

Press Release

Harji Engineering Works Private Limited

March 10, 2021



Rating reaffirmed

Total Bank Facilities Rated*	Rs. 67.00 Cr. (Enhanced from Rs.66.00 Crore)
Long Term Rating	ACUITE BB+/Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) and the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 67.00 Crore bank facilities of Harji Engineering Works Private Limited. The outlook is '**Stable**'.

About the Company

Harji Engineering Works Private Limited (HEWPL) is a Delhi-based company incorporated in 1982 by Mr. Gian Singh, Mr. Ravindrajeet 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 and also power, hydrocarbon plants across India.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of HEWPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Established track record of operations and reputed clientele**

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

Acuité believes that the company will benefit from experienced management which will help the company to maintain long standing relations with its customer and suppliers.

- **Above average financial risk profile**

HEWPL has above average financial risk profile marked by moderate net worth, healthy debt protection metrics and low gearing. The net worth of the company has sequentially improved to around Rs.31.32 crore as on 31 March, 2020 as against Rs.27.40 crore as on 31 March, 2019. The Company has followed a conservative financial policy in the past. The same is also reflected through its peak gearing levels of 0.56 times as on 31 March, 2020. The gearing of the company is expected to remain low over the medium term on account of the absence of any debt funded capex plans. The total debt of Rs.17.57 crore as on 31 March, 2020 consists of long term debt of Rs.6.92 crore and working capital borrowings of Rs.10.64. crore

The moderate profitability levels, coupled with low gearing levels have led to above average coverage indicators. The interest coverage ratio stood healthy at 2.15 times in FY2020 as compare to 2.48 times in

FY2019. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.15 times in FY2020 and 0.15 times in FY2019. Debt to EBITDA stood at 2.70 times in FY2020 as against 3.18 times in FY2019.

Acuité believes that the financial risk profile of the company is expected to remain above average backed by adequate net cash accruals and in the absence of any major debt funded capex in near to medium term.

Weaknesses

- **Working capital intensive operations**

The working capital management of the company stood moderately intensive in FY2020 marked by high Gross Current Assets (GCA) of 293 days in FY2020 as against 610 days in FY2019. The inventory and debtor levels stood at 6 days and 117 days in FY2020 as against 5 and 53 days in FY2019, respectively. The creditor days stood at 386 days in FY2020 as against 373 days in FY2019 as well. The creditors outstanding as on 31st march, 2020 is higher than usual as during the time operations were closed due to covid-19 pandemic. As a result, the average utilization of bank limits stood high at ~92 per cent in the last six months ending December 2020. Acuité believes that the working capital requirements will continue to remain intensive over the medium term on account of high amount of debtors.

- **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.

Rating sensitivity

- Improved performance in the current financial year.
- Strong gearing and above average debt protection metrics.

Material Covenant

None

Liquidity position: Adequate

The Company has adequate liquidity marked by high net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.2.71 Crore in FY2020 as against no significant debt maturity obligation for the year. The cash accruals of the company are estimated to remain in the range of around Rs.3.26 Crore to Rs.4.00 Crore during FY2021-23 against the CPLTD of Rs.1.80 Crore each year for the same period. The company's working capital operations are intensive marked by Gross Current Asset (GCA) days of 293 days in FY2020. The average utilization of bank limits stood low at ~92 per cent in the last six months ending December 2020. The company maintains unencumbered cash and bank balances of Rs.1.06 Crore as on 31 March 2020. The current ratio stands at 1.73 times as on 31 March 2020.

Outlook: Stable

Acuité believes that HEWPL will continue to benefit over the medium term due to its experienced management, healthy revenue visibility and comfortable debt protection metrics. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues while maintaining its working capital. Conversely, the outlook may be revised to 'Negative', in case the company registers lower-than-expected growth in revenues and profitability or if the financial risk profile deteriorates due to higher than expected elongation in working capital leading to deterioration in liquidity.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	76.84	77.25
PAT	Rs. Cr.	2.07	1.83
PAT Margin	(%)	2.69	2.37
Total Debt/Tangible Net Worth	Times	0.56	0.66
PBDIT/Interest	Times	2.15	2.48

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

HEWPL's rating was flagged off as Issuer not cooperating with Brickwork ratings, through its rating rationale dated April 09th, 2020. The reason provided by Brickwork ratings is non-furnishing of information by HEWPL. HEWPL's rating was flagged off as Issuer not cooperating with CRISIL, through its rating rationale dated February 21st, 2018. The reason provided by CRISIL is non-furnishing of information by HEWPL.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Entities- <https://www.acuite.in/view-rating-criteria-51.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
03-February-2020	Cash Credit	Long Term	1.00	ACUITE BB+ (Indicative)
	Secured Overdraft	Long Term	5.00	ACUITE BB+ (Indicative)
	Bank Guarantee	Short Term	55.00	ACUITE A4+ (Indicative)
	Letter of Credit	Short Term	5.00	ACUITE A4+ (Indicative)
21-November-2018	Cash Credit	Long Term	1.00	ACUITE BB+ (Indicative)
	Secured Overdraft	Long Term	5.00	ACUITE BB+ (Indicative)
	Bank Guarantee	Short Term	55.00	ACUITE A4+ (Indicative)
	Letter of Credit	Short Term	5.00	ACUITE A4+ (Indicative)

***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	ACUITE BB+/Stable (Reaffirmed)
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	6.00 (Enhanced from Rs.5.00 Crore)	ACUITE BB+/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	55.00	ACUITE A4+ (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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