

## Ashok Khandelwal

January 22, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	5.05	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB-; Stable; (Double B Minus; Outlook: Stable)
Short Term Bank Facilities	4.95	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>10.00</b> <b>(Rs. Ten Crore Only)</b>		

*Details of facilities in Annexure-1*

#### Detailed Rationale & Key Rating Drivers

CARE has been seeking information from **Ashok Khandelwal (AK)** to monitor the rating vide e-mail communications/letters dated January 04, 2021, January 07, 2021 and January 12, 2021 and numerous phone calls. However, despite our repeated requests, the entity has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, **Ashok Khandelwal** has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on AK's bank facilities will now be denoted as **CARE B; Stable; ISSUER NOT COOPERATING\*** and **CARE A4; ISSUER NOT COOPERATING\***. Further due diligence with the banker and auditor could not be conducted.

**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 have been revised by taking into account non-availability of information due to non-cooperation by AK with CARE's efforts to undertake a review of the rating outstanding.

#### Detailed description of the key rating drivers

At the time of last rating in December 18, 2019 the following were the rating strengths and weaknesses:

##### Key Rating Weaknesses:

**Partnership nature of constitution:** AK, being a partnership firm, is exposed to inherent risk of the partner's capital being withdrawn at time of personal contingency and firm being dissolved upon the death/retirement/insolvency of the partners. Furthermore, partnership firms have restricted access to external borrowing as credit worthiness of partners would be the key factors affecting credit decision for the lenders.

**Relatively small scale of operations with moderate profitability margins:** The overall scale of operations remained relatively small marked by total operating income of Rs.33.92 crore (FY17: Rs.26.42 crore) with a PAT of Rs.2.27 crore (FY17: Rs.1.70 crore) during FY18; Provisional. Moreover, the profitability margins remained moderate marked by PBILDT margin of 8.52% (FY17:7.36%) and PAT margin of 6.70% (FY17: 6.45%) during FY18; Provisional.

**Volatility in input prices:** The major input materials for the firm are bitumen, asphalt, murrum, stone chips and metals, the prices of which are volatile. Further the orders executed by the firm does not contain price escalation clause and thus the firm remains exposed to the price volatility of the input materials. This apart, any increase in labour prices will also impact its profitability being present in a highly labour intensive industry.

**Working capital intensive nature of operation:** The operations of the firm remained working capital intensive as the firm executes orders mainly for public sector units. The average inventory period was around one to two months during FY18 provisional due to work uncertified by the customers. However, payment comes in within a week from the date of bill raised. Due to its working capital intensive nature of operations, the firm stretches its suppliers.

**Client concentration risk albeit reputed clientele:** AK executes orders mainly for various public sector units like PWD, HSCC Ltd, etc. and earns revenue of about 80%-90% of its total operating income from the above clients which exposes it to client concentration risk. However, the firm has long standing relationship with these clients for more than a decade which offsets the risk to some extent. Further the clients of the firm are reputed government players and hence, default risk is minimal.

##### Key Rating Strengths

**Experienced partners and long track record of operations:** The firm is into civil construction business since 1990 and thus has a track record of operations of around 28 years. Due to long track record of operations the firm has established

satisfactory relationship with its clients. Furthermore the key partners; Mr. Ashok Khandelwal has around two decades of experience in civil construction industry, looks after the day to day operations of the firm. He is supported by other partners Mr. Parag Doshi who also has around two decades of experience in this line of business. The partners are supported by a team of experienced professionals.

**Comfortable capital structure with strong debt coverage indicators:** The capital structure of the firm remained comfortable marked by overall gearing ratio of 0.37x (0.09x as on March 31, 2017) as on March 31, 2018. The debt coverage indicators also remained strong marked by interest coverage of 5.89x and total debt to GCA of 2.13x in FY18.

**Analytical approach:** Standalone

**Applicable Criteria**

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

[Criteria on assigning 'outlook' and 'credit watch'](#)

[Rating Methodology – Construction Sector](#)

[Criteria for Short Term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

[CARE's Policy on Default Recognition](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

#### About the Entity

Ashok Khandelwal (AK) was established as a partnership firm in April 1990 by the Khandelwal and Doshi family of Chhattisgarh. Since its inception, the firm has been engaged in civil construction activities in the segment like construction of buildings, drains and roads.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (Prov.)
Total operating income	26.42	33.92
PBILDT	1.95	2.89
PAT	1.70	2.27
Overall gearing (times)	0.09	0.37
Interest coverage (times)	11.91	5.89

A: Audited; Prov.: Provisional

**Status of non-cooperation with previous CRA:** Not Applicable.

**Any other information:** Not Applicable

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

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

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	5.05	CARE B; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantees	-	-	-	4.95	CARE A4; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; Based on best available information

## 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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	5.05	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (18-Dec-19)	1)CARE BB; Stable (01-Nov-18) 2)CARE BB; Stable; ISSUER NOT COOPERATING* (27-Sep-18)	1)CARE BB; Stable (04-Jul-17)
2.	Non-fund-based - ST-Bank Guarantees	ST	4.95	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (18-Dec-19)	1)CARE A4 (01-Nov-18) 2)CARE A4; ISSUER NOT COOPERATING* (27-Sep-18)	1)CARE A4 (04-Jul-17)

\*Issuer did not cooperate; Based on best available information

## 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 the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - ST-Bank Guarantees	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### **About CARE Ratings:**

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