

April 07, 2015

| Facilities | Amount (Rs. Crore) | Ratings |
|----------------|-----------------------|-----------------------------|
| Cash Credit* | 7.15 | SMERA BB-/Stable (Assigned) |
| Bank Guarantee | 10.00 | SMERA A4 (Assigned) |

**Interchangeable to the extent of Rs.2.00 crore with Bank Guarantee*

SMERA has assigned a long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and a short-term rating of '**SMERA A4**' (read as **SMERA A four**) to the Rs.17.15 crore bank facilities of J.P. Enterprises (JPE). The outlook is '**Stable**'. The ratings are constrained by the firm's moderate scale of operations and tender-based business. The ratings are also constrained by the susceptibility of the firm's profit margins to volatility in raw material prices. The ratings note that the firm's financial profile is susceptible to withdrawal of capital. However, the ratings are supported by the firm's moderate financial risk profile, healthy order book position and experienced management.

JPE, established in 1985, is a Mumbai-based partnership firm engaged in providing civil construction services to government bodies in Maharashtra. JPE has moderate-scale operations with total income of Rs.15.11 crore in FY 2013-14 (refers to financial year, April 01 to March 31). The firm is highly dependent on tender-based orders procured through an intensely competitive bidding process. JPE's profit margins are exposed to volatility in prices of raw materials such as cement and steel. Raw material cost accounts for ~60 per cent of the firm's total cost of sales. JPE's financial profile is susceptible to withdrawal of capital by partners.

JPE's moderate financial risk profile is reflected in interest coverage ratio of 1.73 times in FY2013-14 and gearing (debt-to-capital ratio) of 0.64 times as on March 31, 2014 (interest-bearing unsecured loans of Rs.9.90 crore from promoters have been considered as quasi-equity). JPE's utilisation of working capital limit was moderate at ~85 per cent during the six months ended January 2015. The firm has a healthy order book position with pending orders of Rs.141.82 crore as on December 31, 2014.

JPE benefits from its experienced management. Mr. Kantilal Shah and Mr. Rajan Shah (B.E. Civil Engineering), partners of JPE, have around three decades of experience in the civil construction industry. Mr. Shagun Shah (son of Mr. Rajan Shah) has a postgraduate degree in construction management with around two years of experience in the firm's line of business.

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Outlook: Stable

SMERA believes JPE will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the firm registers strong growth in revenues while achieving significant improvement in profitability. The outlook may be revised to 'Negative' in case of decline in the firm's profitability, or in case of stretch in the firm's liquidity position.

About the firm

JPE, established in 1985, is a Mumbai-based partnership firm promoted by Mr. Kantilal Shah and Mr. Rajan Shah. JPE is engaged in providing civil construction services. The firm undertakes construction of roads and buildings. JPE caters to various state government bodies such as Municipal Corporation Greater Mumbai (MCGM), Pune Municipal Corporation (PMC), Udgir Municipal Corporation (UMC) and Aurangabad Municipal Corporation (AMC).

For FY2013-14, JPE reported net profit of Rs.0.81 crore on operating income of Rs.14.92 crore, as compared with net profit of Rs.0.28 crore on operating income of Rs.13.63 crore in FY2012-13. The firm's net worth stood at Rs.5.85 crore as on March 31, 2014, as compared with Rs.5.72 crore a year earlier.

| Media / Business Development | Analytical Contacts | Rating Desk |
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| Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 9820802479 Email: antony.jose@smera.in | Shripad Nande Manager – Corporate Ratings Tel: +91-22-6714 1329 Email: shripad.nande@smera.in | Tel: +91-22-6714 1170 Email: ratingdesk@smera.in |

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