



SMERA RATINGS LIMITED

J.K. Engineering Private Limited (JK)

*Rating
Rationale*

May 20, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit (proposed)	3.00	SMERA BB/Stable (Assigned)
Bank Guarantee (proposed)	12.00	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.15.00 crore proposed bank facilities of J.K. Engineering Private Limited (JK). The outlook is '**Stable**'. The ratings derive comfort from the company's experienced management and established relations with clients. The ratings are also supported by the company's healthy financial risk profile. However, the ratings are constrained by the company's exposure to intense competition in the civil construction business. The ratings are also constrained by the company's high dependence on tender-based orders.

JK, incorporated in 2007, is a Kolkata-based company engaged in providing civil construction services. JK benefits from its experienced management. Mr. Bikash Agarwal, director of JK, has around 15 years of experience in the civil construction industry. JK also benefits from its established relations with several reputed customers such as Sun Pharmaceutical, Zydus Healthcare, Intas Pharmaceutical, IPCA Laboratories and Bhubaneswar Development Authority.

JK's healthy financial risk profile is reflected in low leverage (debt-equity ratio) of 0.51 times as on March 31, 2014 and strong interest coverage ratio of 10.50 times in FY2013-14 (refers to financial year, April 01 to March 31).

JK is highly dependent on tender-based orders obtained through an intensely competitive bidding process.

Outlook: Stable

SMERA believes JK will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers strong growth in scale of operations while maintaining healthy financial risk profile. The outlook may be revised to 'Negative' in case of deterioration in the company's financial profile on account of large debt-funded capex or stretch in working capital cycle.

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About the company

JK, incorporated in 2007, is a Kolkata-based company engaged in providing civil construction services. JK mainly caters to pharmaceutical companies and state development authorities.

For FY2013–14, JK reported profit after tax (PAT) of Rs.1.32 crore on operating income of Rs.55.20 crore, as compared with PAT of Rs.0.86 crore on operating income of Rs.37.18 crore in the previous year. The company's net worth stood at Rs.8.51 crore as on March 31, 2014, as compared with Rs.7.19 crore a year earlier.

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