

Press Release

AMIT N SHAH (ANS)

24 February, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA double B**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs 20.00 crore bank facilities of AMIT N SHAH (ANS). The outlook is '**Stable**'.

AMIT N SHAH (ANS) a proprietorship concern was established by Mr. Amit Shah (Proprietor) at Ahmedabad. The firm undertakes civil contracts for construction of residential quarters, institutions, schools, training centres and university buildings in Gujarat. It caters mainly to the government. The nature of operations is tender based.

Key Rating Drivers

Strengths

- **Established track of operations and experienced management**

ANS was set up in 1992 by Mr. Amit Shah who possesses more than three decades of experience in the said line of business.

- **Healthy order book position**

The firm has a healthy order book position with orders worth Rs. 193.65 crore. Revenue of Rs. 47.00 crore has been booked as on 31 January, 2018.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by net worth of Rs.8.75 crore as on 31 March, 2017 as against Rs. 8.05 crore a year earlier. The gearing ratio stood low at 0.57 times in FY2017 which improved from 0.75 times in FY2016. The ICR stood at 3.85 times for FY2017 as against 5.02 times for FY2016. The TOL/TNW stood low at 2.09 times in FY2017 and 2.62 times in FY2016.

- **Long association with government agencies**

ANS executes projects mainly for the Gujarat government. Although, risk associated with delayed payment exists, good liaisoning and extensive experience of the promoters has helped the firm collect payments within 15 days after work certification. The timely execution of projects has helped establish long term relations with government organisations.

Weaknesses

- **Decline in revenue**

Revenue declined by 21.54 percent to Rs.56.20 crore in FY2017 from Rs. 71.63 crore in FY2016 on account of delay in projects.

- **Working capital intensive operations**

The operations are working capital intensive marked by high Gross Current Assets days of 170 in FY2017 and 144 in FY2016. The average bank limit utilisation stood at ~ 80.75 percent in the last six months ended 31 December, 2017.

- **Small scale of operations**

The scale of operations is small, geographically restricted to the state of Gujarat (Ahmedabad, Mahesana, Anand and Rajkot).

- **Competitive and fragmented industry**

The firm operates in the civil construction industry marked by intense competition from several mid to big sized players. However, the risk is mitigated to an extent as the promoter has been in the business for over three decades.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of ANS for arriving at the rating

Outlook: Stable

SMERA believes that ANS will maintain a stable outlook over the medium term on account of its experienced management and established operational track record. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability, or deterioration in its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	56.20	71.63	53.63
EBITDA	Rs. Cr.	2.59	3.43	2.33
PAT	Rs. Cr.	2.57	3.35	2.17
EBITDA Margin	(%)	4.60	4.79	4.35
PAT Margin	(%)	4.58	4.68	4.05
ROCE	(%)	25.21	34.01	58.16
Total Debt/Tangible Net Worth	Times	0.57	0.75	0.72
PBDIT/Interest	Times	3.85	5.02	3.46
Total Debt/PBDIT	Times	1.38	1.40	1.38
Gross Current Assets (Days)	Days	170	144	149

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

As per CRISIL rationale dated Dec 20, 2017 'CRISIL has been consistently following up with Amit N. Shah (ANS) for obtaining information through letters and emails dated September 12, 2017 and October 26, 2017 among others, apart from telephonic communication. However, the issuer has remained non cooperative.'

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument
<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***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	5.00	SMERA BB / Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A4+
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4+

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ABOUT SMERA

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