



## Press Release

### ANS Constructions Private Limited (ACPL)

November 24, 2020

#### Ratings

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned
1.	Long Term Fund Based Facility – OCC/ODBD/SOD	6.00	IVR BB+ / Stable Outlook (IVR Double B Plus with Stable Outlook)
2.	Short Term Non Fund Based Facility – Bank Guarantee	30.50	IVR A4+ (IVR A Four Plus)
3.	Short Term Non Fund Based Facility – (Proposed) Bank Guarantee	4.50	IVR A4+ (IVR A Four Plus)
	<b>Total</b>	<b>41.00</b>	

#### ***Details of Facilities are in Annexure 1***

#### ***Detailed Rationale***

The aforesaid rating assigned to the bank facilities of the entity derives comfort from their experienced promoters, proven execution capacity along with long track record of their operation in the industry, reputed client base, improving financial performance with adequate capital structure and comfortable debt protection metrics. However, fragmented and competitive nature of the construction industry, working capital intensive nature of operation, and tender based business model are the rating constraints.

#### ***Key Rating Sensitivities***

##### **Upward Factors**

- Sustenance of growth in scale of operations with improvement in profitability
- Steady flow of orders & timely execution of the same on a sustained basis
- Sustenance of capital structure

##### **Downward Factors**

- Elongation in working capital cycle
- Any deterioration in liquidity profile on a sustained basis
- Moderation in the capital structure with deterioration in overall gearing



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### ***Key Rating Drivers with detailed description***

#### ***Key Rating Strengths***

##### **Experienced promoters**

ANS Constructions Private Limited (ACPL) was promoted by Late Shri. Amar Nathji Sharma in 1966 as ANS Constructions, sole proprietorship concern which got converted into partnership firm in late 1980's and then into public limited company in 2002, later into private limited company in 2014. ACPL is currently managed by the second and third generation of the family. The directors have more than four decades of experience in the field of civil construction and refinery services. The management is well supported by a team of experienced and qualified professionals in their day to day operations.

##### **Long track record of operations along with proven project execution capability**

Being in operation since 1966, the company has a vast track record of almost more than five decades. Over the past years, the entity has successfully completed many projects across India. ACPL mainly bids for tenders floated by various government/private departments/entities and is mainly engaged in civil construction work for all infra projects. Moreover, the company also has a Joint venture with Sarthi Constructions (ANS Sarthi) to secure local and other domestic orders.

##### **Reputed clientele**

Company has built up a strong clientele over the years, which is constantly expanding. Some of the reputed clients served by the company are BITS pillani, Goa; Bridgestone, Central PWD, Chambal Fertilizers & Chemicals Ltd, Doshion Veolia Water Solutions Pvt Ltd., Engineers India Limited, Himachal Pradesh Cricket Association, Hindustan Dorr Oliver Ltd, HPCL-Mittal Energy Limited, HPPWD, IVRCL, Larsen & Toubro, Mangalore Refineries and Petrochemicals Ltd, Military Engineering Services, Municipal Corporation Jalandhar, OMPL, ONGC Project Seabird (Indian Navy), Simon India Limited, TAKRAF Tenova, Tata Chemicals Ltd., Toyo Engineering India Limited.

##### **Improvement in financial performance**



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Total operating income increased from INR84.25 Crore in FY19 to INR93.43 Crore in FY20 (Prov.) registering a y-o-y growth of 10.90% in FY20 (prov.) over FY19 driven by increase in flow of orders and higher execution of the same. The EBITDA margin stands at 9.22% in FY18 to 14.47% in FY19 and to 12.98% in FY20 (Prov.) on the back of execution of relatively high margin civil contracts with better rate realization leading to increase in overall profitability. The PAT margin improved from 3.32% in FY18 to 3.54% in FY19 and 4.15% in FY20 (prov.). GCA improved from INR7.91 Crore in FY18 to INR9.33 Crore in FY19 and INR9.09 Crore in FY20 (prov.)

### **Adequate capital structure and comfortable debt protection metrics**

The overall gearing ratio remained satisfactory at 0.21x as on March 31, 2020 as compared to 0.25x in FY19. Further, the debt protection metrics of the company remained adequate with interest coverage ratio at 5.55x in FY20 (prov) and 5.10x in FY19. Long term debt to EBITDA stands at 1.69x as on March 31, 2020 and 1.93x as on March 31, 2020. Total indebtedness as reflected by the TOL/TNW remained comfortable at 0.73x as on March 31, 2020.

