

Press Release

ANS Constructions Private Limited

31 August, 2017



Rating Upgraded

Total Bank Facilities Rated*	Rs. 46.00 Cr.
Long Term Rating	SMERA B+ / Stable (Upgraded from SMERA B/Stable)
Short Term Rating	SMERA A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

SMERA has upgraded the long-term rating to '**SMERA B+**' (**read as SMERA B plus**) and reaffirmed the short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 46.00 crore bank facilities of ANS Constructions Private Limited (ANSCPL). The outlook is '**Stable**'.

ANSCPL (the erstwhile ANS), is a Delhi-based company established in 1966 by the Late Mr. Amarnath Sharma. The company was converted into private limited company in 2002. The board of directors include Mr. Mehinder Sharma and Mr. Mahesh Sharma. The company is engaged in the construction of civil and structural work for oil refineries, petrochemicals, fertilizers, process plants among others and caters to the government as well as private entities. The company operates in several states including Gujarat, Madhya Pradesh, Arunachal Pradesh and Rajasthan.

Key Rating Drivers**Strengths****• Established track record of operations**

ANSCPL, is a Delhi-based company established in 1966. The Directors, Mr. Mehinder Sharma and Mr. Mahesh Sharma have more than 30 years of experience in the construction industry.

• Healthy financial riskprofile

ANSCPL has a healthy financial risk profile marked by networth of Rs. 108.45 crore as on 31 March FY2017 (Provisional) as against Rs.102.84 crore as on 31 March 2016. The gearing (debt to equity ratio) stood at 0.24 times as on 31 March, 2017 (Provisional) as against 0.25 times as on 31 March, 2016. The total debt mainly consists of working capital borrowings and unsecured loans from promoters of Rs. 6.60 crore as on 31 March, 2017. The interest coverage ratio (ICR) improved to 6.18 times in FY2017 (Provisional) compared to negative 4.78 times in FY2016. In FY2017, the net cash accruals to total debt (NCA/TD) stood at 0.27 times as against negative 0.54 times in FY2016.

• Growth in revenues and healthy order book position

ANSCPL has registered a consistent year-on-year revenue growth during the period under study. The revenue increased to Rs. 161.78 crore in FY2017 (Provisional), from Rs. 127.45 crore in FY2016 and Rs. 125.22 crore in FY2015. The growth is on account of increase in the number of tenders executed by the company. Further, ANSCPL has healthy order book position marked by unexecuted orders in hand of Rs. 350 crore as on date, which provides revenue visibility for the medium term.

Weaknesses**• Moderate profitability**

The operating margins (EBIDTA) declined to 5.36 per cent in FY2016 from 8.41 per cent in FY2015 due to tender based nature of business. The EBIDTA margins stood at 5.99 per cent in FY2017 (Provisional). The net profit after tax (PAT) margins stood moderate at 3.47 percent in FY2017 (Provisional) as against net loss of Rs. 14.88 crore in FY2016. The net losses in FY2016 were on account of non-operating loss of Rs. 18.14 crore on sale of investments in the group company, M-Tech Developers Limited.

• High exposure to group companies

ANSCPL has investment around Rs. 74.19 crore, 68 per cent of its net worth as on 31 March, 2017 (Provisional) in group companies - ANS Infrastructure Limited and ANS Limited, which are engaged in the infrastructure and frozen food businesses. SMERA believes that investment in group companies will reduce marginally in the medium term.

• Working capital intensive operations

ANSCPL has working capital intensive operations marked by high gross current assets (GCA) of 181 days in FY2017 as against 256 days in FY2016. This is on account of high inventory holding of 56 days in FY2017 as against 101 days in FY2016 and high debtor days of 28 days in FY2017 as against 35 days in FY2016. The company has fully utilised its cash credit facility.

• Competitive and fragmented industry

The company is exposed to intense competition from other players in the industry.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of ANSCPL

Outlook: Stable

SMERA believes that ANS will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case of consistent improvement in revenues and profitability while maintaining financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenue and profitability or deterioration in the financial risk profile, liquidity position or significant increase in exposure to group companies.

About the Rated Entity - Key Financials

For FY2017 (Provisional), ANSCPL reported net profit of Rs. 5.61 crore on operating income of Rs.161.78 crore against net loss of Rs.14.88 crore on operating income of Rs.127.45 crore in the previous year. The net worth stood at Rs.108.45 crore as on 31 March, 2017 (Provisional) as against Rs. 102.84 crore in the previous year.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
06 Oct, 2016	Cash Credit	Long Term	INR 6	SMERA B / Stable (Downgraded)
	Bank Guarantee	Short Term	INR 40	SMERA A4 (Downgraded)
02 Jul, 2015	Cash Credit	Long Term	INR 6	SMERA BB / Stable (Assigned)
	Bank Guarantee	Short Term	INR 40	SMERA A4+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA B+/ Stable (Upgraded from SMERA B)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	40.00	SMERA A4 (Reaffirmed)

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ABOUT SMERA

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