

A2Z Infra Engineering Limited

April 04, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term bank facilities	293.32 (reduced from 1047.07)	CARE D	Reaffirmed
Short-term Bank Facilities	721.01 (enhanced from 416.02)	CARE D	Reaffirmed
Total	1014.33 (Rupees One thousand fourteen crore and thirty three lakhs only)		

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) continue to take into account the ongoing delays in the servicing of debt obligations by the company due to its stretched liquidity position. The company has been reporting losses at the net level continuously and its operating cycle also remains elongated due to high average debtor days.

Going forward, ability of the company to improve its operational performance and liquidity position shall remain the key rating sensitivities.

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.

Working capital intensive nature of operations: The operating cycle of the company elongated to 616 days in FY18 (PY: 224 days) on account of increase in collection period. 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 leading to elongation in collection period.

Decline in operating income with continuous losses: The company reported revenue of Rs. 370.74 crore during FY18 (PY: Rs 644.14 crore) with loss at operating level of Rs 10.44 crore in FY18 (PY: Profit of Rs 59.40 crore). During 9MFY19, A2Z reported total operating income and PBILDT of Rs 325.62 crore and Rs 22.07 crore respectively.

Weak debt coverage metrics: The company's overall gearing improved to 1.21x as on March 31, 2018 (PY: 1.59x) on account of equity infusion and decrease in total debt. Total debt to GCA remained negative due to loss at net level.

Analytical approach: Standalone

Applicable Criteria

[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 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)	FY17 (A)	FY18 (A)
Total operating income	644.14	370.74
PBILDT	59.40	-10.44
PAT	-139.19	-114.77
Overall gearing (times)	1.59	1.21
Interest coverage (times)	0.50	NM*

A-Audited, NM-Not Meaningful

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Rating History (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.

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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.

Disclaimer

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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	-	-	March 2022	146.89	CARE D
Fund-based-Working capital facilities	-	-	-	146.43	CARE D
Non-fund-based-Short Term	-	-	-	721.01	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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	146.89	CARE D	1)CARE D (05-Apr-18)	1)CARE D (10-Jul-17) 2)CARE D; ISSUER NOT COOPERATING* (04-Apr-17)	-	1)CARE D (31-Dec-15)
2.	Fund-based-Working capital facilities	LT	146.43	CARE D	1)CARE D (05-Apr-18)	1)CARE D (10-Jul-17) 2)CARE D; ISSUER NOT COOPERATING* (04-Apr-17)	-	1)CARE D (31-Dec-15)
3.	Non-fund-based-Short Term	ST	721.01	CARE D	1)CARE D (05-Apr-18)	1)CARE D (10-Jul-17) 2)CARE D; ISSUER NOT COOPERATING* (04-Apr-17)	-	1)CARE D (31-Dec-15)

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