



SMERA RATINGS LIMITED

Nipani Industries (NI)

Rating Rationale

September 05, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	3.30	SMERA BB+/Stable (Assigned)
Proposed Cash Credit	0.80	SMERA BB+/Stable (Assigned)
Standby Line Credit	0.90	SMERA BB+/Stable (Assigned)
Letter of Credit	1.00	SMERA A4+ (Assigned)
Proposed Letter of Credit	1.00	SMERA A4+ (Assigned)
Bank Guarantee	2.15	SMERA A4+ (Assigned)
Proposed Bank Guarantee	10.85	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB+**' (read as **SMERA double B plus**) to the Rs.5.00 crore long-term (fund based) bank facilities and '**SMERA A4+**' (read as **SMERA single A four plus**) to the Rs.15.00 crore short-term (non-fund based) bank facilities of Nipani Industries (NI). The outlook is '**Stable**'. The ratings are supported by the firm's long track record of operations, healthy profit margins and strong debt protection metrics. The ratings are further supported by the firm's experienced management and strong revenue growth. However, the ratings are constrained by the firm's exposure to intense competition in the engineering, procurement and construction (EPC) services industry.

NI, established in 1996, is a Jabalpur-based partnership firm engaged in undertaking turnkey projects for construction, commissioning and installation of pre-engineered (light gauge) steel buildings and communication towers. NI reported healthy net profit margin of 11.19 per cent in FY2012-13 (refers to financial year, April 01 to March 31). The firm's strong debt protection metrics are reflected in low leverage (debt-to-capital ratio) of 0.53 times as on March 31, 2013 and healthy interest coverage ratio of 9.50 times in FY2012-13.

NI benefits from its experienced management. Mr. Rajiv Puri, partner of NI, is an electrical engineer with around two decades of experience in the EPC services industry. The firm's revenues increased at a strong compound annual growth rate (CAGR) of ~44 per cent during FY2009-10 to FY2012-13. NI faces intense competition from several players in the unorganized segment of the EPC services industry.

Outlook: Stable

SMERA believes NI will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the firm demonstrates sustained growth in revenues and profit margins while executing large projects and maintaining a comfortable financial

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risk profile. The outlook may be revised to 'Negative' in case of stretch in the firm's working capital cycle, or in case of deterioration in the firm's financial risk profile on account of large debt-funded capex.

About the firm

NI, established in 1996, is a Jabalpur-based partnership firm promoted by Mr. Rajiv Puri. NI is engaged in undertaking turnkey projects for construction, commissioning and installation of pre-engineered (light gauge) steel buildings and communication towers.

For FY2012-13, NI reported profit after tax (PAT) of Rs.2.12 crore on operating income of Rs.18.90 crore, as compared with PAT of Rs.1.16 crore on operating income of Rs.12.89 crore in FY2011-12. NI's net worth stood at Rs.7.74 crore as on March 31, 2013, as compared with Rs.6.10 crore a year earlier. The firm reported revenue of Rs.44.39 crore (provisional) during April 2013 to January 2014.

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