

G L Khanna and Sons

March 31, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	25.70 (Enhanced from 19.32)	CARE BB-; Stable	Reaffirmed
Short Term Bank Facilities	1.00	CARE A4	Reaffirmed
Long Term / Short Term Bank Facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of G L Khanna and Sons (GLK) continue to remain constrained by modest scale of operations, low profitability margins, leveraged capital structure and weak coverage indicators. Further, the ratings are also constrained by highly competitive nature of industry characterized by intense competition and constitution of entity being a proprietorship firm. The rating, however, derive strength from experienced proprietor coupled with long track record of operations, association with reputed and diversified clientele.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Consistent increase in scale of operations as marked by total operating income of above Rs.200.00 crore with improvement in profitability margins as marked by PBILDT above 3.00% on sustained basis.
- Sustained improvement in capital structure with overall gearing below 2.00x while efficiently managing its working capital requirement.

Negative factors

- Deterioration in the capital structure as marked by overall gearing ratio of above 3.50x.
- Elongation in the operating cycle of the firm beyond 90 days.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects that the firm will continue to benefit from experience of the proprietor in the industry.

Detailed description of key rating drivers:

Key weaknesses

Modest scale of operations

GLK's scale of operations has remained modest as marked by total operating income increased to Rs. 172.82 crore during FY24 (refers to April 01, 2023, to March 31, 2024), as against Rs. 154.62 crore during FY23. The modest scale limits the firm's financial flexibility in times of stress and deprives it from scale benefits. Though, the risk is partially mitigated by the fact that the scale of operation is growing continuously. The total operating income of GLK has increased to Rs. 172.82 crore in FY24 from Rs. 80.84 crore during FY20 reflecting a compounded annual growth rate (CAGR) of ~21% owing to rising demand from its existing customers coupled with the addition of new clients. Further, during 11MFY25 (refers to April 01, 2024, to February 28, 2025) the firm has achieved the total operating income of Rs. 144.95 crore.

Low profitability margins

Owing to trading nature of operations, the PBILDT margin of the firm remained low and stood at 2.62% in FY24 as against 2.29% in FY23. Further, the firm has reported PAT margin of 0.32% during FY24 as against 0.34% in FY23 on account of decrease in non-operating income. Going forward, the PBILDT and PAT margin of the firm are expected to remain at same level during short to medium term.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Leveraged capital structure and weak debt coverage indicators

As on March 31, 2024, the debt profile of the firm comprises of term loan of Rs. 7.73 crore and working capital limit of Rs. 19.79 crore against small tangible net worth base of Rs.10.63 crores. The unsecured loans of Rs.6.78 crores have been treated as quasi equity. The capital structure of the firm stood leveraged as marked by overall gearing ratio stood at 2.59x as on March 31, 2024, as compared to 2.55x as on March 31, 2023. Further, on account of high debt levels leading to high interest cost and low profitability leading to low gross cash accruals, the debt coverage indicators of the firm stood weak as marked by interest coverage ratio and total debt to GCA and stood at 1.45x and 22.83x respectively in FY24.

Highly competitive nature of industry characterized by intense competition

The firm is engaged in trading business and faces intense competition from the large and established players as well as unorganised players in the trading segment. The firm is also exposed to high fragmentation in the trading industry, which has numerous players at the bottom of the value chain due to low entry barriers and low capital requirements. The small entities in general are more vulnerable to intense competition due to their limited pricing flexibility and low bargaining power.

Constitution of entity being a proprietorship firm

GLK's constitution as a proprietorship firm has the inherent risk of possibility of withdrawal of the proprietor's capital at the time of personal contingency and firm being dissolved upon the death/retirement/insolvency of proprietor. Moreover, proprietorship firms have restricted access to external borrowing as credit worthiness of proprietor would be the key factors affecting credit decision of the lenders.

Key strengths**Association with reputed and diversified clientele**

GLK is operational since 1951 and has been able to establish healthy relationship with its customers such as Ashoka Buildcon Ltd, Shri Palsiddha Construction, Happy Forgings Ltd, Essen Auto Forge, Universal Steel Discs Ltd., etc. The firm has its registered office in Delhi and also has 3 regional offices one each at Ludhiana (Punjab), Jamnagar (Gujarat) and Pune (Maharashtra) through which it caters to the demand of customers based in different states. Also, the firm's customers are spread out in multiple industry segments such as steel, glass, auto ancillary, auto, railways, specialized forging, engineering, chemicals, silicate, infrastructure etc. The diverse and reputed clientele base reduces customer concentration risk and ensures timely realization of receivables.

