

Press Release

Nitasha Constructions

17 April, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 13.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 13.00 crore bank facilities of Nitasha Constructions. The outlook is '**Stable**'.

The Chandigarh based, Nitasha Constructions was established as a partnership firm in 2012. The firm is engaged in setting up sewage treatment plants, erection and commissioning of air conditioner plants, boilers, solar power plants for MES and other bodies as the Central Public Works Department. The firm is listed as an 'S' class contractor with MES enabling it to bid for contracts with value up to Rs. 15 crore.

Key Rating Drivers

Strengths

- **Experienced management with long track-record of operations**

Nitasha Construction was initially setup as a proprietorship concern in 1987 which was later converted into a partnership firm between Mr. Prakash Bhambhani and his son Mr. Ashish Bhambhani in 2012. Mr. Prakash Bhambhani has an experience of more than three decades in the construction business. Over the years, the company has been able to establish comfortable relationships with their key clients namely MES Central Public Works Department, RITES among others.

- **Healthy profitability**

Nitasha Construction has healthy operating margins of 15.35 per cent in FY2017, an improvement from 14.15 per cent in FY2016 on account of increase in revenue and lower cost of sales. In line with the increase in EBITDA, PAT margins improved to 5.85 per cent in FY2017 from 5.80 per cent in the previous year.

Weaknesses

- **Modest scale of operations**

Scale of operations is modest with operating income of Rs. 16.27 crore in FY2017 against Rs. 15.18 crore in the previous year. This is due to the nature of firms business. The firm is listed as an 'Special Class' (S) contractor with MES, enabling it to bid for contracts with value up to Rs. 15 crore. The bid success ratio of NC is 20-30%.

- **Average financial risk profile**

The firm has average financial risk profile marked by tangible net worth of Rs. 8.15 crore as on 31 March 2017 as against Rs. 7.60 crore as on 31 March 2016. The gearing stood at 1.49 times as on 31 March 2017 as against 1.34 times as on 31 March 2016. The debt of Rs. 12.15 crore consists of long term debt of Rs. 0.22 crore interest free unsecured loans from promoters/ directors of Rs. 3.86 crore and working capital borrowings of Rs. 8.07 crore as on 31 March 2017. The Interest Coverage Ratio (ICR) stood at 1.87 times for FY2017 as against 2.00 times in FY2016. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.79 times as on 31 March 2017 as against 1.75 times as on 31 March 2016. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.09 times in FY2017.

• Stretched working capital cycle

The operations of the company are working capital intensive evident from the gross current asset (GCA) days of 452 in FY2017 as compared to 440 days in the previous year. This is mainly due to high debtor days of around 213 in FY2017 as against 195 in FY2016 and high inventory days of 218 in FY2017 against 242 in FY2016.

Analytical Approach

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

Outlook: Stable

SMERA believes that NC will maintain a 'Stable' business/ financial risk profile over the medium term on account of its experienced management and long track record of operations. The outlook may be revised to 'Positive' in case it sustained a significant growth in operating income while improving its profitability margins. The outlook may be revised to 'Negative' in case of sustained decline in profitability metrics and/or further increase in financial leverage metrics of the company.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	16.27	15.18	10.16
EBITDA	Rs. Cr.	2.50	2.15	1.40
PAT	Rs. Cr.	0.95	0.88	0.54
EBITDA Margin	(%)	15.35	14.15	13.73
PAT Margin	(%)	5.85	5.80	5.35
ROCE	(%)	12.84	12.70	17.73
Total Debt/Tangible Net Worth	Times	1.49	1.34	1.13
PBDIT/Interest	Times	1.87	2.00	2.01
Total Debt/PBDIT	Times	4.75	4.61	5.61
Gross Current Assets (Days)	Days	452	440	512

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entities In Services Sector - <https://www.smera.in/criteria-services.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)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4

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