

## A2Z Infraservices Limited

April 06, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	27.81 (Reduced from 33.40)	CARE C; Stable (Single C; Outlook: Stable )	Reaffirmed
Long Term Bank Facilities	3.33 (Reduced from 10.63)	CARE D (Single D )	Reaffirmed
Short Term Bank Facilities	14.41 (Reduced from 21.60)	CARE A4 (A Four )	Reaffirmed
<b>Total Bank Facilities</b>	<b>45.55</b> <b>(Rs. Forty-Five Crore and Fifty-Five Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & 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 declining scale of operations & elongated operating cycle, 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.

#### Rating Sensitivities

##### Positive Factors:

- Improvement in liquidity position 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.

**Outlook:** Stable

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

##### Delay in servicing of debt obligations:

The company did have entered OTS with the banker for settling off the outstanding due of Rs. 10 cr. at one time settlement amount of Rs. 5 crores repayment of which is spread across 7 tranches till June'2022. However, the company has still not paid the instalment of Feb'2022 due on Feb 28, 2022 till date i.e. March 30, 2022.

##### Declining scale of operations and elongated operating cycle:

The total operating income of the company declined to the levels of Rs. 159.32 crore in FY21 as against Rs. 242.88 crore in FY20. The average collection period has also increased to 161 days in FY21 as against 116 days in FY20 which has resulted in elongated operating cycle to the level of 45 days in FY21 increasing from 19 days in FY20. The decline in scale of operations and elongated operating cycle has resulted in tight liquidity state for the company.

##### 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.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

## Key Rating Strengths

### 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.

### 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.

### Liquidity: Poor

There are on-going delays in servicing of debt obligation for Term loan (OTS) availed by the company from YES Bank. However, there are no overdrafts in cash credit limits and invocation in BG from SBI and RBL.

### Analytical approach: Standalone

### Applicable Criteria

[Policy on default recognition](#)

[Financial Ratios – Non-financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Service Sector Companies](#)

### 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.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	H1FY22
Total operating income	242.88	159.32	<b>78.27</b>
PBILDT	17.18	16.36	<b>6.69</b>
PAT	3.70	4.78	<b>2.08</b>
Overall gearing (times)	0.66	0.53	<b>NA</b>
Interest coverage (times)	2.02	2.00	<b>2.24</b>

A: Audited

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

### Any other information: Not Applicable

### Rating History for last three years: Please refer Annexure-2

### Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

### Complexity level of various instruments rated for this company: Annexure 4

**Annexure-1: Details of Instruments / Facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	27.81	CARE C; Stable
Fund-based - LT-Term Loan		-	-	June'2022	3.33	CARE D
Non-fund-based - ST-BG/LC		-	-	-	14.41	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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	27.81	CARE C; Stable	1)CARE C; Stable (01-Apr-21)	-	1)CARE C; Stable (25-Mar-20) 2)CARE C; Stable (04-Apr-19)	1)CARE C; Stable (04-Apr-18)
2	Fund-based - LT-Term Loan	LT	3.33	CARE D	1)CARE D (01-Apr-21)	-	1)CARE D (25-Mar-20)	-
3	Non-fund-based - ST-BG/LC	ST	14.41	CARE A4	1)CARE A4 (01-Apr-21)	-	1)CARE A4 (25-Mar-20)	-

\* Long Term / Short Term

**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 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

**Annexure 5: Bank Lender Details for this Company**To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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