

April 22, 2015

Facilities	Amount (Rs. Crore)	Rating
Bill Discounting	3.50	SMERA A4+ (Assigned)
Letter of Credit	2.00	SMERA A4+ (Assigned)
Bank Guarantee	2.00	SMERA A4+ (Assigned)

SMERA has assigned a rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.7.50 crore bank facilities of Nanu Industries (NI). The rating is supported by the firm's integrated operations, diversified product profile, strong revenue growth and experienced management. The rating also draws comfort from the long-term favourable outlook on the infrastructure sector. However, the rating is constrained by the firm's small-scale operations and moderate leverage. The rating notes that the firm's operations are susceptible to cyclicity in the infrastructure sector, intense competition in the construction material industry and adverse changes in mining regulations; moreover, the firm's financial profile is exposed to withdrawal of capital.

NI, established in 1993, is a Goa-based partnership firm engaged in manufacturing of sand, aggregates and electrical control panels. NI's revenues increased from Rs.20.32 crore in FY2012-13 (refers to financial year, April 01 to March 31) to Rs.23.11 crore in FY2013-14, a healthy growth of ~14 per cent. The firm sold around 0.35 million tonnes of sand and aggregates during April 2014 to February 2015, as against 0.29 million tonnes in FY2013-14. NI benefits from its experienced management. The partners of the firm have around four decades of experience in the construction material industry. NI is poised to benefit from the expected revival in the infrastructure sector.

NI has small-scale operations marked by operating income of ~Rs.27 crore (provisional) for the period April 2014 to February 2015. The firm's leverage (total liabilities to tangible net worth ratio) is moderate at 2.18 times as on March 31, 2014 (1.81 times in as on March 31, 2013).

NI's business is susceptible to cyclicity in the infrastructure sector. The firm faces intense competition from several players in the construction material industry. NI's operations are exposed to changes in environmental conditions and regulatory policies. The firm's financial profile is susceptible to withdrawal of capital by partners.

Rating sensitivity factors

- Lower-than-expected sales volume and sales realisation (per unit)
- Higher-than-expected increase in working capital requirements

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**About the firm**

NI, established in 1993, is a Goa-based partnership firm promoted by Mr. Krishna Naik, Mr. Pravas Naik, Mr. Narayan Naik and Mr. Sandesh Naik. NI undertakes manufacturing of sand, aggregates and electric control panels. The firm has sand crushing units in Parme (Maharashtra) and Conquirem (Goa). NI has a factory unit in Ponda (Goa), with installed capacity of manufacturing 1,200 control panels per annum.

For FY2013–14, NI reported net profit after tax of Rs.0.44 crore (after charging Rs.0.70 crore as interest on capital and Rs.1.76 crore as partners' remuneration) on operating income of Rs.23.11 crore, as compared with net profit of Rs.0.05 crore (after charging Rs.1.07 crore as interest on capital and Rs.0.69 crore as partners' remuneration) on operating income of Rs.20.32 crore in FY2012–13. The firm's net worth stood at Rs.6.48 crore as on March 31, 2014, as compared with Rs.6.50 crore a year earlier.

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