

May 28, 2016

Facilities	Amount (Rs. Crore)	Ratings
Overdraft	10.00	SMERA BB-/Stable (Upgraded from SMERA B+/Stable)
Bank Guarantee	1.00	SMERA A4+ (Upgraded from SMERA A4)

SMERA has upgraded the rating of the abovementioned long term and short term bank facilities of Jawahar Constructions to '**SMERA BB-**' (read as SMERA double B minus) and '**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 outlook is '**Stable**'. The rating upgrade reflects improvement in the firm's scale of operations and financial risk profile.

Update

Jawahar Constructions registered improvement in its scale of operations with timely execution of orders resulting in CAGR of 44 per cent from FY2011-12 to FY2015-16 and total income of Rs.45.47 crore in FY2015-16 (provisional). The order book position has been modest with pending orders of ~Rs.60.00 crore that provide revenue visibility over the medium term. The firm registered improvement in its financial risk profile marked by comfortable gearing of 0.69 times and interest coverage ratio of 2.18 times in FY2015-16 (provisional).

The above mentioned ratings continue to draw comfort from the firm's experienced management and moderate financial profile. The partners have around two decades of experience in construction. The firm's moderate financial risk profile is marked by gearing (debt-to-capital ratio) of 0.55 times in FY2015 as compared to 1.03 times in FY2014. The coverage indicators are moderate at 4.77 times in FY2015 as compared to 4.06 times in FY2014.

However, the firm's moderate scale of operations is marked by operating income of Rs.22.57 crore in FY2014-15 (refers to financial year, April 01 to March 31) and high dependence on tender-based contracts awarded by government entities. The firm faces intense competition in the civil construction industry.

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Outlook: Stable

SMERA believes Jawahar Constructions will maintain a stable business risk profile over the medium term owing to its experienced management and established operations. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues while achieving healthy profitability. Conversely, the outlook may be revised to 'Negative' if the firm registers lower-than-expected revenues and profitability or deterioration in the financial risk profile.

Rating Sensitivity Factors

- Scaling up operations
- Maintaining healthy profit margins and comfortable liquidity
- Efficient working capital management

About the Firm

Jawahar Constructions established in 2015 (the erstwhile K Jawahar, a proprietorship firm established in 1980) is a Palani-based partnership firm promoted by Mr. Manohar Jawahar and family. The firm is registered as a Class – I contractor with Public Works Department (PWD) of Tamil Nadu, District Rural Development Agency (DRDA) among others. It undertakes construction and repair of roads, check dams and bridges for the government.

Jawahar Constructions reported net profit of Rs.0.53 crore on total income of Rs.22.57 crore in FY2014–15, as against Rs.0.58 crore on total income of Rs.18.48 crore in FY2013–14.

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