

Press Release

NANU INDUSTRIES

March 19, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 11.50 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB+**' (read as **SMERA BB plus**) and short term rating of '**SMERAA4+**' (read as **SMERAA four plus**) on the Rs. 11.50 crore bank facilities of NANU INDUSTRIES (NI). The outlook is '**Stable**'.

The Goa-based NI established in 1993 is a partnership firm promoted by Mr. Krishna Naik, Mr. Pravas Naik and Mr. Narayan Naik. The firm is engaged in stone crushing and the manufacture of switch boards and electric control panels. While the stone crushing units are located at Parme Maharashtra and Conquirem Goa, the control panels are manufactured at Ponda.

Key Rating Drivers

Strengths

• Experience management team and established track record

NI is in business since 1993 and has a track record of over twenty five years in same line of business. The partners of the firm have more than two decades of experience in the mining & electrical works industry.

• Moderate financial riskprofile

Although there is decline in net worth to Rs.8.55 crores in FY2017 which stood at Rs. 11.18 crores in FY2016, debt equity ratio stood moderate at 1.50 times in FY2017 and 1.25 times in FY2016. The Interest coverage ratio stood comfortable at 8.19 times in FY2017 and has improved from 6.97 times in FY2016. The DSCR Ratio stood at 3.20 times in FY2017 and 2.80 times in FY2016.

• Increase in operating income and profitability

The firm operating income has increased marginally from Rs. 40.45 crores in FY2016 to Rs. 41.60 crores in FY2017. The EBITDA Margins of firm have marginally increased 25.64 per cent in FY2017 as compared to 20.82 per cent in FY2016 due to decrease in raw material cost. The PAT margins of the firm have also improved to 17.07 per cent in FY2017 as compared to 13.19 percent in FY2016.

• Comfortable working capitalcycle

The Gross Current Asset (GCA) Days of firm has decreased to 111 days in FY2017 as compared to 153 days in FY2016. The decline is due to decrease in Inventory days to 30 in FY2017 as compared to 47 days in FY2016 and debtor days from 96 in FY2017 to 66 days in FY2016.

Weaknesses

• Intense competition

The company faces intense competition from various players which is likely to impact operating performance and profitability.

• **Risk associated with availability of raw material and exposure to cyclical in infrastructure sector**

The availability and quality of raw material (Stones Sand and granite blocks etc.) is highly differential in nature. The availability of the right quality and quantity of the raw material depends upon the mining operations as sand and stones are natural products with limited reserves. The industry is primarily dependent upon demand from real estate infrastructure and construction sectors.

• **Risk of capital withdrawal**

The financial profile of NI is susceptible to the inherent risk of capital withdrawal owing to the partnership constitution of the firm as was the case in FY2017.

Analytical Approach

SMERA has considered standalone business and financial risk profiles of NI to arrive at the rating.

Outlook: Stable

SMERA believes that NI's outlook will remain stable over the medium term driven by healthy business prospects. The outlook may be revised to 'Positive' in case the firm improves its scale of operations along with improvement in profitability. The outlook may be revised to 'Negative' in case of weakening financial risk profile and decline in profitability.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	41.60	40.45	31.88
EBITDA	Rs. Cr.	10.67	8.42	6.54
PAT	Rs. Cr.	7.10	5.34	3.53
EBITDA Margin	(%)	25.64	20.82	20.50
PAT Margin	(%)	17.07	13.19	11.06
ROCE	(%)	34.92	29.12	48.67
Total Debt/Tangible Net Worth	Times	1.50	1.25	1.04
PBDIT/Interest	Times	8.19	6.97	5.61
Total Debt/PBDIT	Times	1.23	1.63	1.48
Gross Current Assets (Days)	Days	111	153	135

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Not Any

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
20-Dec-2016	Cash Credit	Long Term	4.00	SMERA BB+ / Stable (Upgraded)
	Term Loan	Long Term	2.00	SMERA BB+ / Stable (Assigned)
	Bills Discounting	Short Term	1.50	SMERA A4+ (Reaffirmed)
	Letter of Credit	Short Term	2.00	SMERA A4+ (Reaffirmed)
	Bank Guarantee	Short Term	2.00	SMERA A4+ (Reaffirmed)
18-Dec-2015	Cash Credit	Long Term	4.00	SMERA BB / Stable (Assigned)
	Bills Discounting	Short Term	3.50	SMERA A4+ (Reaffirmed)
	Letter of Credit	Short Term	2.00	SMERA A4+ (Reaffirmed)
	Bank Guarantee	Short Term	2.00	SMERA A4+ (Reaffirmed)
22-Apr-2015	Bills Discounting	Short Term	3.50	SMERA A4+ (Assigned)
	Letter of Credit	Short Term	2.00	SMERA A4+ (Assigned)
	Bank Guarantee	Short Term	2.00	SMERA A4+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA A4+
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA BB+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4+

Contacts

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ABOUT SMERA

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