A2Z Infra Engineering Limited

April 4, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	1,018.54	**CARE D; ISSUER NOT COOPERATING (D; ISSUER NOT COOPERATING)**	Issuer not cooperating; Based on best available information
Short-term Bank Facilities	1,251.46	**CARE D; ISSUER NOT COOPERATING (D; ISSUER NOT COOPERATING)**	Issuer not cooperating; Based on best available information
Total	**2,270.00 (Rupees Two Thousand Two Hundred Seventy crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from A2Z Infra Engineering Limited (AZIEL), to monitor the ratings vide e-mail communications/letters dated March 23, 2017, March 11, 2017, February 28, 2017, February 21, 2017, February 10, 2017, January 25, 2017, January 18, 2017, January 16, 2017, January 5, 2017, December 19, 2016, December 7, 2016, August 3, 2016, June 20, 2016, June 9, 2016 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Furthermore, AZIEL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on A2Z Infra Engineering Ltd.'s bank facilities will now be denoted as **CARE D; ISSUER NOT COOPERATING**.

Users of these ratings (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

Detailed description of the key rating drivers

At the time of last rating on December 31, 2015, the following were the rating strengths and weaknesses (updated for the information available from stock exchange):

Key Rating Strengths

Moderate order book position

The company had a moderate revenue visibility as reflected by an order book of Rs.1410.91 crore from engineering services segment as on March 31, 2016. In July 2014, the company bagged a large order worth Rs.1,922 crore for design, engineering, implementation and maintenance of an optical fibre network for defence services.

Key Rating Weaknesses

Stressed liquidity position

Being an EPC company involved in project execution in power sector, the company is dependent on Government controlled state power utilities for its cash flows. Due to relatively weak credit profile of many of the state distribution utilities, there was a delay in payments to the company. The resultant cash flow mismatches led to inordinate delays in execution of projects and thereby adversely impacted the income and profitability of the company. Consequently, the company faced liquidity issues and delayed on its debt obligations, as a result of which its debt was restructured under the corporate debt restructuring package with a cut off date of January 1, 2013. However, there have been delays on debt service obligations even after the completion of debt restructuring under the CDR mechanism as the company continued to report net losses during FY16 (refers to the period April 1 to March 31) and 9MFY17 (refers to the period April 1 to December 31).

Continuously loss making operations

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*

AZIEL reported losses between FY13 and FY15 on account of significant delay in execution of orders and resultant decline in its total income. However, during FY16, the total operating income increased to Rs.988.92 crore (PY: Rs.226.28 crore) with a PBILDT of Rs.89.39 (PY: Operating loss of Rs.84.24 crore) and net losses of Rs.44.68 crore (PY: Rs.123.88 crore).

Weak debt coverage metrics and elongated working capital cycle

Although the company's capital structure stood moderate with an overall gearing of 1.03x as on March 31, 2016 (PY: 1.13x), it had weak interest coverage of 0.76x in FY16 (PY: -0.72x). The company's operating cycle though improved as compared to the last year, remained elongated at 510 days in FY16 (PY: 905 days) on account of stretched collection period which stood at 317 days in FY16 (PY: 1118 days).

Analytical approach: Standalone

Applicable Criteria

Policy in respect of Non-cooperation by issuer
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Financial ratios – Non-Financial Sector

About the Company

Incorporated in January 2002, as A2Z Maintenance Services Private Ltd, the company was renamed 'A2Z Maintenance & Engineering Services Private Ltd' in May 2005. Subsequently, the company became a public limited company in March 2010. A2Z came up with an IPO in December 2010 and raised Rs.776.2 crore The company is primarily engaged in providing Engineering, Procurement and Construction (EPC) services in power transmission and distribution sector with focus on distribution. It also forayed in the renewable energy generation business through by setting up three biomass based power plants (15 MW each) in Punjab in collaboration with sugar mills on Built Own Operate and transfer (BOOT) basis.

In FY16, the company reported a total operating income of Rs.988.92 crore with a PBILDT of Rs.89.39 crore and net loss of Rs.44.68 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

Analyst Contact:
Name: Mr Ajay Dhaka
Tel: 011-45333218
Mobile: +91 8826868795
Email: ajay.dhaka@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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	-	-	December 2022	572.30	CARE D; ISSUER NOT COOPERATING
Fund-based-Working capital facilities	-	-	-	446.24	CARE D; ISSUER NOT COOPERATING
Non-fund-based-Short-term	-	-	-	1251.46	CARE D; ISSUER NOT COOPERATING

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 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT-Term Loan	LT	572.30	CARE D; ISSUER NOT COOPERATING	-	1)CARE D (31-Dec-15)	-	-
2.	Fund-based-Working capital facilities	LT	446.24	CARE D; ISSUER NOT COOPERATING	-	1)CARE D (31-Dec-15)	-	-
3.	Non-fund-based-Short-term	ST	1251.46	CARE D; ISSUER NOT COOPERATING	-	1)CARE D (31-Dec-15)	-	-

CONTACT

Head Office Mumbai

Mr. Amod Khanorkar
Mobile: + 91 98190 84000
E-mail: amod.khanorkar@careratings.com

Mr. Saikat Roy
Mobile: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Mehul Pandya
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

BENGALURU
Mr. Deepak Prajapati
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-9099028864
Tel: +91-80-4115 0445, 4165 4529
E-mail: deepak.prajapati@careratings.com

CHANDIGARH
Mr. Sajan Goyal
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691