

ANS Constructions Private Limited: Downgraded

| Facilities | Amount (Rs. Crore) | Rating/Outlook |
|----------------|--------------------|--|
| Cash Credit | 6.00 | SMERA B (Downgraded from SMERA BB/Stable) |
| Bank Guarantee | 40.00 | SMERA A4 (Downgraded from SMERA A4+) |

SMERA has downgraded the rating on the Rs.6.00 crore long term (fund based) bank facility of ANS Constructions Private Limited (ANS) to **'SMERA B' (read as SMERA B)** from 'SMERA BB' (read as SMERA double B) and the Rs.40.00 crore short term (non-fund based) facility to **'SMERA A4' (read as SMERA A four)** from SMERA A4+ (read as SMERA A four plus). The outlook continues to remain **'Stable'**.

The rating downgrade reflects decline in profitability profile, weak debt protection metrics and stretched liquidity profile. The ratings continue to be constrained by the company's exposure to group companies, working capital intensive business and high dependence on tender-based orders. However, the ratings are supported by the experienced management and healthy relations with customers and suppliers.

Update

The Delhi-based ANS undertakes civil construction work. In FY2015-16 (provisional), ANS reported operating profit before tax (OPBT) of Rs.5.18 crore and net loss of Rs.13.99 crore. The net loss was on account of loss of Rs.18.44 crore on sale of investment made in its group company, M. Tech Developers. In FY2015-16 (provisional), ANS reported operating income of Rs.126.21 crore against Rs.125.22 crore in FY2014-15 (refer to financial year from April 1 to March 31). The company's financial risk profile has deteriorated evident from the interest coverage ratio of -3.43 times in FY2015-16 against 3.77 times during the previous year. The net cash accruals to total debt (NCA/TD) stood at -0.41 times in FY2015-16 against 0.21 times in FY2014-15.

ANS has stretched liquidity profile evident in the exposure of Rs.75.06 crore (provisional) to group companies in FY2015-16 as compared to Rs.97.29 crore in FY2014-15. The company's operations are working capital intensive evident from the gross current asset (GCA) days of 271 (provisional) in FY2015-16 against 320 days during the previous year. The high GCA days emanates from the inventory holding period of 76 days (provisional) in FY2015-16 against 123 during the previous year resulting in 98 per cent utilisation of fund based limit. The company is highly dependent on tender-based orders from government and private players.

However, the company benefits from its experienced management. Mr. Mehinder Sharma, Director, has more than three decades of experience in the company's line of business. The company has healthy relations with customers and suppliers.

Outlook – Stable

SMERA believes ANS will maintain a stable outlook over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' if the company significantly reduces its exposure to group entities, while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' if ANS extends further support to its group entities or registers lower than expected cash accruals leading to weaker liquidity.

Rating Sensitivity Factors

- Exposure to group companies
- Sustainable improvement in operating income and profitability profile
- Sustainable improvement in the financial risk profile

About the Company

ANS, incorporated in 1966, is a Delhi-based company that undertakes civil construction work for the government and private corporate entities. The operations of the company are managed by Mr. Mehinder Sharma.

For FY2014–15, ANS reported operating profit before tax (OPBT) of Rs. 2.14 crore and profit after tax (PAT) of Rs.1.80 crore on operating income of Rs.125.22 crore, as compared with OPBT and PAT of Rs.5.20 crore and Rs.5.50 crore, respectively on operating income of Rs.146.00 crore for FY2013–14. As per the 12 month provisional financials for FY2015-16, the company operating income of Rs.126.21 crore with OPBT of Rs. 5.18 crore and net loss of Rs.13.99 crore.. The net worth stood at Rs.103.73 crore (provisional) in FY2015-16 as compared to Rs.117.72 crore a year earlier.

Rating History

| Date | Facilities | Amount | Ratings | | Outlook |
|--------------|----------------|-------------|------------------------|-------------------------|---------|
| | | (Rs. Crore) | Long Term | Short Term | |
| 2 July, 2015 | Cash Credit | 6.00 | SMERA BB (Assigned) | - | Stable |
| | Bank Guarantee | 40.00 | - | SMERA A4+ (Assigned) | - |

Contacts:

| Analytical | Business Development |
|--|--|
| Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in | Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in |

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.