A2Z Infra Engineering Limited
April 5, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	1047.07 (enhanced from 931.70)	**CARE D**	Reaffirmed
Short-term Bank Facilities	416.02 (reduced from 1016.69)	**CARE D**	Reaffirmed
Total Facilities	**1,463.09 (Rupees One Thousand Four Hundred sixty three crore and nine lakh 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.

Going forward, the company's ability to report turnaround in its operational performance and improve its liquidity position would 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. During FY14 (refers to the period April 1 to March 31), the company's debt was restructured with the cut-off date for the restructuring purpose as January 01, 2013. However, it continues to delay on its debt servicing obligations as per the restructured terms. The company continued to report net losses during FY17 and 9MFY18 (refers to the period April 1 to December 31). The company has executed one time settlement (OTS) with 5 banks and has allotted them equity shares in the company against some portion of the debt payable to them.

Decline in operating income with continuous losses: The Engineering Services (ES) segment of the company reported a revenue of Rs. 152.08 cr during 9MFY18 (PY: Rs. 567.07 cr) which resulted in decrease in the operating income of the company to Rs. 270.94 cr during 9MFY18 (PY: Rs. 464.94 cr) besides continuous losses at net level. The company reported a net loss of Rs. 65.02 cr during 9MFY18 (PY: Loss of Rs. 59.42 cr).

Weak debt coverage metrics: The company's overall gearing moderated to 1.42x as on September 30, 2017 (1.35x as on March 31, 2017) due to decrease in net worth base of the company owing to net losses. The company reported cash losses during 9MFY18.

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

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

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 with major focus on distribution. It also forayed in the renewable energy generation business 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.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	977.59	650.19
PBILDT	78.16	63.15
PAT	-44.68	-138.89
Overall gearing (times)	1.16	1.35
Interest coverage (times)	0.67	0.53

A: Audited

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.*

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****For detailed Rationale Report and subscription information, please contact us at www.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.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the 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	395.25	CARE D
Fund-based-Working capital facilities	-	-	-	651.82	CARE D
Non-fund-based-Short Term	-	-	-	416.02	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	395.25	CARE D	-	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	651.82	CARE D	-	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	416.02	CARE D	-	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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