto:anuja.parikh@careedge.in">anuja.parikh@careedge.in</a></p> <p>Puja Dilip Joshi Assistant Director <b>CARE Ratings Limited</b> E-mail: <a href="mailto:puja.joshi@careedge.in">puja.joshi@careedge.in</a></p>
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