

## Press Release

### Harji Engineering Works Private Limited

September 15, 2017



### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs. 66.00 Cr.
<b>Long Term Rating</b>	SMERA BB+ / Outlook: Stable
<b>Short Term Rating</b>	SMERA A4+

\* Refer Annexure for details

### Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB+**' (read as **SMERA BB plus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 66.00 crore bank facilities of Harji Engineering Works Private Limited. The outlook is '**Stable**'.

Harji Engineering Works Private Limited (HEWPL) is a Delhi-based company incorporated in 1982 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 undertakes instrumentation, construction and composite work for thermal stations as also power, hydrocarbon plants across India.

### Key Rating Drivers

#### Strengths

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

The company has established track record of operations of more than four decades. The Directors, Mr. Gian Singh and Mr. Ravinderjit Singh, have extensive experience in the industry.

- **Reputed clientele**

The company caters to reputed customers including Indian Oil Corporation (IOC), Hindustan Petroleum Corporation Limited (HPCL), National Fertilizers Limited (NFL), Bharat Heavy Electricals Limited (BHEL) to name a few.

- **Healthy financial risk profile**

The financial risk profile of HEWPL has been healthy marked by net worth of Rs.19.58 crore as on 31 March, 2017 (Provisional) as against Rs.17.02 crore a year earlier. The gearing stood low at 0.34 times as on 31 March, 2017 (Provisional) as against 0.52 times as on 31 March, 2016. The ICR improved to 3.40 times in FY2017 (Provisional) from 2.91 times in FY2016. The DSCR is healthy at 3.40 times for FY2017 (Provisional) as against 2.65 times for FY2016. The net cash accruals are healthy at Rs. 3.58 crore in FY2017 (Provisional). The NCA/TD stood at 0.54 times for FY2017 as against 0.41 times in FY2016.

- **Improvement in profitability margins**

HEWPL registered Y-O-Y improvement in profitability margins. The EBITDA margins registered improvement to 8.08 per cent in FY2017 (Provisional) from 7.24 per cent in FY2016 on account of decrease in employee cost. The PAT margins also improved to 3.32 per cent in FY2017 (Provisional) from 3.23 per cent in FY2016 and 2.84 per cent in FY2015.

- **Healthy order book position**

The company has healthy order book position of around Rs.200 crore from ONGC, BHEL and HPCL

which provide revenue visibility for the near term.

### Weaknesses

- **Working capital intensive operations**

The operations of HEWPL have remained working capital intensive marked by high GCA days of 219 days in FY2017 (Provisional) as against 185 days in FY2016. This is on account of increase in debtor days to 91 days in FY2017 from 61 days in FY2016. The debtor days are high on account of receivables from government entities. The creditor days are also stretched at 99 days in FY2017 as against 93 days in FY2016. The bank limit utilisation stands at 75 per cent for the six months ended July, 2017.

- **Susceptibility of profit margins to fluctuations in raw material prices**

HEWPL's profitability is susceptible to fluctuations in the price of steel. Raw material cost constitutes ~80 per cent of cost of sales. Thus, adverse movements can materially impact profitability.

### Analytical Approach

SMERA has considered the standalone financial and business risk profile of Harji Engineering Works Private Limited (HEWPL) to arrive at the rating.

### Outlook: Stable

SMERA believes that HEWPL's outlook will remain 'Stable' over the medium term owing to the company's experienced management and established relations with government entities. The outlook may be revised to 'Positive' in case HEWPL generates healthy cash flows through successful execution of larger projects while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of further stretch in the liquidity position or delays in project execution.

### About the Rated Entity - Key Financials

For FY2016-17 (Provisional), the company reported profit after tax (PAT) of Rs. 2.38 crore on operating income of Rs. 71.44 crore, compared with PAT of Rs. 2.56 crore on operating income of Rs.79.28 crore in FY2015-16. The tangible net worth stood at Rs. 19.58 crore as on 31 March, 2017 (Provisional) against Rs. 17.02 crore a year earlier.

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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. Cr.)	Ratings/Outlook
03-Aug-2016	Cash Credit	Long Term	INR 1	SMERA BB+ / Stable
	Secured Overdraft	Long	INR 5	SMERA BB+ / Stable

		Term		
	Letter of Credit	Short Term	INR 5	SMERA A4+
	Bank Guarantee	Short Term	INR 55	SMERA A4+
17-Jul-2015	Secured Overdraft	Long Term	INR 5	SMERA BBB- / Stable
	Cash Credit	Long Term	INR 1	SMERA BBB- / Stable
	Bank Guarantee	Short Term	INR 60	SMERA A3+
03-Apr-2014	Cash Credit	Long Term	INR 1	SMERA BBB- / Stable
	Secured Overdraft	Long Term	INR 5	SMERA BBB- / Stable
	Bank Guarantee	Short Term	INR 60	SMERA A3+

**\*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
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB+ / Stable
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	55.00	SMERA A4+
Letter of credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4+

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**ABOUT SMERA**

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