

April 03, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	1.00	SMERA BBB-/Stable (Assigned)
ODP	5.00	SMERA BBB-/Stable (Assigned)
Bank Guarantee	60.00	SMERA A3+ (Assigned)

SMERA has assigned ratings of '**SMERA BBB-**' (read as SMERA triple B minus) to the fund based bank facilities and '**SMERA A3+**' (read as SMERA A three plus) to the non-fund based bank facilities of Harji Engineering Works Private Limited (Harji). The outlook is '**Stable**'. The ratings are supported by the company's strong project execution capability, diversified project mix, reputed clientele, strong financial risk profile, healthy profit margins and experienced management. However, the ratings are constrained by the company's tender-based business and stretched working capital cycle. The ratings are also constrained by the company's exposure to project delays associated with infrastructure development.

Harji, incorporated in 1982, is a Delhi-based company engaged in developing infrastructure projects. Harji undertakes erection and fabrication of steel structures, boilers and turbines. The company is also involved in laying pipelines. Harji has demonstrated a strong execution capability by completing projects worth ~Rs.300 crore over the last five to six years. Harji's diversified project mix includes fabrication, erection and structural work for thermal stations and power plants; pumping works; fire fighting systems; erection of heavy equipments, boilers and heavy vessel works. The company caters to various reputed customers, including Indian Oil Corporation Limited, Hindustan Petroleum Corporation Limited, National Fertilizers Limited, National Thermal Power Corporation, Rajasthan State Electricity Board and National Aluminium Company. Harji has a strong financial risk profile marked by low leverage at 1.01 times as on March 31, 2013, strong interest coverage ratio of 2.95 times in FY2012-13 (refers to financial year, April 01 to March 31) and healthy net cash accruals to total debt (NCA/TD) ratio of 0.30 times for FY2012-13. The company has comfortable cash balance of Rs.9.00 crore as on March 31, 2013. Harji's net profit margin is healthy at 2.99 per cent in FY2012-13. The company benefits from its experienced management. Mr. Gian Singh, managing director of Harji, has around four decades of experience in the infrastructure industry. Mr. Ravindrajit Singh and Mr. Harbhej Singh, directors of Harji, have around ten years of experience in the company's line of business.

Harji's ratings are constrained by the company's high dependence on tender based orders. The company only executes contracts awarded by public sector undertakings. Harji's working capital cycle is constrained by stretched receivables position. The company's gross current assets are stretched at 181 days (average for last three years). Moreover, Harji's working capital funds are blocked in retention money (5-10 per cent of the total contract value) held by customers.

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Outlook: Stable

SMERA believes Harji's outlook will remain stable over the medium term on the back of the company's healthy order book position, experienced management and established customer relations with various government departments. The outlook may be revised to 'Positive' in case the company generates healthy cash flows through successful execution of large projects while achieving efficient working capital management. Conversely, the outlook will be revised to 'Negative' in case of further stretch in the company's liquidity position, or in case of delays in project execution.

About the company

Harji, incorporated in 1982, is a Delhi-based company promoted by Mr. Gian Singh, Mr. Ravindrajit Singh and Mr. Harbhej Singh. Harji undertakes erection and fabrication of steel structures, boilers and turbines. The company is also involved in laying pipelines and undertaking instrumentation work, construction and composite works for thermal stations, power plants and hydrocarbon plants across India. Harji specializes in fabrication and erection of heavy structures, large tanks, heavy equipments, boilers and heavy vessel works.

For FY2012-13, Harji reported PAT of Rs.1.81 crore on revenues of Rs.60.47 crore, as compared with PAT of Rs.1.63 crore on revenues of Rs.61.21 crore for FY2011-12. Further, the company reported revenues of ~Rs.50.00 crore (provisional) during April 2013 to December 2013. Harji's net worth stood at Rs.9.30 crore as on March 31, 2013, as compared with Rs.7.50 crore a year earlier.

Contact List

Media/Business Development	Analytical Contacts	Rating Desk
Mr. Sanjay Kher Head - Sales, Corporate Ratings Tel : +91 22 6714 1193 Cell : +91 98191 36541 Email : sanjay.kher@smera.in Web: www.smera.in	Mr. Umesh Nihalani, Head – Corporate Ratings Tel: +91-22-67141106 Cell: +91 98336 51336 Email: umesh.nihalani@smera.in	Tel: +91 22 6714 1170 Email: ratingdesk@smera.in

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