

JANUARY 08, 2015

CARE ASSIGNS 'CARE BB' RATING TO THE BANK FACILITIES OF A2Z INFRA SERVICES LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	44.00	CARE BB	Reaffirmed
Total Facilities	44.00		

Rating Rationale

The rating assigned to the bank facilities of A2Z Infraserivces Ltd (AZIL) is primarily constrained by high working capital intensity of operations due to stretched receivables leading to an elongated operating cycle. The rating also takes into cognisance the inherent dependence of the facility management industry on availability of requisite manpower and the highly competitive industry scenario with presence of a large number of organised and unorganised players. Furthermore, the rating is also constrained by the weak financial risk profile of AZIL's holding company, A2Z Infra Engineering Ltd (AZIEL), earlier known as A2Z Maintenance & Engineering Services Ltd (AZMESL).

However, the rating derives comfort from the established promoter group with experience in facility management services, AZIL's geographically diversified operations with reputed customer base and moderate revenue visibility supported by firm contracts.

Going forward, the company's ability to improve its profitability margins and improve its collection period shall remain the key rating sensitivities.

Background

AZIL, a wholly owned subsidiary of A2Z Infra Engineering Ltd (AZIEL), was incorporated in April 2008 as A2Z Facilities Management Services Pvt Ltd with the objective of taking over the Facility Management Services (FMS) business of AZIEL. The company was renamed as A2Z Infraserivces Pvt Ltd in December 2008 and it was subsequently converted to a Public Ltd company in 2010. In October 2010, the company acquired IL&FS Property Management and Services Ltd (IPMSL), which was engaged in the FMS business. IPMSL was later renamed as A2Z Infra Management & Services Ltd. In 2012, Imatek Solutions Pvt Ltd (Imatek), along with its subsidiary, CNCS Facility Solutions Pvt Ltd (CNCS) was merged with AZIL. CNCS was engaged in FMS business and was acquired by AZIEL in 2009 through Imatek. In October 2014, AZMESL was renamed as AZIEL.

AZIL is engaged in providing facility management, security management and property management services such as housekeeping services, security services, operations and maintenance (O&M), cleaning services etc.

During FY14 (refers to the period April 1 to March 31), on a total operating income of Rs.247.38 crore, the company reported PBILDT and PAT of Rs.16.15 crore and Rs.4.97 crore, respectively. Furthermore, during H1FY15 (provisional) (refers to the period April 1 to September 30), the company has reported a PBILDT of Rs.10.07 crore on a total operating income of Rs.132.36 crore.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor 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 in addition to the financial performance and other relevant factors.

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