

**December 18, 2015**

| Facilities | Amount (Rs. Crore) | Ratings |
|------------------|--------------------|----------------------------|
| Cash Credit | 4.00 | SMERA BB/Stable (Assigned) |
| Bill Discounting | 3.50 | SMERA A4+ (Reaffirmed) |
| Letter of Credit | 2.00 | SMERA A4+ (Reaffirmed) |
| Bank Guarantee | 2.00 | SMERA A4+ (Reaffirmed) |

SMERA has assigned a long term rating of **SMERA BB (read as SMERA double B)** and reaffirmed the short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the above mentioned Rs.11.50 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. However, the rating is constrained by the small-scale of operations, susceptibility of the firm to cyclicity in the infrastructure sector and intense competition in the construction material industry. The rating is also constrained by adverse changes in mining regulations and the partnership constitution of the firm.

Update

The long term rating has been assigned due to the additional cash credit of Rs. 4.00 crore. The short term rating has been reaffirmed on the basis of FY2014-15 audited financials.

Outlook: Stable

SMERA believes that NI's outlook will remain stable over the medium term driven by healthy track record of operations. The outlook may be revised to 'Positive' in case the firm improves its scale of operations along with effective management of working capital. The outlook may be revised to 'Negative' in case of weakening financial profile, operating margins, liquidity and leverage.

Rating Sensitivity Factors

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

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.

**About the Firm**

The Goa-based NI, established in 1993, is a partnership firm promoted by Mr. Krishna Naik, Mr. Pravas Naik, Mr. Narayan Naik and others. The firm is engaged in the manufacture of sand, aggregates and electric control panels. While the sand crushing units are located at Parme, Maharashtra and Conquirem, Goa, the control panels are manufactured at Ponda. The firm has an installed capacity of 1,200 control panels per annum.

For FY2014–15, NI reported net profit after tax of Rs.0.62 crore on operating income of Rs.31.88 crore, as compared with net profit of Rs.0.44 crore on operating income of Rs.23.11 crore in FY2013–14.

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