

Press Release

Jayant K Furnishers

April 04, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 13.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 13.00 crore bank facilities of Jayant K Furnishers. The outlook is '**Stable**'.

Jayant K Furnishers (JKF), established in 1981 is a Mumbai-based civil contractor firm that also provides interior decoration services. The firm was promoted by Mr. Khimji Ramji Soni, Mr. Narayan Khimji Soni and Mr. Jayanti Khimji Soni.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

JKF was established in 1981. The partners, Mr. Khimji Ramji Soni, Mr. Narayan Khimji Soni and Mr. Jayanti Khimji Soni collectively possess more than four decades of experience in the interior decoration industry.

- **Reputed clientele**

The firm's clientbase includes reputed companies such as DLF, Capgemini, Motilal Oswal, JM Financial Products, Godrej Properties to name a few.

- **Moderate financial risk profile**

The firm has comfortable financial risk profile with gearing of 0.61 times as on March, 31 2016 as against 0.58 times in the previous year. The interest coverage ratio stood at 4.82 times for FY2016 as against 3.17 times for FY2015. Further, SMERA believes that the financial risk profile will remain comfortable over the medium term in the absence of any major debt funded capex plan.

- **Modest order book position**

The firm has unexecuted order book position of around Rs. 63.94 cr as on 31 January, 2017. These orders are expected to be completed in the next 24 months thereby providing modest revenue visibility over the medium term.

Weaknesses

- **Uneven revenue trend during the last three years**

JKF has reported operating income of Rs. 39.40 cr for FY 2015-16 as against Rs. 34.27 cr for FY2014-15 and Rs. 48.83 cr in FY 2013-14. The operating income of the firm is uneven due to its tender based nature of business. Further, JFK reported operating income of Rs. 10.18 cr (provisional) for FY2017 (9M).

• Working capital intensive operations

JKF's operations are working capital intensive reflected in the high Gross current asset days of 400 days in FY2016 as against 547 days in FY2015 due to the high amount of work-in-progress inventory maintained by the firm. Further, the firm has received customer advances of Rs. 27.10 cr as on 31st March, 2016.

• Margins are susceptible to volatility in raw material prices

The raw materials used by the firm are veneer, glass, marble, plywood and granite. Any adverse movement in the prices of these may impact profit margins in the absence of price escalation clause.

• Partnership constitution of the firm

The tangible networth stood at Rs. 10.19 cr as on 31st March, 2016 as against Rs. 11.25 cr in the previous year due to capital withdrawal by partners. Hence, the firm is exposed to capital withdrawal risk on account of partnership constitution of the firm.

Analytical Approach

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

Outlook: Stable

SMERA believes that the outlook on JKF's rated facilities will remain stable over the medium term on account of its established presence in the interior decoration industry and experienced promoters. The outlook may be revised to 'Positive' if the firm registers higher than expected growth in revenue and profitability while maintaining a comfortable liquidity position and capital structure. Conversely, the outlook may be revised to 'Negative' in case of significant decline in cash accruals or stretched working capital cycle resulting in deterioration of the financial risk profile.

About the Rated Entity - Key Financials

For FY2015-16, JKF reported net profit of Rs. 3.77 cr on operating income of Rs. 34.27 cr as against net profit of Rs. 1.87 cr on operating income of Rs. 34.27 cr in the previous year. The net worth stood at Rs. 10.19 cr as on March 31, 2016 as against Rs. 11.25 cr in the previous year.

Status of non-cooperation with previous CRA (if applicable)

CRISIL, vide release dated December 31, 2015 has suspended the ratings of JKF on account of lack of adequate information required for monitoring of ratings.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.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)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BB- / Stable

Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA A4+
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ABOUT SMERA

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