

### Raj Kumar Jain: Upgraded

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Overdraft	4.00	SMERA BB-/Stable (Upgraded from SMERA B+/Stable)
Bank Guarantee	2.00	SMERA A4+ (Upgraded from SMERA A4)

SMERA has upgraded the long-term rating on the above mentioned bank facilities of M/S Raj Kumar Jain (RJ) to '**SMERA BB-' (read as SMERA double B minus)** and short-term rating to '**SMERA A4+' (read as SMERA A four plus)** from 'SMERA B+' (read as SMERA B plus) and 'SMERA A4' (read as SMERA A four) respectively. The rating upgrade is on account of improvement in revenues, healthy order book position and improvement in the overall financial risk profile.

The ratings continue to draw support from the experienced management and the firm's long operational track record. The ratings also draw support from the comfortable financial risk profile.

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 by the working capital intensive operations.

### Update

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

RJ's operating income has improved to Rs.14.43 crore in FY2015-16 as compared to Rs.8.57 crore in FY2014-15. The firm has unexecuted orders of Rs. 83.37 crore as on September 2016.

RJ's comfortable financial risk profile is reflected in the gearing (debt-to-capital ratio) of 1.05 times as on March 31, 2016. The tangible net worth of the firm includes quasi equity of ~ Rs.2.40 crore as on March 31, 2016. The firm's interest coverage ratio (ICR) stood at 2.07 times in FY2015-16.

The firm is highly dependent on tender-based orders procured through an intensely competitive bidding process. The firm has working capital intensive operations. However in FY2015-16, the firm's working capital cycle improved to 167 days in FY2015-16 from 286 days in FY2014-15 on account of decline in inventory holding from 352 days to 208 days.

### Rating Sensitivity Factors

- Sustained growth in revenues and profitability
- Movement in capital structure and coverage indicators
- Efficient working capital management

### Outlook-Stable

SMERA believes that the outlook of RJ would remain stable on account of its experienced management. The outlook maybe revised to 'Positive' in case the firm sustains healthy revenue momentum with profitability while improving on working capital management. The outlook maybe revised to 'Negative' in case of deterioration in the firm's financial risk profile.

### 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. The firm is a Class-I civil contractor and executes road construction and irrigation projects for Assam Public Works Department (PWD) and Assam Irrigation Department

For FY2015-16, RJ reported profit after tax (PAT) of Rs.0.85 crore on operating income of Rs.14.43 crore as compared with PAT of Rs.0.62 crore on operating income of Rs.8.57 crore in FY2014-15.

### Rating History:

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
13 July, 2015	Overdraft	4.00	SMERA B+ (Assigned)	-	Stable
	Bank Guarantee	2.00	-	SMERA A4 (Assigned)	-

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### ABOUT SMERA

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