

Harji Engineering Works Private Limited

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	1.00	SMERA BB+/Stable (Suspension Revoked, Rating Assigned)
Overdraft	5.00	SMERA BB+/Stable (Suspension Revoked, Rating Assigned)
Letter of Credit	5.00	SMERA A4+ (Suspension Revoked, Rating Assigned)
Bank Guarantee	55.00	SMERA A4+ (Suspension Revoked, Rating Assigned)

SMERA has revoked the suspension of rating on the above bank facilities of Harji Engineering Works Private Limited (HEWPL) and assigned rating of '**SMERA BB+**' (read as SMERA double B plus) to the Rs.6.00 crore long term (fund based) bank facilities and '**SMERA A4+**' (read as SMERA A four plus) on the Rs.60.00 crore short term (non-fund based) bank facilities. The outlook is 'Stable'.

SMERA had, on 17 July, 2015 suspended the above ratings for lack of necessary information from HEWPL. The company has now shared the requisite information, enabling SMERA to assign a rating.

The ratings derive comfort from the experienced management, diversified project mix and reputed clientele. Further, the ratings factor in the moderate financial risk profile and healthy order book position. However, the aforementioned strengths are partially offset by the company's tender-based business and exposure to project delays.

HEWPL, incorporated in 1982, is a Delhi-based company engaged in infrastructure projects. The company undertakes erection and fabrication of steel structures, boilers and turbines. The company also lays pipelines. Mr. Gian Singh, Managing Director has around four decades of experience in the infrastructure industry while Mr. Ravindrajit Singh and Mr. Harbhej Singh, Directors have more than a decade's experience in the company's line of business. The diversified project mix includes fabrication, erection and structural work for thermal stations and power plants apart from pumping works, fire fighting systems among others. The company caters to reputed customers, including Indian Oil Corporation Limited, Hindustan Petroleum Corporation Limited, National Fertilizers Limited to name a few.

HEWPL's moderate financial risk profile is marked by leverage (debt-to-equity ratio) of 0.54 times (provisional) in FY2015-16 against 0.73 times in FY2014-15. The moderate interest coverage ratio stood at 3.28 times (provisional) in FY2015-16 against 3.06 times in FY2014-15 (refers to financial year, April 01 to March 31) and net cash accruals to total debt (NCA/TD) stood at 0.39 times (provisional) in FY2015-16 against 0.31 times during the previous year. The company's business risk profile is supported by healthy outstanding order book of around Rs.150 crore as on June 30, 2016.

However, the company's business risk profile is constrained by the company's high dependence on tender based orders. The company only executes contracts awarded by public sector undertakings. The working capital cycle is constrained by its stretched receivables position. The gross current assets stood at 178 days (provisional) in FY2015-16 against 232 days during the previous year.

Moreover, the working capital funds are blocked in retention money (5–10 per cent of the total contract value) held by customers.

Outlook – Stable

SMERA believes HEWPL's outlook will remain 'Stable' over the medium term owing to its healthy order book position, experienced management and established customer relationships with various government departments. The outlook may be revised to 'Positive' in case HEWPL 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 delays in project execution.

Rating Sensitivity Factors

- Efficient working capital management
- Substantial and sustainable improvement in revenue and profitability profile
- Debt funded capital expansion

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

HEWPL, incorporated in 1982, is a Delhi-based company promoted by Mr. Gian Singh, Mr. Ravindrajit Singh and Mr. Harbhej Singh. The company undertakes erection and fabrication of steel structures, boilers and turbines. It is also engaged in the laying of pipelines and takes on instrumentation, construction and composite work for thermal stations, power plants and hydrocarbon plants across India.

For FY2014–15, the company reported profit after tax (PAT) of Rs.1.92 crore on operating income of Rs.67.46 crore, as compared with profit after tax (PAT) of Rs.2.29 crore on operating income of Rs.65.77 crore in FY2013–14. As per 12 months' provisional financials for FY2015–16, the company booked PAT of Rs.2.23 crore on operating income of Rs.76.87 crore. The net worth stood at Rs.16.23 crore (provisional) in FY2015–16 against Rs.13.73 crore a year earlier.

Rating History

Date	Name of the Instruments	Amount (Rs. Crore)	Ratings		Outlook
			Long Term	Short Term	
17 Jul, 2015	ODP	5.00	SMERA BBB-	-	Stable/Suspended
	Cash Credit	1.00	SMERA BBB-	-	Stable/ Suspended
	Bank Guarantee	60.00	-	SMERA A3+	-/ Suspended
03 Apr, 2014	ODP	5.00	SMERA BBB-	-	Stable/Assigned
	Cash Credit	1.00	SMERA BBB-	-	Stable/ Assigned
	Bank Guarantee	60.00	-	SMERA A3+	-/ Assigned

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ABOUT SMERA

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