

October 30, 2025

## Hariharan Foundations Private Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	15.90	3.02	[ICRA]BBB+ (Stable); Reaffirmed
Long-term Fund-based – Overdraft	5.00	5.00	[ICRA]BBB+ (Stable); Reaffirmed
Long-term Fund-based – Cash Credit	5.00	5.00	[ICRA]BBB+ (Stable); Reaffirmed
Long-term/ Short-term – Non-Fund based Bank guarantee	65.00	65.00	[ICRA]BBB+ (Stable)/ [ICRA]A2; Reaffirmed
Long-term/ Short-term – Non- Fund based Letter of credit	5.00	5.00	[ICRA]BBB+ (Stable)/ [ICRA]A2; Reaffirmed
<b>Total</b>	<b>95.90</b>	<b>83.02</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The ratings reaffirmation factors in Hariharan Foundations Private Limited's (HFPL) operational track record of around two decades in the civil construction business, which helps it to secure repeat orders from its reputed customers. The ratings consider the company's comfortable financial profile as reflected in the leverage with TOL/TNW at 0.7 times as on March 31, 2025, and healthy interest coverage of 7.0 times for FY2025. With limited capex and expectations of a stable working capital cycle, its leverage and coverage metrics are likely to remain comfortable over the medium term. As on August 31, 2025, the company has an order book of Rs. 525.1 crore which is 1.5 times its operating income (OI) in FY2025, providing adequate revenue visibility.

The ratings are, however, constrained by the vulnerability of HFPL's revenue towards timely execution of projects within the budgeted costs. The company's scale of operations declined to Rs. 345.0 crore in FY2025 from Rs. 384.4 crore in FY2024 on account of slow execution and consequent impact on operating leverage benefits. The operating margins fell to 4.2% in FY2025 from 7.1% in FY2024, owing to higher operating expenses on account of delayed projects and increase in director remuneration. Nevertheless, the margins are expected to improve in FY2026 and it remains the key rating monitorable. The ratings factor in the high segment concentration risk, with majority of orders from industrial buildings construction, and high geographical concentration risk, with the order book primarily concentrated in Andhra Pradesh, Tamil Nadu and Karnataka. Although HFPL has secured contracts from different end-user industries (warehouse, chemical, automobile, etc), it remains exposed to the cyclical risks in private sector capex, as its order book is entirely from private sector entities. Hence, the timely receipt of new orders is critical to support its medium-term growth prospects. The operating margins are also exposed to stiff competition and volatility in raw material prices. An increase in raw material prices might adversely affect HFPL's operations due to the absence of price escalation clauses in some projects.

The outlook on the long-term rating reflects ICRA's opinion that HFPL's credit profile will be supported by its healthy order execution, timely receipt of payments from its reputed clientele and comfortable financial risk profile.

## Key rating drivers and their description

### Credit strengths

**Adequate order book position** – The company has an adequate order book (OB) of Rs. 525.1 crore as on August 31, 2025 (Rs. 451 crore for the civil construction segment, manufacturing of ready-mix concrete (RMC) of Rs. 32.5 crore and Rs. 41.1 crore from HSPL) translating to an OB/OI of 1.5 times FY2025 revenues, providing adequate revenue visibility. The company expects to add Rs. 300-350 crore of orders every year on a steady state basis.

**Comfortable financial risk profile** – The company's financial risk profile is comfortable, as reflected in the leverage with TOL/TNW of 0.7 times as on March 31, 2025, and a healthy interest cover of 7.0 times for FY2025. With limited capex plans and expectations of a stable working capital cycle, the leverage and coverage metrics are expected to remain comfortable in the medium term.

**Long track record of operations and reputed clientele** – The company has more than two decades of experience in the civil construction business, primarily catering to industrial construction. Its client profile includes reputed entities such as Deccan Fine Chemicals (India) Pvt Ltd, Bheema Fine Chemicals Pvt Ltd, MRF Limited, Indospace Group among others, mitigating the counterparty risk to an extent.

### Credit challenges

**Decline in scale of operations and margins** – The company's revenues remain vulnerable to execution challenges as reflected in a decline in top line to Rs. 345.1 crore in FY2025 from Rs. 384.4 crore in FY2024 on account of delayed execution in few major projects. Given the issues related to major orders are resolved, the revenues are expected to improve in FY2026. The operating margins reduced to 4.2% in FY2025 from 7.1% in FY2024, owing to higher operating expenses on account of delayed projects and increase in director remuneration. Nevertheless, the margins are likely to improve in FY2026 and will remain a key rating monitorable.

