

A2Z Infraservices Limited

December 27, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	4.00	CARE B+; Stable	Upgraded from CARE B; Stable
Short Term Bank Facilities	27.00	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The upgrade in the long-term rating assigned to the bank facilities of A2Z Infraservices Limited (AZIL) factors in the improvement in capital structure of the company marked by improvement in overall gearing and debt coverage indicators during FY24 (refers to the period April 01 to March 31) and growth in scale of operations of the company. The ratings also draw comfort from experienced promoter group and geographically diversified operations and reputed customer base. However, the ratings continue to remain constrained on account of moderation in profitability margins, competitive nature of the industry and dependence on availability of manpower and high attrition.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in PAT and PBILDT margin to 8.00% and 12.00% respectively on a sustained basis.
- Improvement in liquidity position as marked by average collection period below 50 days on a sustained basis.
- Improvement in parent A2Z Infra Engineering Limited's credit profile.

Negative factors

- Decline in scale of operations as marked by the total operating income below Rs. 140 crores on a sustained basis.
- Deterioration in liquidity position as marked by average collection period above 80 days.
- Any exposure towards group companies and associates resulting in a stretched liquidity position for the company.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that the entity shall sustain stable scale of operations along with steady profitability margins on the back of experienced promoters with long track of operations.

Detailed description of key rating drivers:

Key strengths

Comfortable capital structure: The capital structure of the company remains comfortable with no term debt and reducing working capital limits. The company has reduced the fund based working capital limits to Rs. 1.50 crore thereby leading to comfortable capital structure with overall gearing at 0.09x as on March 31, 2024, as compared to 0.27x as on March 31, 2023. The debt coverage indicators also remain comfortable as marked by the interest coverage and TDGCA (Total Debt to Gross Cash Accruals) of 7.04x and 0.50x respectively as on March 31, 2024. The capital structure is further expected to improve as the company is not planning to avail any additional term debt or fund-based working capital limits and accretion of profit to the net worth.

Experienced Promoters 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) (Rated CARE D) 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.

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

Geographically diversified operations and reputed customer base: AZIL deals with customers from all over India, it 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. Some of the prominent names includes New Delhi municipal council, Delhi Metro Rail Corporation, Railways, Taj group of hotels, etc.

Key weaknesses

Moderate scale of operations: The income from operations improved during FY24 with a year-on-year growth of ~23% and stood at Rs. 220.10 crore (PY: Rs. 178.63 crore). In H1FY25 (refers to April 01 to September 30), the company have generated revenues of Rs. 98 crores. The PBILDT (Profit Before Tax, Interest, Lease, Depreciation, and Tax) margin of the company moderated during the year to 10.09% as against 17.79%. The company reported PAT (Profit After Tax) margin of 7.43% during FY24 as against losses in FY23 of ~20% which was primarily owing to writing off the loans receivables and the interest accrued on them. This moderation is attributed to the shutdown of CPWD work, which previously accounted for 40% of costs. Currently, manpower costs have become a larger component of the cost of sales. Additionally, the company maintains provisions for debtors, resulting in some funds being allocated there. However, the company has orders in hand of Rs. 257.48 crores which is 1.17x of the TOI (Total Operating Income) for FY24 providing near to medium term revenue visibility.

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 labourers are unskilled/semi-skilled and belonging to generally daily/weekly wage type category.

Liquidity: Stretched

The free cash and liquid investments of the company as on March 31, 2024, stood at Rs. 0.18 crores. The working capital utilisation of the company for the past twelve months period remains around 70-80% for fund-based limits and 100% for non-fund-based limits.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Services	Other Consumer Services	Other Consumer Services

AZIL, a 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 (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	178.63	220.10	98.00
PBILDT	31.78	22.21	NA
PAT	-36.03	16.35	NA
Overall gearing (times)	0.27	0.09	NA
Interest coverage (times)	6.46	7.04	NA

A: Audited UA: Unaudited; NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	4.00	CARE B+; Stable
Non-fund-based - ST-BG/LC	-	-	-	-	27.00	CARE A4

Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	4.00	CARE B+; Stable	-	1)CARE B; Stable (07-Feb-24)	1)CARE B; Stable (22-Nov-22) 2)CARE C; Stable (06-Apr-22)	1)CARE C; Stable (01-Apr-21)
2	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (22-Nov-22) 2)CARE D (06-Apr-22)	1)CARE D (01-Apr-21)
3	Non-fund-based - ST-BG/LC	ST	27.00	CARE A4	-	1)CARE A4 (07-Feb-24)	1)CARE A4 (22-Nov-22) 2)CARE A4 (06-Apr-22)	1)CARE A4 (01-Apr-21)

LT: Long term; ST: Short term

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

Annexure-4: Complexity level of instruments rated

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

Annexure-5: Lender details

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

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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