



## Rating Rationale

Advantis Quartz Pvt. Ltd.

30 APR 2019

**Brickwork Ratings assigns provisional ratings for the proposed Bank Loan Facilities of ₹ 62.13 Crores in the name of Advantis Quartz Pvt. Ltd. (AQPL or “the Company”).**

### Particulars

Facility	Amount (₹ Crs)	Tenure	Rating <sup>^</sup>
Proposed# Term Loan	44.69	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable Provisional*
Proposed# Cash Credit	5.76		
Proposed# PC/FBP	11.68	Short Term	BWR A4 (Pronounced as BWR A Four) Provisional*
<b>Total</b>	<b>62.13</b>	<b>Rupees Sixty Two crores and Thirteen Lakhs only</b>	

<sup>^</sup>Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*The rating assigned is provisional and is valid for a period of six months unless reviewed.

#BWR is rating a proposed loan, and hence it is expected that the lender would carry out the necessary due diligence and evaluate the proposal in the normal course of banking business and stipulate such terms and conditions for the loan as are normal for such types of loans.

**Ratings: Assigned Provisional BWR BB- (pronounced as BWR Double B Minus) with a stable outlook and Provisional short term rating of BWR A4 (Pronounced as BWR A Four) for the proposed bank loans facilities.**

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the company's project report, projected financials upto FY24, and other information/clarifications provided by the management of the company.

Advantis Quartz Pvt Ltd. proposes to establish a greenfield project for processing of engineered quartz stone in Rajsamand district (near Udaipur) of Rajasthan with expected commissioning w.e.f October 2019. Raw Material required for the business is proposed to be procured from nearby areas. The finished product is targeted for exports to the North American and the Middle East markets. However, no tie-ups have been entered into for purchase of raw materials and sale of finished goods.

The ratings derive strength from the experience of the promoters in similar lines of business activity, favorable location of the project due to proximity of abundant raw material in the area, good road infrastructure and convenient transportation to Mundra port. The ratings are, however, constrained due to project execution risks, aggressive projections (capacity utilization, sales and profitability) and higher



proposed debt to equity profile.

**Liquidity:** Against total project cost of Rs.68.21 crs, the promoters propose to infuse Rs.9.25 crs through share capital, Rs.14.27 crs by unsecured loans and the balance of Rs.44.69 crs is proposed to be funded through medium term bank term loans. Total authorised capital of the company is Rs.10 crs. Till date, total funds to the tune of Rs.9.70 crs have been infused in the company and have been utilised for purchase of land, construction of shed and building and advances paid towards purchase of machinery. The proposed bank Term loan of Rs.44.69 crs is projected to be repaid from FY21 (Rs.4.47 crs), FY 22-FY 25 (Rs.8.94 crs) and ending in FY 26 (Rs.4.47 Crs). Unsecured loans of Rs.14.27 crs are proposed to be retained in the business at least during the currency of the term loan.

Production is proposed to commence from October 2019 onwards and the company has projected 60% capacity utilization in 1st year of operations (FY20). Capacity utilisation is projected at 65% and 70% during FY21 and FY22 respectively and 75% from FY23 onwards. The company has projected to retain 100% profits in the business in the medium term.

Provisional rating is being advised as financial closure is yet to be achieved. The Provisional Rating will be valid for a period of 6 months, and will automatically expire thereafter, unless reviewed.

### **Description of Key Rating Drivers**

#### **Credit Strengths:**

- (1) Experience of the promoters: Mr. Shanti Lal Singhvi and Mr. Mukesh Modi (post graduate in Geology) have been managing marble mining and processing businesses for more than 30 years. Mr. Siddharth Singhvi, engineering and management graduate, and Mr. Saurabh Modi also have about 10 years experience in marble/granite mining and related fields.
- (2) Positive Industry outlook: Quartz has fast emerged as the latest trend for all kinds of countertops and wall surfaces and its demand is growing across the world on account of aesthetics, durability, strength, variety and less wastage or damage compared to natural marble. In India demand for the quartz is limited to high-end hotels, expensive homes etc.

#### **Credit risks:**

- (1) Project execution risks: Time and Cost overruns: DCCO of the project is proposed in October 2019. Project progress is subjected to time and cost overruns under conditions which may be beyond the control of promoters. However, the promoters have given an undertaking that any cost overrun would be funded out of their own sources.
- (2) Aggressive projected sales, profitability and cash flow risks: In the first full year of operations (i.e FY21), capacity utilization is projected at 65% with total revenues at Rs.154 crs with operating profit margin at 17.11% and net profit margin of 6.63%. Given the business performance of other established players, projections seems to be on the aggressive side.
- (3) Higher Debt-Equity ratio: Against the project cost of Rs.68.21 crs, total promoter's contribution



is proposed at Rs.23.52 crs (including unsecured loans) turning into post DCCO gearing at 2.90x. In case of project cost overruns, which would require to be met by additional debt or proposed unsecured loans that would be subordinated to bank debt, leverage may deteriorate further. Till date, Rs.9.70 crs by way of unsecured loans have been raised.

### Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

### Rating Outlook: Stable

BWR believes the **Advantis Quartz Pvt. Ltd.**'s business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case of timely commissioning of the project and achievement of projected cash flows. The rating outlook may be revised to 'Negative' in case of delays in implementation of the project and failure to meet the desired profitability. As this is a Provisional Rating valid for a period of six months, it will automatically expire unless reviewed.

### About the Company

Advantis Quartz Pvt Ltd (AQPL) .was incorporated on 04 Dec 2018 with its registered office at Arihant Compound Cross NH 76 and NH 8, Amberi Udaipur, Rajasthan. Mr. Shanti Lal Singhvi, Mr. Mukesh Modi, Mr. Saurabh Modi and Mr. Siddharth Singhvi are the promoter directors in the company. AQPL proposes to establish a greenfield project for processing of engineered quartz stone in Rajsamand district (near Udaipur) of Rajasthan.

### Company Financial Performance

The company has no commercial operations as on date. Hence no past financial data/ information has been provided to us.

### Rating History for the last three years

S.No	Instrument/Facility	Current Rating *			Rating History		
		Type	Amount (₹ Crs)	Rating	2018	2017	2016
1	<b>Proposed Term Loan</b>	Long Term	44.69	<b>BWR BB- (Pronounced as BWR Double B Minus)</b>	NIL	NIL	NIL
2	<b>Proposed Cash Credit</b>		5.76				
2	<b>Proposed PC/FBP</b>	Short Term	11.68	<b>BWR A4 (Pronounced as BWR A Four)</b>	NIL	NIL	NIL
	<b>Total</b>		<b>62.13</b>	<b>₹ Sixty Two crores and Thirteen Lakhs Only</b>			



**\*The rating assigned is provisional and is valid for six months, unless reviewed.**

Status of non-cooperation with previous CRA (if applicable)-Reason and comments: NIL

Any other information: NIL

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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**For print and digital media**

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**Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.



**DISCLAIMER**

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