Experienced proprietor coupled with long track record of operations

GLK was established as a proprietorship firm in November 1951 by GL Khanna succeeded by Jai Kishan Khanna which was further succeeded by Puneet Khanna. The firm is currently being managed by Puneet Khanna as its proprietor. Puneet Khanna has industry experience of more than two and a half decades which he has gained through his association with GLK only. The proprietor has adequate acumen about various aspects of business which is likely to benefit GLK in the long run. Furthermore, the proprietor is supported by experienced team having varied experience in the field of technical, marketing and finance aspects of business. Constituted in 1951, GLK has a long track of business operations of more than seven decades. The firm receives repeat orders owing to long presence in the industry and established relationship with the customers.

Liquidity: Stretched

The liquidity position of the firm remained stretched with the high working capital requirements, largely met though bank borrowings and average utilization for last twelve months ended February 2025 stood at ~80%. The current ratio and quick ratio of the firm at 1.22x and 1.16x respectively as on March 31, 2024. Further, the firm has tightly matched accruals vis-à-vis repayment obligations. The firm has free cash and bank balance of Rs. 0.44 crores in FY24.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Wholesale Trading](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Commercial Services & Supplies	Trading & Distributors

GLK was established as a proprietorship firm in November 1951 by G L Khanna succeeded by Jai Kishan Khanna which was further succeeded by Puneet Khanna. The firm is currently being managed by Puneet Khanna as a proprietor. The firm is engaged in the trading of industrial fuels such as Carbon Black Feed Stock (CBFS), Furnace Oil, Light Diesel Oil (LDO), Kerosene Oil, Bitumen & other industrial fuels. These traded goods are obtained from Reliance Industries Limited and other reputed refineries and sold to manufacturing units located at various states in Northern and Western India. The firm derives 100% of its revenue from trading. The firm has its registered office in Delhi and also has 3 regional offices one each at Ludhiana (Punjab), Jamnagar (Gujarat) and Pune (Maharashtra) through which it caters to the demand of customers based in different states. The firm's products find application in automobile industry, auto ancillary, casting and forging industries, engineering, chemicals, etc.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	11MFY25 (UA)
Total operating income	154.62	172.82	144.95
PBILDT	3.55	4.53	-
PAT	0.52	0.55	-
Overall gearing (times)	2.55	2.59	-
Interest coverage (times)	1.25	1.45	-

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	24.75	CARE BB-; Stable
Fund-based - LT-Term Loan	-	-	-	May 2027	0.95	CARE BB-; Stable
Fund-based/Non-fund-based-LT/ST	-	-	-	-	0.00	Withdrawn
Non-fund-based - ST-ILC/FLC	-	-	-	-	1.00	CARE A4

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	24.75	CARE BB-; Stable	-	1)CARE BB-; Stable (20-Feb-24)	1)CARE BB-; Stable (03-Jan-23)	1)CARE BB-; Stable (30-Nov-21)
2	Fund-based - LT-Term Loan	LT	0.95	CARE BB-; Stable	-	1)CARE BB-; Stable (20-Feb-24)	1)CARE BB-; Stable (03-Jan-23)	1)CARE BB-; Stable (30-Nov-21)
3	Non-fund-based - ST-ILC/FLC	ST	1.00	CARE A4	-	1)CARE A4 (20-Feb-24)	1)CARE A4 (03-Jan-23)	1)CARE A4 (30-Nov-21)
4	Fund-based/Non-fund-based-LT/ST	LT/ST	-	-	-	1)CARE BB-; Stable / CARE A4 (20-Feb-24)	1)CARE BB-; Stable / CARE A4 (03-Jan-23)	1)CARE BB-; Stable / CARE A4 (30-Nov-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based/Non-fund-based-LT/ST	Simple
4	Non-fund-based - ST-ILC/FLC	Simple

Annexure-5: Lender details

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

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

Contact us

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About us:

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