

Press Release

Harji Engineering Works Private Limited

July 22, 2022



Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	60.00	-	ACUITE D Downgraded
Bank Loan Ratings	7.00	ACUITE D Downgraded	-
Total Outstanding Quantum (Rs. Cr)	67.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has downgraded its long-term rating to 'ACUITE D' (read as ACUITE D) from '**ACUITE BB+**' (read as **ACUITE double B plus**) and short term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 67.00 crore bank facilities of Harji Engineering Works Private Limited (HEWPL).

Rationale for rating downgrade:

The rating downgrade reflects the overdrawings in the cash credit/overdraft account for more than 30 days and the LC devolvement in July 2022 as per the bankers feedback received.

About the Company

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 and also power, hydrocarbon plants across India.

Analytical Approach

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

Key Rating Drivers

Strengths

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. 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.

Weaknesses

Working capital intensive operations

The working capital management of the company is intensive marked by GCA days of 325 days in FY2022 as against 281 days in FY2021. Also, the debtor days stood at 140 days in FY2022 as against 141 days in FY2021. However, the inventory days improved and stood at 24 days for FY 2022 as against 37 days for FY 2021. The creditors days stood at 331 days in FY2022 as against 538 days in FY21. The high GCA days are majorly on account of high current assets arising out of deposits during the same period.

Overdrawing and devolvement of working capital limits

The liquidity profile of the company is stretched marked by the overdrawings in the cash credit/overdraft facilities for more than 30 days along with the devolvement in the letter of credit in July 2022.

Rating Sensitivities

No overdrawings and devolvement in the working capital limits

Material covenants

None

Liquidity Position: Poor

The company has a poor liquidity position marked by the overdrawings and devolvement in the working capital limits. The company generated cash accruals of Rs.2.87 crore in FY22. The company maintains unencumbered cash and bank balances of Rs.0.22 crore as on March 31, 2022 and the current ratio also stood moderate at 2.52 times as on March 31, 2022.

Outlook: Not Applicable

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	70.74	73.87
PAT	Rs. Cr.	1.77	1.93
PAT Margin	(%)	2.50	2.61
Total Debt/Tangible Net Worth	Times	0.58	0.47
PBDIT/Interest	Times	2.28	2.37

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

CRISIL, vide its press release dated Feb 21, 2018 had denoted the rating of HEWPL as 'CRISIL BB/CRISIL A4+'; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings. BWR, vide its press release dated June 01, 2022 had denoted the rating of HEWPL as 'BWR BB-/BWR A3'; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
10 Mar 2021	Secured Overdraft	Long Term	6.00	ACUITE BB+ Stable (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE BB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	55.00	ACUITE A4+ (Reaffirmed)
03 Feb 2020	Letter of Credit	Short Term	5.00	ACUITE A4+ (Issuer not co-operating*)
	Bank Guarantee	Short Term	55.00	ACUITE A4+ (Issuer not co-operating*)
	Secured Overdraft	Long Term	5.00	ACUITE BB+ (Issuer not co-operating*)
	Cash Credit	Long Term	1.00	ACUITE BB+ (Issuer not co-operating*)
21 Nov 2018	Cash Credit	Long Term	1.00	ACUITE BB+ (Issuer not co-operating*)
	Bank Guarantee	Short Term	55.00	ACUITE A4+ (Issuer not co-operating*)
	Letter of Credit	Short Term	5.00	ACUITE A4+ (Issuer not co-operating*)
	Secured Overdraft	Long Term	5.00	ACUITE BB+ (Issuer not co-operating*)
15 Sep 2017	Cash Credit	Long Term	1.00	ACUITE BB+ Stable (Reaffirmed)
	Secured Overdraft	Long Term	5.00	ACUITE BB+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	55.00	ACUITE A4+ (Reaffirmed)

	Letter of Credit	Short Term	5.00	ACUITE A4+ (Reaffirmed)
03 Aug 2016	Cash Credit	Long Term	1.00	ACUITE BB+ Stable (Assigned)
	Secured Overdraft	Long Term	5.00	ACUITE BB+ Stable (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	55.00	ACUITE A4+ (Assigned)
17 Jul 2015	Secured Overdraft	Long Term	5.00	ACUITE BBB- Stable (Suspended)
	Cash Credit	Long Term	1.00	ACUITE BBB- Stable (Suspended)
	Bank Guarantee	Short Term	60.00	ACUITE A3+ (Suspended)
03 Apr 2014	Cash Credit	Long Term	1.00	ACUITE BBB- Stable (Assigned)
	Secured Overdraft	Long Term	5.00	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	60.00	ACUITE A3+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Punjab and Sind Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	55.00	ACUITE D Downgraded
Punjab and Sind Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE D Downgraded
Punjab and Sind Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE D Downgraded
Punjab and Sind Bank	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE D Downgraded

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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