

A2Z Infraservices Limited

November 22, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	22.42 (Reduced from 27.81)	CARE B; Stable (Single B; Outlook: Stable)	Revised from CARE C; Stable (Single C; Outlook: Stable)
Short Term Bank Facilities	15.63 (Enhanced from 14.41)	CARE A4 (A Four)	Reaffirmed
Long Term Bank Facilities*	-	-	Withdrawn
Total Bank Facilities	38.05 (₹ Thirty-Eight Crore and Five Lakhs Only)		

Details of instruments/facilities in Annexure-1.

*CARE Ratings Ltd. has withdrawn the outstanding rating assigned to the said facilities of A2Z Infraservices Limited with immediate effect. The above action has been taken at the request of Frontier Raas Private Limited and Repayment confirmation received from the bank

Detailed rationale and key rating drivers

The ratings to the bank facilities of A2Z Infraservices Limited (A2Z) has been revised by taking into account the repayment of the term loan in OTS with Yes Bank and moderate order book. 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 – Factors that could lead to positive rating action/upgrade:

- Improvement in PAT and PBILDT margins to 5% and 9% respectively on a sustained basis.

Negative factors – Factors that could lead to negative rating action/downgrade:

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

Detailed description of the key rating drivers

Key rating strengths

Comfortable capital structure: The capital structure of the company remain comfortable with no term debt and reducing working capital limits. The company has repaid all its term loan during Q1FY23 and is also reducing the working capital limits by Rs.0.6cr every month, thereby leading to comfortable capital structure with overall gearing at 0.34 as on March 31, 2022 as compared to 0.53x as on March 31, 2021. The gearing is further expected to improve going forward with the regular repayment of working capital limits and accretion of profit to the net-worth.

Moderate Order Book: The company has a moderate order book which constitutes orders from clients like DMRC, Chhattisgarh State Marketing Corporation Ltd, Tata Consultancy Service Ltd, Taj Group of Hotels, North Delhi Municipal Corporation Ltd etc. As on 31 September 2022, the company has unexecuted orders in hand of 700 crores which includes a new project Aligarh Smart City Limited wherein the contract value is of 320 crores with the execution period of 10 years from November 01, 2022.

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) 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 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.

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

Some of the prominent names includes New Delhi municipal council, Delhi Metro Rail Corporation, Railways, Taj group of hotels, etc.

Key rating weaknesses

Declining scale of operations and elongated operating cycle: The income from operations has remained low in FY22 with decline of 2.32 crores from 152.69 crores in FY21. Although, in Q1FY23, A2Z Infraservices limited have generated revenues of 45.91 crores. The PAT margins have also decreased from 3.13% in FY21 to 2.97% with PBILDT margins declining from 6.37% in FY21 to 3.03%. This reduction in PBILDT margins is on account of increase in Sub contractor/erection expenses from 11.36 crores in FY21 to 21.04 crores in FY22. The operating cycle of the company has increased from 45 days in FY21 to 64 days in FY22 on account of increase in collection period from 116 days to 161 days in FY22.

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.

Liquidity: Stretched

The working capital utilisation of the company has remained high with average utilisation of 96% in the last 12 months ending September 2022, the current ratio of the company has also remained at 1.01x in FY22. The operating cycle of the company has increased from 45 days in FY21 to 64 days in FY22 on account of increase in collection period from 116 days to 161 days in FY22, although, the company has received 8 crores from their debtors from FY21(A) to FY22 (A).

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](#)

[Policy on Withdrawal of Ratings](#)

About the company

A2Z Infraservices 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 (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23 (P)
Total operating income	152.69	150.37	45.95
PBILDT	9.73	4.56	4.52
PAT	4.78	4.47	NA
Overall gearing (times)	0.53	0.34	0.31
Interest coverage (times)	1.19	0.83	3.8

A: Audited; P: Provisional, NA: Not available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	22.42	CARE B; Stable
Fund-based - LT-Term Loan		-	-	December, 2021	0.00	Withdrawn
Non-fund-based - ST-BG/LC		-	-	-	15.63	CARE A4

Annexure-2: Rating history for the 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	22.42	CARE B; Stable	1)CARE C; Stable (06-Apr-22)	1)CARE C; Stable (01-Apr-21)	-	1)CARE C; Stable (25-Mar-20) 2)CARE C; Stable (04-Apr-19)
2	Fund-based - LT-Term Loan	LT	-	-	1)CARE D (06-Apr-22)	1)CARE D (01-Apr-21)	-	1)CARE D (25-Mar-20)
3	Non-fund-based - ST-BG/LC	ST	15.63	CARE A4	1)CARE A4 (06-Apr-22)	1)CARE A4 (01-Apr-21)	-	1)CARE A4 (25-Mar-20)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/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 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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