

### Nanitha Constructions: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Secured Overdraft	2.00	SMERA BB/Stable (Assigned)
Bank Guarantee	6.00	SMERA A4+ (Assigned)
Secured Overdraft (Proposed)	0.50	SMERA BB/Stable (Assigned)
Bank Guarantee (Proposed)	4.00	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB**' (read as **SMERA double B**) and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.12.50 crore bank facilities of Nanitha Constructions (Nanitha). The outlook is '**Stable**'.

The ratings are supported by the experienced management, healthy financial risk profile and healthy order book position. The ratings also factor in the effective working capital management. However, the ratings are constrained by the modest scale of operations, high dependence on tender-based government orders and exposure to intense competition in the civil construction industry. The ratings also note the partnership constitution of the firm.

Nanitha, a partnership firm established in 2007 undertakes civil construction projects. The firm benefits from the experience of its managing partner viz. Mr. L. Narsinga Rao who possesses around three decades of experience in the industry. Nanitha has a healthy financial risk profile marked by low gearing of 0.17 times as on March 31, 2015; healthy coverage ratio with interest coverage ratio at 6.85 times. The firm has healthy order book position of Rs.250.00 crore which provides moderate revenue visibility for the medium term. Further, the ratings also factor in the effective working capital management evident from the low GCA of 91 days for FY2014-15.

Nanitha has modest scale of operations with revenues of Rs.36.42 crore for FY2014-15 as against Rs.30.91 crore in the previous year. The operations are highly dependent on government tenders which make it vulnerable to order cyclicity. The firm operates in a highly competitive and fragmented civil construction industry. Further, the ratings also take into account the partnership constitution of the firm that exposes it to risk of capital withdrawal at will.

#### Rating Sensitivity Factors

- Scaling up operations while improving profitability
- Efficient working capital management
- Debt funded capex plans
- Timely execution of projects

#### Outlook-Stable

SMERA believes that the outlook on Nanitha's rated facilities will remain stable over the medium term on account of its promoter's extensive experience in the civil construction industry. The outlook may be revised to 'Positive' if the firm registers higher than expected growth in revenue and profitability while maintaining comfortable liquidity position and capital structure. Conversely, the outlook may be revised to 'Negative' in case the firm registers significant decline in cash accruals or in case of stretched working capital cycle resulting in deterioration of its financial risk profile.

## About the Firm

Nanitha was established as a partnership firm in 2007 by Mr. L. Narsinga Rao and family. The firm undertakes civil construction projects and is a Special Class Contractor in Telangana and Andhra Pradesh.

For FY2014-15, Nanitha reported net profit Rs.1.93 crore on operating income of Rs.36.42 crore, as compared to net profit of Rs.1.59 crore on operating income of Rs.30.91 crore in the previous year. Further, the firm has reported net profit of Rs.4.54 crore on operating income of Rs.87.00 crore for FY2015-16 (provisional).

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## ABOUT SMERA

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