

March 28, 2014

Facilities	Amount (Rs. Crore)	Ratings
<b>Cash Credit</b>	<b>3.00</b>	<b>SMERA BB/Stable (Assigned)</b>
<b>Bank Guarantee</b>	<b>11.50</b>	<b>SMERA A4+ (Assigned)</b>

SMERA has assigned ratings of '**SMERA BB**' (read as **SMERA double B**) and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.14.50 crore bank facilities of Nanu Ram Goyal & Co. (NRGC). The outlook is '**Stable**'. The ratings are constrained by the firm's declining profit margin in an intensely competitive business environment. The ratings are also constrained by the firm's exposure to high level of geographical and customer concentration. However, the ratings are supported by the firm's strong order book position, moderate financial risk profile and experienced management.

NRGC, established in 2001, is a Delhi-based subcontractor for residential projects. NRGC's profit margins are susceptible to intense competitive bidding for projects. The firm's operating profit margin has declined from 11.38 per cent in FY2008-09 (refers to financial year, April 01 to March 31) to 6.64 per cent in FY2012-13.

NRGC is exposed to geographical concentration risk as its operations are limited to Delhi-National Capital Region. NRGC is also exposed to customer concentration risk as the firm derives ~50 per cent of its total revenues from a single client viz. H.U.D.A. Employees Welfare Organisation (HEWO). NRGC has a strong order book comprising seven projects of ~Rs.204.12 crore. Further, the firm is bidding for a tender (floated by HEWO) of Rs.175.00 crore.

NRGC's moderate financial risk profile is marked by gearing (debt-equity ratio) of 1.81 times as on March 31, 2013. The firm's net worth declined from Rs.5.74 crore as on March 31, 2012 to Rs.4.35 crore as on March 31, 2013 on account of withdrawal of capital (of Rs.1.38 crore) by the proprietor. NRGC's total debt of Rs.7.88 crore (as on March 31, 2013) includes short-term loans of Rs.5.37 crore. The firm's average utilisation of cash credit facility is ~80 per cent for the six months ended December 20, 2013. NRGC has healthy interest coverage ratio of 8.41 times in FY2012-13.

NRGC benefits from its experienced management. Mr. Dwarka Dass Goyal, proprietor of NRGC, has 20 years of experience in the real estate sector.

### Outlook: Stable

SMERA believes NRGC will continue to benefit over the medium term from its experienced management and healthy order book position. The outlook may be revised to 'Positive' in case the firm generates larger-than-expected cash flows through successful sourcing and execution of large projects. Conversely, the outlook may be revised to 'Negative' in case of decline in the firm's profit margins.

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## About the firm

NRGC, established in 2001, is a Delhi-based proprietorship firm promoted by Mr. Dwarka Das Goyal. NRGC is a subcontractor for residential projects.

For FY2012-13, NRGC reported PAT of Rs.3.05 crore on operating income of Rs.79.43 crore, as compared with PAT of Rs.2.94 crore on operating income of Rs.69.20 crore for FY2011-12. The firm's net worth stood at Rs.4.35 crore as on March 31, 2013, as compared with Rs.5.74 crore a year earlier.

## Contact List:

Media / Business Development	Analytical Contacts	Rating Desk
Mr. Sanjay Kher Head, Sales - Corporate Ratings Tel : +91 22 6714 1193 Cell : +91 98191 36541 Email : <a href="mailto:sanjay.kher@smera.in">sanjay.kher@smera.in</a> Web: <a href="http://www.smera.in">www.smera.in</a>	Mr. Umesh Nihalani Head - Corporate Ratings, Tel: +91-22-6714 1106 Email: <a href="mailto:umesh.nihalani@smera.in">umesh.nihalani@smera.in</a>	Tel: +91-22-6714 1170 Email: <a href="mailto:ratingdesk@smera.in">ratingdesk@smera.in</a>

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