**High segmental and geographical concentration risks** – The company faces high segment concentration risks, with majority of the order book from the building segment. Although the building segment contributed 100% of its revenues, short duration projects with better funding visibility at the customer's end have supported its revenues over the years. Further, the order book is limited to Tamil Nadu, Andhra Pradesh and Karnataka, resulting in high geographical concentration risks. Moreover, the order book is vulnerable to cyclicalities in project launches/expansion plans of customers in the industrial segment in these states.

**Prospects linked to private sector capex** – The company's contract activities are primarily in the industrial construction segment. While HFPL has secured contracts from various end-user industries (warehouses, chemical, automobile, pharma among others), it remains exposed to the cyclicalities risks in private sector capex. Hence, timely receipt of new orders is critical to support the growth prospects in the medium term.

### Liquidity position: Adequate

HFPL's liquidity position is adequate with free cash and bank balances of Rs. 50.8 crore as on March 31, 2025. The average working capital limit utilisation remained low at less than 5% over the past twelve months ending September 2025. It has low repayment obligations of Rs. 4.5 crore and limited capex plans in FY2026, which can be comfortably serviced from its estimated cash flows from operations.

## Rating sensitivities

**Positive factors** – ICRA can upgrade HFPL’s ratings if there is a significant increase in order intake/execution, along with earnings and a reduction in working capital intensity, resulting in an improvement in debt coverage metrics and liquidity position on a sustained basis.

**Negative factors** – Pressure on HFPL’s ratings could arise if there is a significant decline in revenue, earnings, order book position or deterioration in the working capital cycle, adversely impacting its liquidity position on a sustained basis. Specific credit metrics for a downgrade include TOL/TNW increasing beyond 1.2 times on a sustained basis.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology Construction</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings of HFPL, ICRA has done consolidation of Hariharan Steel Private Limited (HSPL) as HFPL has provided corporate guarantee for its bank facilities. List of entities forming part of HFPL’s consolidated financials are enlisted in Annexure II.

## About the company

Incorporated in August 2000, HFPL is involved in civil construction, focusing on the construction of industrial facilities. The company also operates RMC batching plants in Tamil Nadu with an installed capacity of 60 cubic metre.

In 2020, HFPL established a wholly-owned subsidiary, Hariharan Steel Private Limited (HSPL). HSPL manufactures pre-engineered solutions for buildings and structural steel fabrication. HSPL offers consultancy, design, fabrication, supply and installation of pre-engineered solutions for factories and buildings, with a manufacturing facility in Sri City, Andhra Pradesh.

## Key financial indicators (Audited)

HFPL (Consolidated)	FY2024	FY2025
Operating income	384.4	345.0
PAT	16.3	10.0
OPBDIT/OI	7.1%	4.2%
PAT/OI	4.2%	2.9%
Total outside liabilities/Tangible net worth (times)	0.7	0.7
Total debt/OPBDIT (times)	0.8	0.5
Interest coverage (times)	6.6	7.0

Source: Company, ICRA Research; All ratios as per ICRA’s calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

## Status of non-cooperation with previous CRA:

CRA	Status	Date of release
CRISIL	CRISIL B+ /Stable/ A4 (ISSUER NOT COOPERATING)	April 28, 2025
BRICKWORK	BWR B /Stable/A4; Continues to be in ISSUER NOT COOPERATING category/Downgraded	April 24, 2025

**Any other information: None**

## Rating history for past three years

Current rating (FY2026)				Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Oct 30, 2025	Date	Rating	Date	Rating	Date	Rating
Term loans	Long term	3.02	[ICRA]BBB+ (Stable)	Jul 16, 2024	[ICRA]BBB+ (Stable)	May 18, 2023	[ICRA]BBB (Positive)	-	-
Fund-based – Overdraft	Long term	5.00	[ICRA]BBB+ (Stable)	Jul 16, 2024	[ICRA]BBB+ (Stable)	May 18, 2023	[ICRA]BBB (Positive)	-	-
Fund-based – Cash Credit	Long term	5.00	[ICRA]BBB+ (Stable)	Jul 16, 2024	[ICRA]BBB+ (Stable)	-	-	-	-
Non-fund based – Bank guarantee	Short term	-	-	-	-	May 18, 2023	[ICRA]A2	-	-
Non-fund based – Letter of credit	Short term	-	-	-	-	May 18, 2023	[ICRA]A2	-	-
Non-fund based – Bank guarantee	Long term /short term	65.00	[ICRA]BBB+ (Stable)/ [ICRA]A2	Jul 16, 2024	[ICRA]BBB+ (Stable)/ [ICRA]A2	-	-	-	-
Non-fund based – Letter of credit	Long term /short term	5.00	[ICRA]BBB+ (Stable)/ [ICRA]A2	Jul 16, 2024	[ICRA]BBB+ (Stable)/ [ICRA]A2	-	-	-	-

