

## Harinarayan Khandelwal (Revised)

March 14, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	1.00	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	19.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>20.00 (Rs. Twenty Crore Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from Harinarayan Khandelwal (HNK) to monitor the ratings vide e-mail communications dated January 15, 2022, February 19, 2022, among others and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the rating.

In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating of HNK's bank facilities will now be denoted as CARE B+; Stable; CARE A4 ISSUER NOT COOPERATING\*.

### Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

The ratings assigned to the bank facilities of HNK have been revised on account of non-availability of requisite information. The ratings assigned to the bank facilities of HNK continue to remain constrained on account of its modest scale of operations with moderate profitability margins and constitution as a partnership concern. The ratings, further, continue to remain constrained on account of its presence in the highly competitive as well as fragmented civil construction industry and geographical as well as customer concentration of order book position.

The ratings, however, continue to derive strength from experienced management with long track record of operations and renowned clientele base with moderate order book position. The ratings, further, continue to derive strength from moderate solvency position and adequate liquidity position.

### Detailed description of the key rating drivers

At the time of last rating on January 08, 2021 the following were the rating strengths and weaknesses.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

#### **Modest scale of operations with moderate profitability margins and constitution as a partnership concern**

The scale of operations of the firm stood modest with TOI and PAT of Rs.26.97 crore and Rs.0.73 crore respectively in FY20 (FY refers to the period April 01 to March 31) and net-worth of Rs.10.01 crore as on March 31, 2020. During FY20, TOI of the firm has declined by 23.33% over FY19 owing to low order execution. However, during FY21, till December 31, 2020 it has registered TOI of Rs.25 crore.

The profitability margins of HNK stood moderate with PBILDT and PAT margin of 6.00% and 2.69% respectively in FY20 as against 6.40% and 4.83% respectively in FY19. During FY20, PBILTD margin of the firm has declined by 40 bps over FY19 on account of increase in other expenses. PAT margin has declined significantly by 213 bps in FY20 over FY19 on account of higher depreciation as well as higher interest expenses.

Further, its constitution as a partnership concern restricts its overall financial flexibility in terms of limited access to external funds for any future expansion plans. Further, there is inherent risk of possibility of withdrawal of capital and dissolution of the firm in case of death/insolvency of partners.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

***High competitive intensity in the government civil construction segment and geographical as well as customer concentration of order book***

The construction industry is highly fragmented in nature with presence of large number of unorganized players and a few large organized players which coupled with the tender driven nature of construction contracts poses huge competition and puts pressure on the profitability margins of the players.

The client base of the company is skewed towards government departments in Rajasthan with firm generating majority of its income from this institution. Moreover, the firm being a regional player and all the projects are executed in Rajasthan only, also reflects geographical concentration risk.

**Key Rating Strengths*****Long track record of operations and experienced management***

The firm was constituted in 1995 and hence, it has more than two decades of experience in the construction industry. Mr. Harinarayan Khandelwal, partner, has more than four decades of experience in the construction industry and looks after overall functions of the firm. Further, he is assisted by Mr. Ajay Gupta, partner, graduate by qualification, who has more than two decades of experience in the construction industry and looks after site functions of the firm. Mr. Satyanarayan Gupta, partner, looks after the finance function whereas Mr. Sudhir Gupta, partner, looks after the supervising the construction activities of the firm. They are assisted by a staff of 40-45 qualified and experienced employees and also the firm has around 400 employees on contract basis.

***Renowned clientele base with long relationship with various government departments with moderate order book position***

Being present in the industry since 1995, the firm has developed long standing relationship with various government department and private sectors such as North Western Railway (NWR), Rajasthan Housing Board (RHB), Jaipur Development Authority (JDA), Rajasthan State Road Development & Construction Corporation Limited (RSRDC), Institute of Chartered Accountants of India (ICAI), Indian Institute of Gem & Jewellery, institute of Health management Research and Khandelwal Vyas Trust. As on January 04, 2021, HNK has an outstanding order book position of about Rs.43.38 crore which consists of orders which will be executed by October 2021. Further, all the contracts have price escalation clause thus mitigating the risk arising out of adverse movement in the raw material price.

