

### 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)	-

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