A2Z Infra Engineering Limited

July 10, 2017

Ratings

Facilities	**Amount (Rs. crore)**	**Rating[1]**	**Rating Action**
Long-term Bank Facilities	931.78 (reduced from 1,018.54)	**CARE D (Single D)**	Reaffirmed
Short-term Bank Facilities	1,016.69 (reduced from 1,251.46)	**CARE D (Single D)**	Reaffirmed
Total Facilities	**1,948.47** **(Rupees One Thousand Nine Hundred Forty Eight crore and Forty Seven 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 and its operating cycle also remains elongated. However, the company has reported profits at the operating level in FY16 and FY17 (refers to the period April 1 to March 31) and it has moderate order book position which provides some revenue visibility in the short to medium term.

Going forward, the company's ability to improve its liquidity position and report turnaround in its financial performance would remain the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Moderate order book position: The company has a pending order book worth Rs.1,214.01 crore as on March 31, 2017. The clients served by the company majorly include government entities. The new firm orders booked during FY17 by the company stood at Rs.296 crore excluding the projects worth of Rs.399.86 crore awarded to the company in FY17.

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, 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. Although the company has reported profits at the operating level during FY16 and FY17, it continues to report losses at net level largely due to low PBILDT and high interest cost. The same has adversely impacted its liquidity position and servicing of debt which remains at the elevated levels.

Decline in operating income with continuous losses: The Engineering Services (ES) segment of the company reported a revenue of Rs.567.07 crore during FY17 (A) (PY: Rs.924.83 crore) which resulted in decrease in the operating income of the company to Rs.650.19 crore during FY17 (PY: Rs.977.59 crore) besides continuous losses at PAT level. The company reported a net loss of Rs.138.89 crore during FY17 (A) (PY: Rs.44.68 crore).

Weak debt coverage metrics and elongated working capital cycle: The company's overall gearing moderated to 1.35x as on March 31, 2017 (PY: 1.16x) due to decrease in net worth base of the company owing to net losses. The interest coverage ratio also reduced to 0.53x in FY16 (A) (PY: 0.67x) on account of decrease in PBILDT. The company's operating cycle also deteriorated to 224 days as on March 31, 2017 (PY: 142 days) due to increase in collection period to 632 days in FY17 (PY: 318 days) due to delays in project execution.

Analytical approach: Standalone

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

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 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.

During FY17, the company has reported total operating income of Rs.650.19 crore with PBILDT of Rs.63.15 crore and net loss of Rs.138.89 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.*

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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.

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	503.59	CARE D
Fund-based-Working capital facilities	-	-	-	428.19	CARE D
Non-fund-based-Short-term	-	-	-	1016.69	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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	503.59	CARE D	1)CARE D; ISSUER NOT COOPERATING* (04-Apr-17)	-	1)CARE D (31-Dec-15)	-
2.	Fund-based-Working capital facilities	LT	428.19	CARE D	1)CARE D; ISSUER NOT COOPERATING* (04-Apr-17)	-	1)CARE D (31-Dec-15)	-
3.	Non-fund-based-Short-term	ST	1016.69	CARE D	1)CARE D; ISSUER NOT COOPERATING* (04-Apr-17)	-	1)CARE D (31-Dec-15)	-

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