***Moderate solvency position***

The capital structure of the firm stood comfortable with an overall gearing of 0.70 times as on March 31, 2020, although deteriorated from 0.19 times as on March 31, 2020 owing to increase in unsecured loans and term loans. Unsecured loans and term loans has increased owing to support its working capital requirement. With increase in total debt along with increase in interest expenses and decline in GCA level, the debt coverage indicators of the firm deteriorated although remained moderate. Total debt to gross cash accruals of the firm deteriorated from 0.87 times as on March 31, 2019 to 6.94 times as on March 31, 2020. The interest coverage has deteriorated from 6.74 times in FY19 to 2.49 times in FY20.

**Liquidity: Adequate**

The liquidity position of the firm stood adequate marked by maximum utilization of 70-75% of its working capital bank borrowings and 90% of its bank guarantee during last twelve months ended December, 2020 and the liquidity ratio stood comfortable marked by current ratio and quick ratio stood at 2.96 times and 2.56 times as on March 31, 2020 as against 2.27 times and 1.96 times as on March 31, 2019. Further, the working capital cycle of the firm stood comfortable at 38 days in FY20, deteriorated from 7 days in FY19 owing to increase in collection period. The firm maintains inventory of 25-35 days. It receive payment from customers 50-90 days, whereas makes the payment to suppliers in 60-90 days. Further it has cash accrual of Rs.1.00 crore as against repayment of Rs.0.21 crore in projection FY21. Further it has cash and bank balance of Rs.0.15 crore as on March 31, 2020. However during FY20, it has negative cash flow from operating activities of Rs.4.51 crore. As per the banker interaction, it has not availed any moratorium or any enhancement during lockdown on account of Covid19.

**Analytical approach: Standalone****Applicable Criteria**

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)  
[Rating Methodology - Construction Sector](#)  
[Policy on Withdrawal of Ratings](#)

### About the Company

Jaipur (Rajasthan) based HNK was formed in 1985 by Mr. Hari Narayan Khandelwal as a proprietorship concern. Subsequently, it changed its constitution to partnership concern in 1995 with the family members joining the firm as partners. HNK is mainly engaged in the business of civil construction for Government and private sectors. It is registered AA class contractor with JDA and RHB.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	31-12-2021 (P)
Total operating income	26.95	NA	NA
PBILDT	1.47	NA	NA
PAT	0.63	NA	NA
Overall gearing (times)	0.68	NA	NA
Interest coverage (times)	2.46	NA	NA

A: Audited P: Provisional NA: Not-available

**Status of non-cooperation with previous CRA:** Brickwork has conducted the review based on best available information and has classified HNK as "Not cooperating" vide its press release dated February 28, 2022.

**Any other information:** None

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

### Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	1.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	19.00	CARE A4; ISSUER NOT COOPERATING*

### Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	1.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (08-Jan-21)	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (12-Dec-19)	1)CARE BB; Stable (11-Mar-19)
2	Non-fund-based - ST-Bank Guarantee	ST	19.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (08-Jan-21)	1)CARE A4; ISSUER NOT COOPERATING* (12-Dec-19)	1)CARE A4+ (11-Mar-19)

\* Long Term / Short Term

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities:** Not Applicable

**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-Bank Guarantee	Simple

**Annexure 5: Bank Lender Details for this Company**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

**Contact us**
**Media Contact**

Name: Mradul Mishra  
 Contact no.: +91-22-6754 3573  
 Email ID: mradul.mishra@careedge.in

**Analyst Contact**

Name: Ujjwal Manish Patel  
 Contact no.: 8511193123  
 Email ID: ujjwal.patel@careedge.in

**Relationship Contact**

Name: Mr. Nikhil Sone  
 Contact no.: +91-141-402 0213 / 14  
 Email ID: : Nikhil.soni@careratings.com

**About CARE Ratings Limited:**

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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