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term - Fund-based – Term loans	Simple
Long term - Fund-based – Overdraft	Simple
Long term - Fund-based – Cash Credit	Simple
Long term and short term - Non-fund based – Bank guarantee	Very simple
Long term and short term - Non-fund based – Letter of credit	Very simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loans	Dec 2022	-	Nov 2025	3.02	[ICRA]BBB+(Stable)
NA	Fund-based – Overdraft	-	-	-	5.00	[ICRA]BBB+(Stable)
NA	Fund-based – Cash Credit	-	-	-	5.00	[ICRA]BBB+(Stable)
NA	Non-fund based – Bank guarantee	-	-	-	65.00	[ICRA]BBB+ (Stable)/ [ICRA]A2
NA	Non-fund based – Letter of credit	-	-	-	5.00	[ICRA]BBB+ (Stable)/ [ICRA]A2

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis**

Company Name	Ownership	Consolidation Approach
Hariharan Steels Private Limited	100.0%	Full Consolidation

Source: Company

## ANALYST CONTACTS

**Ashish Modani**

+91 22 6169 3300

[ashish.modani@icraindia.com](mailto:ashish.modani@icraindia.com)

**Suprio Banerjee**

+91 22 6114 3443

[supriob@icraindia.com](mailto:supriob@icraindia.com)

**M Rajashekar Reddy**

+91 40 6939 6423

[m.rajashekarreddy@icraindia.com](mailto:m.rajashekarreddy@icraindia.com)

**Doddapanani Srisai Bhavya**

+91 40 6939 6421

[doddapanani.bhavya@icraindia.com](mailto:doddapanani.bhavya@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

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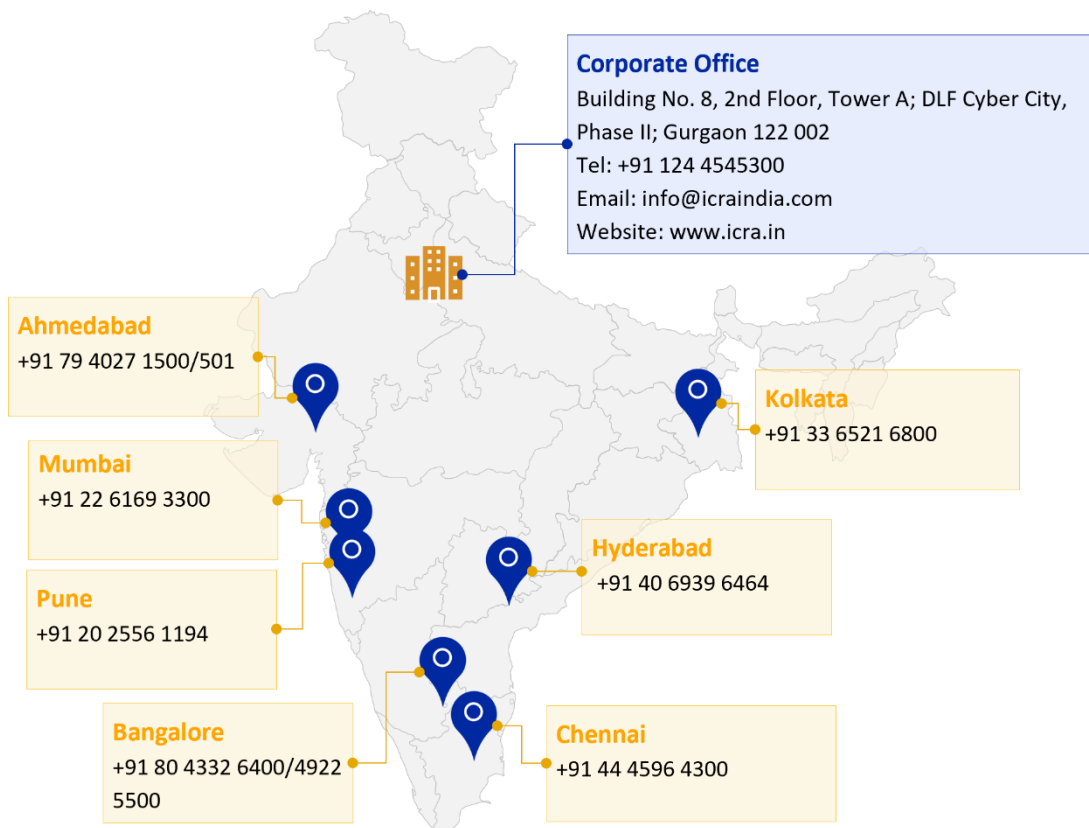
### Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



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