

A2Z Engineers And Pile Foundations

March 29, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	1.30	CARE BB-; Stable	Assigned
Short Term Bank Facilities	35.60	CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of A2Z Engineers And Pile Foundations (A2Z) are constrained by moderate scale of operations, concentrated order book position, proprietorship nature of business with inherent capital withdrawal risk and presence in a highly competitive tender-based industry. The ratings, however, derive strength from vast experience of its promoters in the construction sector, well established track record of operations and comfortable debt protection metrics.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growing income above Rs.75 crore with diversified order book with PBILDT margin above 10%
- Improve Total debt/Gross Cash Accruals (GCA) below 3 on sustained basis.

Negative factors

- Any significant delay in execution of orders leading to decline in income below Rs.30 crore on sustained basis.
- Any large debt-funded capex, leading to moderation in capital structure with overall gearing above 3x

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectations of the firm maintaining comfortable financial risk profile in the medium term in the absence of large debt funded capex.

Key Weakness

Moderate scale of operations with concentrated order book

A2Z undertakes construction of multi-story building including the piling works. It receives work orders mainly from Military Engineer Services (MES) and a few direct orders. The current order book comprises the projects to be executed within Kerala and Lakshadweep. The order book position stood moderate at Rs 99.33 crore as on December 31, 2023, which translates to 1.62 times of total operating income (TOI) of FY23. The scale of the operations of the firm also stood moderate with total income of Rs.61.37 crore in FY23 albeit grown at the CAGR of 47.69% over past three years.

Tender-based nature of operations and intensely competitive civil construction industry

A2Z receives its work orders mainly from MES/companies. There is limited revenue diversity, as contracts are executed mostly in Kerala. All these are tender-based, and the revenues are dependent on the company's ability to bid successfully for these tenders. Profitability is exposed to pressure because of the competitive nature of the industry. There are numerous unorganized players operating in the industry which makes the civil construction space highly competitive.

Proprietorship nature of business constitution with inherent risk of withdrawal of capital

A2Z is a proprietorship nature of business wherein the inherent risk of withdrawal of capital by the promoter at the time of their personal contingencies resulting in erosion of capital base leading to adverse effect on capital structure. However, the risks associated with proprietorship nature of the firm is outweighed by the significant experience of the promoter in the construction business and their ability to bring in capital to support the operations. There has been instance of withdrawal of capital during FY21 and FY22.

Key Strength

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Vast promoter experience:

A2Z Engineers And Pile Foundations is managed by Mr. Mijulal P. He has over 30 years of experience in conceiving and developing projects, primarily in Infrastructure sector. The promoter looks after contract procurement and execution of activities. Mr. Mijulal P had been the former secretary of Builder's Association of India (Kochi Branch) and presently he is serving as the treasurer of Builder's Association of India (Kochi Branch).

Long track record of operations:

The firm is engaged in construction activities since 1995. It is been enlisted with Military Engineering Services (MES) in class 'B' including provision of pile foundation since 2000 and in 2019, upgraded to class 'S'. Major piling and structural works for MES contracts in Kochi and Lakshadweep are executed by the firm.

Liquidity: Stretched

Liquidity remains stretched marked by tightly matched cash accruals of Rs. 2.67 crore in FY23 against repayment obligation of Rs.1.30 crore for FY24. As on March 31, 2023 the firm has cash and cash equivalents of Rs 0.15 crore. The average utilization of fund based working capital remained high at 88.60% while bank guarantee utilization stood over 90%, for the past 12 months ended February 29, 2024. The firm has also planned to increase fund based working capital limit by 4.0 crore and bank guarantee by Rs 8.0 crore.

Assumptions/Covenants: Not applicable**Environment, social, and governance (ESG) risks:** Not applicable**Applicable criteria**

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Construction](#)

[Short Term Instruments](#)

[Infrastructure Sector Rating](#)

About the company and industry**Industry Classification**

Macro-Economic Indicator	Sector	Industry	Basic Industry
Industrials	Construction	Construction	Civil construction

A2Z is a proprietary concern of Mr. Mijulal P engaged in civil construction of buildings since 1995. It primarily undertakes civil construction including piling, structural, electrical, and plumbing for Military Engineering Services (MES) and for private sectors all over Kerala. The firm is enlisted with Military Engineering Services (MES) in class 's'.

Brief Financials (₹ crore)	31-03-2022 (A)	31-03-2023 (A)	9MFY 2024 (UA)
Total operating income	40.03	61.37	25.34
PBILDT	2.89	4.47	2.70
PAT	1.28	2.06	1.23
Overall gearing (times)	1.42	1.17	NA
Interest coverage (times)	4.86	6.21	5.42

A: Audited UA: Unaudited NA Not available; Note: 'the above results are latest financial results available'

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:** Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	October 2036	1.30	CARE BB-; Stable
Fund-based - ST-Bank Overdraft		-	-	-	9.00	CARE A4
Non-fund-based - ST-Bank Guarantee		-	-	-	26.60	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 (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2017-2018	Date(s) and Rating(s) assigned in 2016-2017	Date(s) and Rating(s) assigned in 2015-2016	Date(s) and Rating(s) assigned in 2014-2015
1	Fund-based - LT-Term Loan	LT	1.30	CARE BB-; Stable				
2	Fund-based - ST-Bank Overdraft	ST	9.00	CARE A4				
3	Non-fund-based - ST-Bank Guarantee	ST	26.60	CARE A4				

*Long term / Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of various instruments rated

Sr No	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - ST-Bank Overdraft	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings 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 for any clarifications.

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About us:

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