

July 13, 2015

| Facilities | Amount (Rs. Crore) | Ratings |
|----------------|--------------------|----------------------------|
| Overdraft | 4.00 | SMERA B+/Stable (Assigned) |
| Bank Guarantee | 2.00 | SMERA A4 (Assigned) |

SMERA has assigned ratings of '**SMERA B+**' (read as **SMERA B plus**) to the Rs.4.00 crore fund-based bank facility and '**SMERA A4**' (read as **SMERA A four**) to the Rs.2.00 crore non fund-based facility of M/s Raj Kumar Jain (RJ). The outlook is '**Stable**'. The ratings are supported by the firm's long operational track record, experienced management, comfortable financial risk profile and order book position. However, the ratings are constrained by the small scale of operations and high dependence on tender-based government orders in an intensely competitive segment of the civil construction industry. The ratings are also constrained due to the firm's working capital intensive business operations.

RJ, established in 1980, is an Assam-based partnership firm that undertakes road construction, improvement contracts awarded by Assam Public Works Department (PWD) and irrigation projects awarded by Assam Irrigation Department. The firm benefits from its experienced management. Mr. Raj Kumar Jain, partner of the firm has over three decades of experience in the civil construction industry.

RJ's comfortable financial risk profile is reflected in the gearing (debt-to-capital ratio) of 1.39 times as on March 31, 2015 (provisional). The total debt of the firm includes quasi equity of ~ Rs. 2.40 crore as on March 31, 2015. The firm's interest coverage ratio (ICR) stood at 2.66 times and debt service coverage ratio (DSCR) at 1.59 times (provisional) in FY2014-15 (refers to financial year, April 01 to March 31). RJ has comfortable order book with unexecuted orders of ~ Rs.48.00 crore as on June 30, 2015.

RJ's small operating scale is reflected in the revenues of Rs.8.57 crore in FY2014-15 (Rs. 9.88 crore in previous year). The firm is highly dependent on tender-based orders procured through an intensely competitive bidding process. In FY2014-15, the firm's working capital cycle deteriorated to 485 days from 7 days in FY2013-14 on account of increase in inventory holding from 86 days to 378 days. This was due to stalled projects and delayed payments from government departments.

Outlook: Stable

SMERA believes RJ will maintain a stable business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the firm's financial risk profile or higher than expected working capital requirements.

SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.



SMERA RATINGS LIMITED

Raj Kumar Jain (RJ)

Rating Rationale

About the Firm

RJ, established in 1980, is an Assam-based partnership firm promoted by Mr. Raj Kumar Jain, Mr. Ritesh Kumar Jain and Mr. Piyush Jain. RJ is a Class-I civil contractor registered with the Assam Public Works Department (PWD) and Assam Irrigation Department to take on road construction, improvement works and irrigation projects.

For FY2014–15, RJ reported profit after tax (PAT) of Rs.0.73 crore (provisional) on operating income of Rs.8.57 crore (provisional), as compared with PAT of Rs.0.79 crore on operating income of Rs.9.88 crore in FY2013–14. The firm's net worth stood at Rs.6.01 crore as on March 31, 2014, as compared with Rs.5.27 crore a year earlier.

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