

## Quartzart Stones LLP

March 16, 2020

### Rating

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	20.00	<b>CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable; ISSUER NOT COOPERATING*)</b>	<b>ISSUER NOT COOPERATING; Revised from CARE BB-; Stable (Double B Minus; Outlook:Stable) “on the basis of best available information”</b>
<b>Total</b>	<b>20.00 (Rupees Twenty Crore Only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Quartzart Stones LLP (QSLP) to monitor the ratings vide e-mail communications dated November 29, 2019, January 06, 2020, January 21, 2020, January 27, 2020, February 12, 2020, February 27, 2020, March 02, 2020 and March 04, 2020 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, QSLP has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on QSLP bank facilities will now be denoted as **CARE B; Stable ISSUER NOT COOPERATING\***.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

The revision in the rating of QSLP takes into account project implementation risk associated with its debt funded project where limits are yet to be sanctioned by the bank, vulnerability of margins to fluctuation in foreign exchange rates and raw material prices and easy availability of substitute products. It further stood constrained on account of adverse outlook of the quartz export industry.

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.

### Detailed description of the key rating drivers

*At the time of last rating on March 14, 2019, the following were the rating strengths and weaknesses*

#### 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.

##### **Adverse outlook of the quartz export industry**

With quartz surfaces gaining popularity, growth of quartz countertops is expected to be pushed by rebound in new building construction, increased spending on remodeling projects, a shift in the product mix from laminates to higher priced alternative materials, increasing application in kitchen and surging penetration across various regions.

However, higher duties imposed by US on Chinese and Indian quartz products are likely to impact demand in short term. The finalization of duty tariff on Indian quartz slab product in near future would be a key monitorable.

Recently, the US department of Commerce has preliminarily determined anti-dumping (AD) duty of 3.13% and preliminary countervailing duty (CVD) of 83.79% on quartz surface products imported from Indian producers. However, the United States International Trade Administration is expected to make their final recommendations on Indian and Turkish quartz surface tariffs in early 2020 following which the United States International Trade Commission (USITC), an independent federal

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

\*Issuer did not cooperate; Based on best available information

agency with which the unfair trade petition against import of quartz surface products has been filed, will then rule on finalizing the tariffs

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

QSLLP 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 QSLLP 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 wide experience in international trade market and mentor the overall affairs of QSLLP.

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 QSLLP 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.

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

QSLLP'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***

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.

***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.

QSLLP 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**

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[Criteria for Short Term Instruments](#)

[CARE's Policy on Default Recognition](#)  
[Rating Methodology –Project Stage Companies](#)  
[Financial ratios – Non-Financial Sector](#)

#### About the Firm

Jaipur (Rajasthan) based Quartzart Stones LLP (QSLLP) 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. QSLLP 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. The firm has envisaged total cost of Rs.23.18 crore towards the project to be funded through term loan of Rs.17.25 crore, promoter's fund both by way of partner's capital of Rs.5.00 crore and unsecured loans of Rs.0.93 crore. The project is expected to be completed by end of February, 2020

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** None

**Rating History for last three years:** Please refer Annexure-2

#### 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 B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information
Fund-based - LT-Cash Credit	-	-	-	2.75	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information

#### 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	17.25	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information	-	1)CARE BB-; Stable (14-Mar-19)	-	-
2.	Fund-based - LT-Cash Credit	LT	2.75	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information	-	1)CARE BB-; Stable (14-Mar-19)	-	-

**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](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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#### 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

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.