



SMERA RATINGS LIMITED

# J.P. Enterprises (JPE)

## Rating Rationale



**December 18, 2015**

| Facilities     | Amount<br>(Rs. Crore) | Ratings                                                    |
|----------------|-----------------------|------------------------------------------------------------|
| Cash Credit*   | 7.15                  | <b>SMERA BB/Stable</b><br>(Upgraded from SMERA BB-/Stable) |
| Bank Guarantee | 10.00                 | <b>SMERA A4+</b><br>(Upgraded from SMERA A4)               |

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

SMERA has upgraded the long-term rating on the Rs.17.15 crore bank facilities of J.P. Enterprises (JPE) to '**SMERA BB' (read as SMERA double B)** from SMERA BB-(read as SMERA double B minus) and short-term rating to '**SMERA A4+' (read as SMERA A four plus)** from SMERA A4 (read as SMERA A four). The outlook is '**Stable**'. The rating upgrade reflects significant improvement in the firm's financial and business risk profile.

The above mentioned ratings continue to draw comfort from the moderate financial risk profile, healthy order book position and experienced management. However, the ratings are constrained by the moderate scale of operations, tender-based business and susceptibility of the profit margins to volatility in raw material prices.

### Update

The improvement in the financial risk profile of the firm is marked by moderate gearing of 1.72 times in FY2014-15 as compared to 3.41 times in FY2013-14 coupled with comfortable coverage indicators of 3.42 times in FY2014-15 as compared to 2.15 times in FY 2013-14. This firm has registered revenue growth of CAGR 37 per cent during FY 2011 to FY 2015. JP has a healthy order book position with orders in hand of ~Rs. 200.00cr.

The company reported profit after tax (PAT) of Rs.3.60 crore on operating income of Rs.91.75 crore in FY2014-15 as compared with PAT of Rs.0.81 crore on operating income of Rs.15.11 crore in the previous year.

### 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, healthy order book position 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. Conversely, the outlook may be revised to 'Negative' in case of decline in the firm's profitability, or stretch in the liquidity position.

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### Rating Sensitivity Factors

- Improvement in scale of operations while maintaining stable profit margins, capital structure and adequate liquidity
- Better working capital management

### About the Firm

JPE, established in 1985, is a Mumbai-based partnership firm promoted by Mr. Kantilal Shah and Mr. Rajan Shah. The firm undertakes civil construction contracts with focus on roads and buildings. It caters to state government bodies such as the Municipal Corporation Greater Mumbai (MCGM), Pune Municipal Corporation (PMC), Udgir Municipal Corporation (UMC) among others.

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