

Quartzart Stones LLP

March 14, 2019

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	20.00	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Assigned
Total	20.00 (Rupees Twenty Crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Quartzart Stone LLP is primarily constrained on account of project implementation risk associated with its debt funded project, vulnerability of margins to fluctuation in foreign exchange rates and raw material prices and easy availability of substitute products.

The rating, however, favorably takes into account experienced management, strategic location of manufacturing units with close proximity to raw material sources and vast and diversified application of quartz slabs. The rating further derive strength from Memorandum of Understanding (MOU) signed resulting in revenue visibility and favorable outlook of the industry.

Successful implementation of the project with ability of the firm to timely initialize and stabilize its operations and achievement of envisaged level of Total Operating Income and profitability with efficient working capital management would be key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weakness

Project implementation risk

QSLP undertook a greenfield project to set up manufacturing unit for manufacturing and export of artificial quartz slabs with an installed capacity of 21 lakh square feet per annum. The firm had envisaged total project cost of Rs.23.18 crore towards the project to be funded through term loan of Rs.17.25 crore, Rs.5.00 crore through partner's capital and remaining through unsecured loans from promoters and related parties. Till February 28, 2019, it has incurred total cost of Rs.3.24 crore towards the project funded through partner capital. It is expected to be completed by end of February, 2020.

Vulnerability of margins to fluctuation foreign exchange rates and easy availability of substitute products

QSLP is exposed to foreign exchange fluctuation risk considering that the firm is planning to generate majority of its income in foreign currency and currently does not have any active hedging policy. Therefore, any adverse movement in the prices of foreign currency can negatively affect the profitability margin of the firm. Further, there are various substitute products which are easily available in the market and QSLP faces competition from same

Key Rating Strengths

Experienced management

The partner of the firm is actively engaged in the operations. Mr Subhash Kedia, B.tech by qualification, partner, has more than three decades of experience in the diversified portfolio includes import of stone & mining tools, Medical College, Hospitals, Steel Rolling Mill, Paper mill,

Hydro Power Plant, Glass manufacturing, warehousing, real estate etc and has vide experience in international trade market and mentor the overall affairs of QSLP.

He is supported by other partners, Mr. Vineet Agarwal, B.Tech in Civil Engineering from Indian Institute of Technology (IIT), Bombay has around 10 years of experience in stone industry through family business and will look after the overall management of the firm. Mr. Manoj Kumar, graduate and bachelor in law by qualification and looks after the accounts and finance department of the firm and Mr. Harsh Sureka, graduate by qualification and looks after the manpower management

Further, each department of QSLP is looked after by experienced and qualified personnel; Mr. Prashant Agarwal, MBA in marketing and has around a decade of experience and looks after the marketing and sale of the firm. Mr. Anil Kumar Rai, Production in-charge, 16 years of experience Artificial Quartz Slab. Mr. Pinkesh Joshi, production manager, B.E. (Mechanical) by qualification and has experience of 3 years in field of manufacturing of Artificial Quartz Slab.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

Strategic location of manufacturing units with close proximity to raw material sources and vast and diversified application of quartz slabs

QSLP's manufacturing facility is located in Rajasthan, strategically located in one of the major minerals producing region of India which makes it easier for the firm to access its primary raw material. Quartz grits and powder are key raw materials for manufacturing Quartz slabs and globally, Rajasthan has largest deposit of quartz mineral which is also best in quality and Kishangarh- Beawar belt has largest grinding industry of quartz grits and powder resulting in benefits derived from lower logistic cost, easy and timely availability and procurement of raw materials at effective prices.

Quartz application is being used in varied applications from office malls, airports to supermarket, from kitchen to bathroom countertops, flooring and feature walls and so on. Further the increase in its market range majorly due to the advantages of quartz. It being the second hardest metal after diamond results in great durability and strength along with non-porous material, easy maintenance and uniformity in its design.

Revenue visibility with regard to MOU signed along with favorable outlook of the industry

In short span of time, the firm has signed a MOU with Kiva Stone, USA on February 25, 2019 for a period of three years from date of first commercial production for supply of quantity as mentioned in contract on monthly basis. Further, the firm has received letter of intent from other companies namely; Prime Stone Exports, Stone Exotics and Khetan Tiles Private Limited.

The firm plans to sell its products in both domestic and export market and majorly export its products in USA, Canada and Europe. Furthermore, the firm is working towards securing other contracts before commencement of production.

As, the quartz surfaces gains popularity, growth of quartz countertops is expected to be propelled by rebound in new building construction, increased spending on remodelling projects, a shift in the product mix from laminates to higher priced alternative materials, increasing application in kitchen, surging penetration across various regions coupled with the availability of a large variety of designs and colours is anticipated to drive the market for quartz surfaces across the globe. In US, one of the major markets for the countertop industry, demand for quartz countertop is expected to rise by 4.2% annually through 2019. Growing at 4.2% the demand for engineered stones is expected to be around 810 million square feet in 2019, valued at \$29.3 billion. Thus, in terms of markets, USA and Canada two of the largest markets in the world are still at nascent stage offering huge business potential in the future for quartz industry.

Strong Group support

The company belongs to established Maruti Group which is in stone industry for more than three decades and engaged in mining, trading, processing and export of marble, granite and masonry stone. The group is engaged in mining of marbles and other natural stones under Maruti International, Maruti Marbles and Maruti Infra Globe (Private) Limited and has export, processing and trading unit under the name; Maruti Impex and Maruti Tardelink.

QSLP will derive strength from established clientele and supplier base as well as established marketing network of the Maruti group which will help the firm to establish its product in the domestic and international market which ultimately helps in increase in scale of operations of the firm

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

[Rating Methodology- Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

Background of the Firm

Jaipur (Rajasthan) based QSLP was formed in December, 2018 by Mr. Vineet Agarwal, Mr. Subhash Kedia, Mr. Harsh Sureka and Mr. Manoj Kumar sharing profit and loss in the ratio of 30:30:30:10. QSLP was formed with an aim to set up a manufacturing unit for manufacturing and export of artificial quartz slabs with an installed capacity of 21 lakh square feet per annum.

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact

Name: Mr Abhishek Jain

Tel: 0141-4020213/14

Cell: 9251265875

Email: abhishek.jain@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	March,2028	17.25	CARE BB-; Stable
Fund-based - LT-Cash Credit	-	-	-	2.75	CARE BB-; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	17.25	CARE BB-; Stable	-	-	-	-
2.	Fund-based - LT-Cash Credit	LT	2.75	CARE BB-; Stable	-	-	-	-

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
Cell: + 9198190 09839
E-mail: meenal.sikchi@careratings.com

Ms. Rashmi Narvankar
Cell: + 9199675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Ankur Sachdeva
Cell: + 9198196 98985
E-mail: ankur.sachdeva@careratings.com

Mr. Saikat Roy
Cell: + 9198209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU

Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

CHANDIGARH

Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 85111-53511/99251-42264
Tel: +91-0172-490-4000/01
Email: anand.jha@careratings.com

CHENNAI

Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD

Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR

Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 - 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA

Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI

Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE

Mr. Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691