

March 12, 2015

Facilities	Amount (Rs. Crore)	Ratings
Overdraft	10.00	SMERA B+/Stable (Assigned)
Bank Guarantee	1.00	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA B+**' (**read as SMERA single B plus**) and a short-term rating of '**SMERA A4**' (**read as SMERA A four**) to the abovementioned bank facilities of K Jawahar (KJ). The outlook is '**Stable**'. The ratings are constrained by the firm's moderate scale of operations and high dependence on tender-based contracts. The ratings are also constrained by the firm's exposure to intense competition in the civil construction industry. However, the ratings are supported by the firm's experienced management and moderate financial profile.

KJ, established in 1980, is a Palani-based proprietorship firm engaged in providing civil construction services. KJ has moderate-scale operations marked by operating income of Rs.18.48 crore in FY2013-14 (refer to financial year, April 01 to March 31). The firm is highly dependent on tender-based contracts awarded by government entities. KJ faces intense competition from several players in the civil construction industry.

KJ benefits from its experienced management. Mr. K. Jawahar, proprietor of KJ, has around 35 years of experience in the firm's line of business. KJ's moderate financial risk profile is marked by gearing (debt-to-capital ratio) of 1.03 times as on March 31, 2014.

Outlook: Stable

SMERA believes KJ will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management and established operations. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues while achieving healthy profitability. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected revenues and profitability, or in case of deterioration in the firm's financial risk profile.

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About the firm

KJ, established in 1980, is a Palani-based proprietorship firm promoted by Mr. K. Jawahar. KJ is engaged in providing civil construction services. The firm undertakes construction and repairing of roads, check dams and bridges. KJ is registered as a Class - I contractor with Public Works Department (PWD) of Tamil Nadu, and District Rural Development Agency (DRDA). The firm also deals with National Highways Authority of India (NHAI).

For FY2013–14, KJ reported profit after tax (PAT) of Rs.0.58 crore on operating income of Rs.18.48 crore, as compared with PAT of Rs.0.63 crore on operating income of Rs.14.99 crore in FY2012–13. KJ's net worth stood at Rs.3.77crore as on March 31, 2014, as compared with Rs.3.11 crore a year earlier.

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