



SMERA RATINGS LIMITED

Nipani Industries (NI)

Rating Rationale

November 27, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit*	6.00	SMERA BB+/Stable (Reaffirmed)
Term Loan	0.45	SMERA BB+/Stable (Reaffirmed)
Letter of Credit	1.50	SMERA A4+ (Reaffirmed)
Bank Guarantee	7.00	SMERA A4+ (Reaffirmed)
Proposed Bank Limit	5.05	SMERA BB+/Stable (Reaffirmed)

*Rs 3.00 crore of bank guarantees is interchangeable with cash credit limit.

SMERA has reaffirmed ratings of '**SMERA BB+**' (read as **SMERA double B Plus**) and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs. 20.00 crore bank facilities of Nipani Industries (NI). The outlook is '**Stable**'. The ratings continue draw comfort from the company's experienced management and established operational track record. The ratings also factor in the company's moderate financial risk profile and comfortable order book position. However, the ratings are constrained by the presence in a highly fragmented nature of industry and high dependence on tender-based government orders in an intensely competitive segment of the civil construction industry. The rating also notes the partnership constitution of Nipani Industries and decline in revenues to Rs. 28.46 in FY2014-15 from Rs. 43.39 crore in FY2013-14.

Update

NI's debt-to-capital ratio is at 0.48 times as on March 31, 2015 from 0.06 times as on March 31, 2014. The firm's working capital cycle stands at 82 days in FY2014-15 from 16 days in FY2013-14. Nipani's net sales have declined from Rs.43.19 crore in FY2013-14 to Rs.27.79 crore in FY2014-15. The firm's operating profit margin improved from 10.81 per cent in FY2013-14 to 11.12 per cent in FY2014-15. The firm's interest coverage has declined from 10.13 per cent in FY2013-14 to 6.10 per cent in FY2014-15. The firm's net profit margins improved to 10.41 per cent in FY2014-15 from 9.90 per cent in the previous year.

Outlook: Stable

SMERA believes the outlook on NI's rated facilities will remain stable over the medium term on account of its established operational track record and experienced management. The outlook may be revised to 'Positive' if the firm is able to achieve significant growth in revenue while maintaining a comfortable liquidity position and satisfactory capital structure. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the firm's capital structure and liquidity position.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

**Rating Sensitivity Factors**

- The ability of NI to increase its scale of operations while maintaining its profitability and capital structure.

About the Company

Nipani Industries (NI) was established in 1996 to construct communication towers for private networks (like Railways, Police, ONGC, Cairn energy etc) in 2009 it diversified into construction of pre engineered building and subsequently in 2011 to Light Gauge steel buildings (LGS).

LGS building is a new concept in the Indian market and at the most there are 10-12 players in this segment, although this technology is widely used in the west for the last 30 years, the main advantage over pre-engineered buildings is that it can be finished to look like a conventional concrete building hence it is suitable for Institutional, commercial, & residential buildings.

In FY2014-15, Nipani Industries reported profit after tax (PAT) of Rs.2.96 crore on operating income of Rs.28.46 crore, as compared to PAT of Rs.4.30 crore on operating income of Rs.43.39 crore in the previous year. The company's net worth stood at Rs.12.22 crore as on March 31, 2015 as compared with Rs.10.29 crore a year earlier.

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