### **Key Rating Weaknesses**

#### **Highly fragmented & competitive nature of the construction sector with significant price war**

The domestic infrastructure/construction sector is highly crowded with presence of many players with varied statures & capabilities. Boom in the infrastructure sector, a few years back, resulted in increase in the number of players and which resulted into healthy competition within the industry.

#### **Working capital intensive nature of operation**

ACPL has working capital intensive operations marked by higher operating cycle of 106 days in FY20 (prov) as against 88 days in FY19. This is on account of high inventory holding of 95 days in FY20 (prov) as against 80 days in FY19 and high raw material holding period of 187 days in FY20 (prov) as against 125 days in FY19, the rise in inventory holding days was due to nation-wide lockdown announced in the month of March, 2020. The working capital utilization of the company remains almost fully utilized in FY20. However, average collection period got improved in FY20 with 55 days v/s 62 days in FY19.



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### **Tender-based nature of operations with intense competition in the industry**

The domestic construction sector is highly crowded with presence of many players with varied statures & capabilities. Further, ACPL receives 90% of its work orders from government departments through tenders floated by the departments and based on its ability to secure these tenders amidst intense price war. Profit margin of the company may come under pressure because of this competitive nature of the industry. However, the promoters' long industry presence imparts comfort.

### **Analytical Approach:**

Standalone

### **Applicable Criteria**

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

### **Liquidity - Adequate**

The current ratio & quick ratio of the company remains comfortable as on March 31, 2020 (prov) with 2.12x and 1.38x respectively. The company cash flow from operation also remains adequate. The liquidity of the company expected to remain adequate in the near to medium term in view of sufficient cash accruals in comparison to debt repayment. The company had cash & cash equivalents of INR14.72 Crore (FY19: INR15.43 Crore) as on 31 March 2020 (prov.). The working capital utilization of ACPL remains almost fully utilized for period ended August 31, 2020.

### **About the company**

ACPL was established by Late. Shri Amar Nathji Sharma in order to start civil construction work in the field of irrigation and was registered with the irrigation department in the state of Uttar Pradesh and Punjab. ANS Constructions initially got established as a proprietorship concern in 1966 which reconstituted as a partnership firm in late 1980s and then got converted into public limited company on 24<sup>th</sup> April, 2002 and later with private limited company in 2014,



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accordingly the name was changed from ANS Constructions Limited to ANS Constructions Private Limited. The operations of the company are currently managed by second and third generation of the company, wherein Mr Mehinder Sharma is the Managing Director of the company with 89% shareholding. The company is a class 'A' contractor for undertaking all sort of civil construction and structural work. The company's core business is to provide construction services to various sectors of the industry for developing mega projects viz. Road, Highways, Township, Landscape, Land development, Car Parking & Roadwork on BOT basis, Civil & Structural Works in sectors such as oil refineries, fertilizer plants, Petrochemical complexes and other processing plants.

### Financials (Standalone)\*:

(INR. Crore)

For the year ended/ As On	31-03-2018	31-03-2019	31-03-20
	(Audited)	(Audited)	(Provisional)
Total Operating Income	131.21	84.25	93.43
EBITDA	12.10	12.19	12.13
PAT	4.37	3.01	3.90
Total Debt	24.14	28.16	25.23
Tangible Net-worth	107.62	112.89	118.90
<b>Ratios</b>			
EBITDA Margin (%)	9.22	14.47	12.98
PAT Margin (%)	3.32	3.54	4.15
Overall Gearing Ratio (x)	0.22	0.25	0.21

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** Acuite have moved the rating of ANS Constructions Private Limited into the Issuer Non-Cooperating (INC) category as per the Press Release dated January 21, 2020.

**Any other information:** None

### Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18



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1.	Long Term Fund Based Facility – OCC/OBDD/SOD	Long Term	6.00	IVR BB+/ Stable Outlook	--	--	--
2.	Short Term Non Fund Based Facility – Bank Guarantee	Short Term	30.50	IVR A4+	--	--	--
3.	Short Term Non Fund Based Facility – (Proposed) Bank Guarantee	Short Term	4.50	IVR A4+	--	--	--

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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**About Infomerics:**

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility – OCC/OBBD/SOD	NA	NA	Revolving	6.00	IVR BB+/ Stable Outlook
Short Term Non Fund Based Facility – Bank Guarantee	NA	NA	-	30.50	IVR A4+
Short Term Non Fund Based Facility – (Proposed) Bank Guarantee	NA	NA	-	4.50	IVR A4+