

Press Release

ANS Constructions Private Limited

November 15, 2018

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs. 70.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

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

Further, Acuite has assigned long term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 24.00 crore bank facilities of ANS Constructions Private Limited (ANSCPL). The outlook is '**Stable**'.

The New-Delhi based, ANS Constructions Private Limited (erstwhile ANS Construction) was established as a proprietorship firm in 1966 by the Late Mr. Amarnath Sharma and in 2002 the constitution was changed to Limited company. Later, in 2014 the company was converted into private limited company. The company is currently managed by Mr. Mehinder Sharma and Mr. Mahesh Sharma. The company is engaged in construction of roads, infraprojects, industrial structures, BOT (Built, operate & transfer) projects, fertilizers, among others. The company operates in several states including Gujarat, Madhya Pradesh, Arunachal Pradesh and Rajasthan.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of ANSCPL to arrive at this rating.

Key Rating Drivers

Strengths

• Established track record of operations and experienced management

Mr. Mehinder Sharma (Managing Director) possess over three decades of experience in the aforementioned line of business. Further, Mr. Mahesh Sharma (Director) has experience of around two decades in the same line of business. Hence, long track records of operations and vast experience of management has helped the company to develop healthy relationship with its customers. Acuite believes that ANSCPL will sustain its existing business profile on the back of established track record of operations and experienced management.

• Healthy financial risk profile

The financial risk profile of ANSCPL is comfortable marked by tangible net worth of Rs.119.69 crore (including quasi-equity of Rs.12.07 crore) as on 31 March, 2018 as against Rs.117.19 crore (including quasi-equity of Rs. 8.49 crore) in the previous year. The gearing stood at 0.08 times on 31 March, 2018 as against 0.15 times in the previous year. The total debt of Rs. 9.68 crore as on 31 March, 2018 mainly comprises of Rs. 4.75 crore of working capital facility and Rs. 4.14 crore of unsecured loan and Rs. 0.79 crore of long term debt. The interest coverage ratio (ICR) stood at 6.15 times for FY2018 as against 5.56 times for FY2017. The total liabilities to tangible net worth (TOL/TNW) stood at 0.65 times as on 31 March, 2018 as against 0.92 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.77 times in FY2018 compared to 0.40 times in FY2017.

• Moderate scale of operations and profitability

ANSCPL has uneven revenue trend in past three financial years marked by operating income of Rs.129.95 crore in FY2018 as against Rs.166.36 crore in FY2017. Further, the revenues stood at Rs.127.45 crore in FY2016. The company has orders worth Rs.563.75 crore as on 30 September, 2018 which gives healthy revenue visibility over the medium term. EBITDA margins have improved to 8.34 percent in FY2018 as against 5.91 percent in FY2017. This is mainly because of reduced job work expenses in FY2018. Profit after Tax (PAT) margin stood at 3.37 percent in FY2018 as against 3.53 percent in FY2017.

Weaknesses

• High exposure to group companies

ANSCPL has investment of around Rs.74.91 crore, which is 62.59 percent of its tangible net worth as on 31 March, 2018 as compared to Rs.74.19 crore (63.31 percent of its tangible net worth) as on 31 March, 2017 in group companies. However, the investment has reduced to Rs.69.48 crore as on 30 September, 2018 from Rs.74.91 crore as on 31 March, 2018. Further, TOL/Adjusted TNW (Adjusted tangible net worth is after knocking off the total group exposure) stood at 1.73 times as on 31 March, 2018 as against 2.50 times as on 31 March, 2017. However, any significant reduction in the group exposure going ahead will remain a key rating sensitivity factor for ANSCPL.

• Competitive and fragmented industry

The company is engaged as civil contractor. The particular sector is marked by the presence of several mid to big size players. The company faces intense competition from the other players in the sectors. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts. However, this risk is mitigated to an extent as the management has been operating in this environment for more than five decades.

Outlook: Stable

Acuite believes that the outlook on ANSCPL will remain 'Stable' over the medium term on account of its experienced and qualified promoters with established operational track record. The outlook may be revised to 'Positive' in case of significant decline in group exposure, growth in revenue and profitability while effectively managing its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company increases its exposure towards its group companies, decline in net cash accruals, deterioration in the financial and liquidity profile due to higher than envisaged working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	129.95	166.36	127.45
EBITDA	Rs. Cr.	10.83	9.84	6.83
PAT	Rs. Cr.	4.38	5.87	(14.88)
EBITDA Margin	(%)	8.34	5.91	5.36
PAT Margin	(%)	3.37	3.53	(11.68)
ROCE	(%)	6.94	8.06	(7.91)
Total Debt/Tangible Net Worth	Times	0.08	0.15	0.22
PBDIT/Interest	Times	6.15	5.56	(4.78)
Total Debt/PBDIT	Times	0.78	1.47	(2.30)
Gross Current Assets (Days)	Days	147	141	256

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
31-Aug-2017	Cash Credit	Long Term	6.00	ACUITE B+ / Stable (Upgraded from ACUITE B)
	Bank Guarantee	Short Term	40.00	ACUITE A4 (Reaffirmed)
06-Oct-2016	Cash Credit	Long Term	6.00	ACUITE B / Stable (Downgraded from ACUITE BB)
	Bank Guarantee	Short Term	40.00	ACUITE A4 (Downgraded from A4+)
02-Jul-2015	Cash Credit	Long Term	6.00	ACUITE BB / Stable (Assigned)
	Bank Guarantee	Short Term	40.00	ACUITE A4+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE B+ / Stable (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B+ / Stable (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A4 (Reaffirmed)
Proposed Bank guarantee/ Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	23.00	ACUITE A4 (Assigned)

Contacts

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About Acuité Ratings & Research:

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