

Nanu Industries: Upgraded

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	4.00	SMERA BB+/Stable (Upgraded from SMERA BB/Stable)
Term Loan	2.00	SMERA BB+/Stable (Assigned)
Bill Discounting	1.50 (Revised from 3.50)	SMERA A4+ (Reaffirmed)
Letter of Credit	2.00	SMERA A4+ (Reaffirmed)
Bank Guarantee	2.00	SMERA A4+ (Reaffirmed)

SMERA has upgraded the long term rating on the Rs.4.00 crore bank facility of Nanu Industries (NI) to **'SMERA BB+' (read as SMERA double B plus)** from **'SMERA BB' (read as SMERA double B)** and reaffirmed the short term rating of **'SMERA A4+' (read as SMERA A four plus)** on the Rs.5.50 crore bank facility. Further, SMERA has assigned long term rating of **'SMERA BB+' (read as SMERA double B plus)** on the Rs.2.00 crore bank facility. The outlook is **'Stable'**.

The rating upgrade is on account of the healthy growth of revenues and improvement in the financial risk profile. The ratings continue to derive comfort from the firm's integrated operations, diversified product profile, strong revenue growth and experienced management. However, the ratings are 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 ratings are also constrained by the adverse changes in mining regulations and the partnership constitution of the firm.

Update

Nanu Industries manufactures sand, aggregates and electric control panels. For FY2015-16, the firm achieved revenue of Rs.40.45 crore as compared to Rs.31.88 crore for FY2014-15. From April 2016 to October 2016 the firm registered revenue of Rs.19.85 crore (provisional). The profit margins have been stable during FY2013-14 to FY2015-16. The firm registered EBIDTA of 20.82 per cent for FY2015-16 as against 20.50 per cent for FY2014-15. The PAT margins increased to 13.19 per cent in FY2015-16 from 11.06 per cent in FY2014-15 due to other income (interest income, profit on sale of fixed asset and rental income) of Rs.0.18 crore. The financial risk profile continues to remain healthy in FY2015-16. The gearing remained moderate at 1.25 times as on March 31, 2016 (1.04 times as on March 31, 2015). The coverage indicators - interest coverage ratio remained healthy at 6.97 times for FY2015-16 (5.61 times for FY2014-15). The networth increased from Rs.9.20 crore as on March 31, 2015 to Rs.11.18 crore as on March 31, 2016. The average cash credit utilisation has been around 23 per cent in the overdraft (from May 2016 to October 2016).

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

Rating Sensitivity Factors

- Increase in the scale of operations while maintaining profitability
- Efficient working capital management

Outlook: Stable

SMERA believes that NI's outlook will remain stable over the medium term driven by the 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. Conversely, the outlook may be revised to 'Negative' in case of weakening of the financial profile, operating margins, liquidity and leverage.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

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 FY2015-16, NI reported net profit after tax of Rs.5.34 crore on operating income of Rs.40.45 crore, as compared with net profit of Rs.3.53 crore on operating income of Rs.31.88 crore in FY2014-15.

Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
18 December, 2015	Cash Credit	4.00	SMERA BB (Assigned)	-	Stable
	Bill Discounting	3.50	-	SMERA A4+ (Reaffirmed)	-
	Letter of Credit	2.00	-	SMERA A4+ (Reaffirmed)	-
	Bank Guarantee	2.00	-	SMERA A4+ (Reaffirmed)	-
22 April, 2015	Bill Discounting	3.50	-	SMERA A4+ (Assigned)	-
	Letter of Credit	2.00	-	SMERA A4+ (Assigned)	-
	Bank Guarantee	2.00	-	SMERA A4+ (Assigned)	-



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ABOUT SMERA

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