

## Press Release

**Nipani Industries (NI)**

07 February, 2017

**Rating Reaffirmed**

<b>Total Bank Facilities Rated*</b>	Rs.20.00 Cr
<b>Long Term Rating</b>	SMERA BB+/Stable (Reaffirmed)
<b>Short Term Rating</b>	SMERA A4+ (Reaffirmed)

\*Refer Annexure for details

### Rating Rationale

SMERA has reaffirmed the ratings of '**SMERA BB+**' (**read as SMERA double B plus**) and '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs.20.00 crore bank facilities of Nipani Industries (NI). The outlook is '**Stable**'.

The Jabalpur-based, NI was incorporated in 1996, by Mr. Rajiv Puri. NI is engaged in the structural steel business and undertakes construction of pre-fabricated buildings, communication towers, helicopter hangers among others.

### List of key rating drivers and their detailed description

#### Strengths:

**Experienced management and long track record of operations:** The firm is headed by Mr Puri, a qualified electrical engineer, with experience of over two decades in the aforementioned line of business. The day-to-day operations are managed by Mr K D Puri and Rajiv Puri.

**Moderate financial risk profile:** The moderate financial risk profile is marked by gearing of 0.46 times in FY2016 as against 0.48 times in FY2015. The interest coverage ratio declined to 3.50 times in FY2016 from 6.10 times in the previous year. The net profitability margin declined to 7.02 percent in FY2016 from 10.41 percent in FY2015. The GCA days stood at 234 days in FY2016 as compared to 274 days in FY2015.

#### Weaknesses:

**Highly fragmented industry:** The firm faces stiff competition from other integrated players in the Engineering, Procurement and Construction (EPC) industry. Further, there are several organised and unorganised players in the civil construction industry and tower structure business.

**Tender based business:** The operations are tender-based and susceptible to bidding and winning of tenders floated by government organisations. Going forward the firm's ability to bid for large orders and qualifying for the same remains to be seen. However, the extensive experience of the partners and relationships with clients partially mitigates this risk.

**Analytical approach:** SMERA has considered the standalone business and financial risk profiles of the firm.

**Applicable Criteria:**

- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

**Outlook: Stable**

SMERA believes that NI will maintain a stable outlook in the medium term on account of its experienced management and established operational track record. The outlook may be revised to 'Positive' in case the firm registers significant growth in revenues while maintaining profit margins. Conversely, the outlook may be revised to 'Negative' in case of a large debt funded capex plan.

**About the Rated Entity**

NI was established in 1996 to construct communication towers for the Railways, ONGC, Cairn Energy among others. In 2009 the firm diversified into construction of pre-engineered buildings (PEB) and subsequently in 2011 to Light Gauge steel buildings (LGS).

For FY2015-16, the firm reported profit after tax (PAT) of Rs.2.14 crore on operating income of Rs.30.47 crore, as compared with PAT of Rs.2.96 crore on operating income of Rs.28.46 crore in FY2014-15. The net worth stood at Rs.13.41 crore in FY2015-16 against Rs.12.22 crore a year earlier.

**Status of non-cooperation with previous CRA (if applicable):** Not Applicable

**Any other information:** Not Applicable

**Rating History for the last three years:**

Name of Instrument/Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit*	LT	6.00#	SMERA BB+/Stable (Reaffirmed)	-	-	27 Nov, 2015	SMERA BB+/Stable (Reaffirmed)	05 Sept, 2014	SMERA BB+/Stable (Assigned)
Proposed Cash Credit	LT	-	-	-	-	-	-	05 Sept, 2014	SMERA BB+/Stable (Assigned)
Standby Line of credit	LT	-	-	-	-	-	-	05 Sept, 2014	SMERA BB+/Stable (Assigned)
Term Loan	LT	0.38 (reduced from Rs. 0.45 crore)	SMERA BB+/Stable (Reaffirmed)	-	-	27 Nov, 2015	SMERA BB+/Stable (Reaffirmed)	-	-
Letter of Credit	ST	1.50*	SMERA A4+ (Reaffirmed)	-	-	Nov 27, 2015	SMERA A4+ (Reaffirmed)	05 Sept, 2014	SMERA A4+ (Assigned)

Proposed Letter of credit	ST	-	-	-	-	-	-	05 Sept, 2014	SMERA A4+ (Assigned)
Bank Guarantee	ST	7.00	SMERA A4+ (Reaffirmed)	-	-	Nov 27, 2015	SMERA A4+ (Reaffirmed)	05 Sept, 2014	SMERA A4+ (Assigned)
Proposed Bank Guarantee	ST	-	-	-	-	-	-	05 Sept, 2014	SMERA A4+ (Assigned)
Proposed Bank Limit	LT	5.12	SMERA BB+/Stable (Reaffirmed)	-	-	Nov 27, 2015	SMERA BB+/Stable (Reaffirmed)	-	-

**\*Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit*	N.A	N.A	N.A	6.00#	SMERA BB+/Stable (Reaffirmed)
Term Loan	N.A	N.A	30 April 2018	0.38 (reduced from Rs. 0.45 crore)	SMERA BB+/Stable (Reaffirmed)
Letter of Credit	N.A	N.A	N.A	1.50*	SMERA A4+ (Reaffirmed)
Bank Guarantee	N.A	N.A	N.A	7.00	SMERA A4+ (Reaffirmed)
Proposed Bank Limit	N.A	N.A	N.A	5.12	SMERA BB+/Stable (Reaffirmed)

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

#Rs 1.50 crore of bank guarantees is interchangeable with letter of credit.

**Note on complexity levels of the rated instrument:**<https://www.smera.in/criteria-complexity-levels.htm>

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## ABOUT SMERA

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