

A2Z Infraservices Limited

April 01, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	33.40 (Reduced from 37.29)	CARE C; Stable (Single C; Outlook: Stable)	Reaffirmed
Long Term Bank Facilities	10.63	CARE D (Single D)	Reaffirmed
Short Term Bank Facilities	21.60 (Reduced from 26.72)	CARE A4 (A Four)	Reaffirmed
Total Bank Facilities	65.63 (Rs. Sixty-Five Crore and Sixty-Three Lakhs Only)		

Details of facilities in Annexure-1.

Detailed Rationale and key rating drivers

The ratings to the bank facilities of A2Z Infraservices Limited (A2Z) continue to consider the ongoing delays in the debt obligations of the term loan. Further, the ratings continue to remain constrained on account of competitive nature of the industry and dependence on availability of manpower and high attrition.

The ratings, however, draw comfort from by experienced promoter group and geographically diversified operations and reputed customer base.

Key Rating Sensitivity

Positive Factors

- Improvement in liquidity position of the company as reflected by the timely repayment of debt obligations.

Negative Factors

- Decline in scale of operations as marked by total operating income below Rs. 130 crore on sustained basis.

Detailed description of the key rating drivers

Key Rating Weaknesses

Delay in servicing of debt obligations

The company is making delays in meeting the debt obligations in term loan facility availed by the company from YES Bank. The overdues in term loan have crossed 90 days but due to Supreme Court ban on NPA recognition on September 03, 2020, the account has not yet been classified as NPA. However, there are no overdrafts in cash credit limits or invocation in BG.

Competition from organized and unorganized players

The company operates in a highly fragmented industry marked by the presence of a large number of players in the organized and unorganized sector. Small and medium sized unorganized players with few clients and services dominate the market. International players have also entered the Indian market to tap the growing opportunity which makes the market even more competitive.

Dependence on availability of manpower and high attrition

AZIL's services are totally dependent on availability of the requisite manpower. To meet the increasing need of the manpower, the company recruits through references from its existing employees. The company recruits semi-skilled or unskilled labour and provides them training. The prominent concern for the company is employee attrition as majority of the laborers are unskilled/semi-skilled and belonging to generally daily/weekly wage type category.

Key Rating Strengths

Experienced promoter group

The company is a part of the A2Z group, which includes multiple entities providing engineering procurement and construction for power transmission & distribution Lines, facility management services, renewable energy generation, and municipal solid waste (MSW) management services etc. The flagship company of the group, A2Z Infra Engineering Limited (AIEL) was incorporated in 2002 and provides design, testing, installation, construction and commissioning services on a turnkey basis in the power distribution and transmission sector. The services provided by the company include commissioning of sub-stations and transmission lines, cabling and rural electrification.

Geographically diversified operations and reputed customer base

AZIL has a pan-India presence with offices in 13 locations including Bangalore, Chennai, Hyderabad, Kolkata, Bhubaneswar, Delhi, Noida, Pune, Ahmedabad, Mumbai, Punjab, Coimbatore and Indore. The company serves customers across sectors

like telecom, information technology, transportation, oil and gas, cement, hospitality, power, healthcare, infrastructure, and Banking & Finance. Its major customers include the Indian Railways Integral Coach Factory, Society of Integrated Coastal Management, GMR (Delhi International Airport, T-3), Tata Consultancy services, Delhi Metro Rail Corporation, etc.

Liquidity analysis: Poor

There are on-going delays in servicing of debt obligation in term loan facility availed by the company from YES Bank. However, there are no overdrafts in cash credit limits and invocation in BG. The company has availed moratorium provided by the financial institutions in line with the RBI guidelines in wake of Covid-19 pandemic.

Analytical Approach: Standalone

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Rating Methodology - Service Companies](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

A2Z Infraserivces Ltd (AZIL), a wholly owned subsidiary of A2Z Infra Engineering Limited (AIEL) (erstwhile A2Z Maintenance and Engineering Services Ltd) (rated CARE D) was initially incorporated in April 2008 as A2Z Facilities Management Services Private Limited. The company was incorporated with the objective of taking over the Facility Management Services (FMS) business of AIEL. 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.

(Rs. In crore)

Brief Financials (Rs. crore)	FY18	FY19	FY20
	A	A	A
Total operating income	278.95	275.71	242.88
PBILDT	19.07	23.07	17.18
PAT	4.85	6.02	3.70
Overall gearing (times)	1.12	0.87	0.77
Interest coverage (times)	1.85	1.91	2.02

A-Audited

Status of non-cooperation with previous CRA: Not Applicable.

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	33.40	CARE C; Stable
Fund-based - LT-Term Loan	-	-	December, 2021	10.63	CARE D
Non-fund-based - ST-BG/LC	-	-	-	21.60	CARE A4

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	33.40	CARE C; Stable	-	1)CARE C; Stable (25-Mar-20) 2)CARE C; Stable (04-Apr-19)	1)CARE C; Stable (04-Apr-18)	1)CARE D (24-Apr-17)
2.	Fund-based - LT-Term Loan	LT	10.63	CARE D	-	1)CARE D (25-Mar-20)	-	-
3.	Non-fund-based - ST-BG/LC	ST	21.60	CARE A4	-	1)CARE A4 (25-Mar-20)	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable**Annexure 4: Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Non-fund-based - ST-BG/LC	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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