

Press Release

Jawahar Constructions (JC)

31 August, 2017

Rating Downgraded and Assigned



Total Bank Facilities Rated*	Rs. 18.00 Cr. (Enhanced from Rs.11.00 Cr.)
Long Term Rating	SMERA B+ /Stable (Downgraded from SMERA BB-/Stable)
Short Term Rating	SMERA A4 (Downgraded from SMERA A4+)

* Refer Annexure for details

Rating Rationale

SMERA has downgraded the long term rating on the Rs.15.00 crore bank facilities of Jawahar Constructions (JC) to **'SMERA B+' (read as SMERA B plus)** from **'SMERA BB-' (read as SMERA BB minus)** and the short term rating on the Rs. 2.00 crore bank facilities to **'SMERA A4' (read as SMERA A four)** from **'SMERA A4+' (read as SMERA A four plus)**. Further, SMERA has also assigned long term rating of **'SMERA B+' (read as SMERA B plus)** to the Rs. 1.00 crore proposed bank facility. The outlook is **'Stable'**.

The Tamil Nadu-based Jawahar Constructions (the erstwhile K Jawahar, a proprietorship firm) established in 1980 was 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.

Key Rating Drivers

Strengths

- **Experienced management**

Jawahar Constructions (JC) established in 2015 is a Palani-based partnership firm promoted by Mr. Manohar Jawahar and family. The day-to-day operations are managed by Mr. Manohar Jawahar who possesses experience of more than two decades in this line of business.

- **Reputed clientele and healthy order book position**

JC has a reputed client base that includes Public Works Departments (PWD) of Tamil Nadu, District Rural Development Agencies (DRDA) and other government local bodies. The firm also undertakes contracts work for National Highway Authority of India (NHAI). JC has ~Rs. 40.00 crore of orders in hand out of which ~Rs.15.00 crore worth of orders have been executed till date.

- **Average financial risk profile**

The financial risk profile is average marked by gearing of 2.10 times in FY2016-17 (Provisional) as against 12.81 times in FY2015-16. For FY2016-17 (Provisional), the capital of Rs.3.08 crore was infused by the partners of the firm. The Interest Coverage Ratio (ICR) stood at 1.37 times in FY2016-17 (Provisional) as against 2.05 times in FY2015-16. The total debt of Rs.7.59 crore in FY2016-17 (Provisional) as against Rs. 6.80 crore in FY2015-16 mainly constituted short term working capital

facilities and machine loans availed for purchase of ready-mix machines to carry out construction work.

Weaknesses

- **Decline in operating income**

The operating income declined to Rs.7.20 crore in FY2015-16 from Rs. 22.57 crore in FY2014-15. The firm registered revenue of Rs.15.36 crore in FY2016-17 (Provisional). The work in progress of Rs.25.00 crore (approx.) from NHAI, Public Works Departments (PWD) of Tamil Nadu and other government agencies are to be executed in the next six months.

- **Working capital intensive operations**

The operations are working capital intensive marked by gross current asset days of 207 days in FY2016-17 (Provisional) compared to 252 days in FY2015-16 on account of high debtor days of 198 days in FY2016-17 (Provisional) (PY: 243 days).

- **High dependence on government orders**

JC is exposed to intense market competition and risks related to the tender based nature of business. The firm caters largely to government organisations exposing itself to customer concentration risk.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the entity.

Outlook: Stable

SMERA believes that JC will maintain a stable outlook 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.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), JC reported profit after tax (PAT) of Rs.0.16 crore on operating income of Rs.15.36 crore, compared to PAT of Rs.0.13 crore on operating income of Rs.7.20 crore in FY2015-16. JC's net worth stood at Rs.3.61 crore as on 31 March, 2017 (Provisional), compared to Rs.0.53 crore a year earlier.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>
- Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
28-May-2016	Overdraft	Long Term	INR 10	SMERA BB- / Stable (Upgraded)
	Bank Guarantee	Short Term	INR 1	SMERA A4+ (Upgraded)
12-Mar-2015	Overdraft	Long Term	INR 10	SMERA B+ / Stable (Assigned)
	Bank Guarantee	Short Term	INR 1	SMERA A4 (Assigned)

Note: In August 2015, the constitution of K Jawahar changed from a proprietorship firm to partnership and was named 'Jawahar Constructions'.

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA B+ / Stable (Downgraded)
Proposed Overdraft	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA B+ / Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4 (Downgraded)

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ABOUT SMERA

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