

## A2Z Infra Engineering Limited

March 09, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long Term Bank Facilities	303.40 (Enhanced from 293.32)	CARE D (Single D)	Reaffirmed
Short Term Bank Facilities	528.77 (Reduced from 721.01)	CARE D (Single D)	Reaffirmed
<b>Total Bank Facilities</b>	<b>832.17</b> <b>(Rs. Eight Hundred Thirty-Two Crore and Seventeen Lakhs Only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of A2Z Infra Engineering Limited (A2Z) takes into account the ongoing delays in repayment of the debt obligations by the company due to its stretched liquidity position.

### Rating Sensitivities

#### Positive Rating Sensitivities

- Timely track record of debt servicing by the company for continuous period of 3 months
- Sustainable improvement in the operations of the company
- DSCR improves to >1x on a sustained basis

### Detailed description of the key rating drivers

### Key Rating Weaknesses

#### *Ongoing delays in debt servicing*

There are ongoing delays in servicing of its debt obligations due to the stretched liquidity position.

#### *Weak financial performance*

The company's total operating income stood at Rs.400.19 crore in FY20 against Rs.521.51 crore in FY19. The company reported loss of Rs.290.89 crore during FY20 (FY19: Profit of Rs. 32.12 crore). EBITDA stood at negative Rs.22.90 crore against Rs.56.34 crore previous year. The loss consists of non-cash expense from assets written off amounting to Rs.149.96 crore. The management has performed an impairment of three cogeneration power plants set up in collaboration with certain sugar mills on Build, Own, Operate and Transfer (BOOT) basis. As such the GCA in FY20 stood at negative Rs. 94.92 crore against Rs.43.68 crore previous year. The overall gearing deteriorated to 1.07x as on March 31, 2020 (0.59x as on March 31, 2019).

### Liquidity: Poor

The liquidity of the company is poor, owing to delays in debt servicing. The company had cash and bank balance of Rs.5.44 crore as on March 31, 2020.

**Analytical approach:** Standalone

### Applicable Criteria

[Criteria on assigning Rating Outlook and Credit Watch](#)

[CARE's Policy on Definition of Default](#)

[Policy on Curing Period](#)

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

[Criteria on rating of Short-Term Instruments](#)

[Criteria on rating methodology- Construction Sector](#)

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

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

### About the Company

Incorporated in January 2002 as A2Z Maintenance Services Private Ltd, the company was renamed 'A2Z Maintenance & Engineering Services Private Ltd' in June 2005. Subsequently, the company became a public limited company in March 2010. A2Z came up with an IPO in October 2010 and raised Rs.776.2 crore. The company got its present name in December 2014 and is primarily engaged in providing Engineering, Procurement and Construction (EPC) services in power transmission and distribution sector.

Brief Financials (Rs crore)	FY19(A)	FY20(A)
Total operating income	521.51	400.19
PBILDT	56.34	-22.90
PAT	32.12	-290.88
Overall gearing (times)	0.59	1.07
Interest coverage (times)	1.37	NM

A: Audited, NM: Not meaningful

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating History for 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-Term Loan	-	-	-	141.41	CARE D
Fund-based-Working capital facilities	-	-	-	161.99	CARE D
Non-fund-based-Short Term	-	-	-	528.77	CARE D

### 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-Term Loan	LT	141.41	CARE D	1)CARE D (28-Apr-20)	1)CARE D; ISSUER NOT COOPERATING* (27-Jan-20) 2)CARE D (04-Apr-19)	1)CARE D (05-Apr-18)	1)CARE D (10-Jul-17) 2)CARE D; ISSUER NOT COOPERATING* (04-Apr-17)
2.	Fund-based-Working capital facilities	LT	161.99	CARE D	1)CARE D (28-Apr-20)	1)CARE D; ISSUER NOT COOPERATING* (27-Jan-20) 2)CARE D (04-Apr-19)	1)CARE D (05-Apr-18)	1)CARE D (10-Jul-17) 2)CARE D; ISSUER NOT COOPERATING* (04-Apr-17)
3.	Non-fund-based-Short Term	ST	528.77	CARE D	1)CARE D (28-Apr-20)	1)CARE D; ISSUER NOT COOPERATING* (27-Jan-20) 2)CARE D (04-Apr-19)	1)CARE D (05-Apr-18)	1)CARE D (10-Jul-17) 2)CARE D; ISSUER NOT COOPERATING* (04-Apr-17)

**Annexure 3- Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple
2.	Fund-based-Working capital facilities	Simple
3.	Non-fund-based-Short Term	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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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