

Mr. Amit Mittal

Managing Director

A2Z Infra Engineering Limited

Plot No B- 38, Institutional Area,

Sector-32, Gurugram – 122001

Haryana

April 01, 2019

Confidential

Dear Sir,

Credit rating of bank facilities

On the basis of recent developments including operational and financial performance of your company for FY18 (audited) and 9MFY19 (provisional), our Rating Committee has reviewed the following 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)		

2. Refer **Annexure 1** for details of rated facilities.
3. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure-2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by April 04, 2019, we will proceed on the basis that you have no any comments to offer.

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

4. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
5. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
6. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
7. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
8. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,



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Encl.: As above

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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 Rated Facilities

A. Details of Bank Facilities

A-1. Details of Long term bank facilities (Term loan and Cash credit) as on February 28, 2019

Sr. No.	Lender	Amount (Rs. Crore)	Remarks	Debt Repayment Terms
Term Loan				
1.	DBS Bank	84.79	Outstanding as on February 28, 2019	Maturing in December 2022
2.	Axis Bank	2.01	Outstanding as on February 28, 2019	As per CDR. Maturing in December 2022
3.	IDBI	18.64	Outstanding as on February 28, 2019	As per CDR. Maturing in December 2022
4.	Union Bank of India	5.53	Outstanding as on February 28, 2019	As per CDR. Maturing in December 2022
FITL				
5	IDBI	5.51	Outstanding as on February 28, 2019	As per CDR. Maturing in December 2021
6	Kotak Mahindra Bank	6.41	Outstanding as on February 28, 2019	As per CDR. Maturing in December 2021
7	Allahabad Bank	3.04	Outstanding as on February 28, 2019	As per CDR. Maturing in December 2021
8	Union Bank of India	1.33	Outstanding as on February 28, 2019	As per CDR. Maturing in December 2021
WCTL				
Loans for EPC				
9	Axis Bank	1.90	Outstanding as on February 28, 2019	As per CDR. Maturing in December 2021
10	IDBI	2.49	Outstanding as on February 28, 2019	As per CDR. Maturing in December 2021
11	Allahabad Bank	0.64	Outstanding as on February 28, 2019	As per CDR. Maturing in December 2021
12	Union Bank of India	0.44	Outstanding as on February 28, 2019	As per CDR. Maturing in December 2021
Term Loans for Power				
13	Allahabad Bank	1.24	Outstanding as on February 28, 2019	As per CDR. Maturing in December 2022
14	Union Bank of India	0.79	Outstanding as on February 28, 2019	As per CDR. Maturing in December 2022
WCTL				

Sr. No.	Lender	Amount (Rs. Crore)	Remarks	Debt Repayment Terms
15	Allahabad Bank	4.66	Outstanding as on February 28, 2019	As per CDR. Maturing in December 2022
16	ICICI Bank	7.47	Outstanding as on February 28, 2019	As per CDR. Maturing in December 2022
	Total term loans	146.89		

Fund Based limits sanctioned (Rs. crore)

Sr. No.	Name of Bank	Cash credit
1	Axis Bank	25.00
2	IDBI	30.00
3	Kotak Mahindra Bank	30.00
4	Allahabad Bank	20.00
5	Union Bank of India	15.09
6	IndusInd Bank	10.00
7	DBS Bank	16.34
TOTAL		146.43

Total Long-term bank facilities – Rs 293.32

A-2. Short-term facilities:

Sr. No.	Name of Bank	Nature of Facility (LC/BG)	Amount (Rs. Crore)
1	Axis Bank	LC/BG	209.06
2	IDBI	LC/BG	166.84
3	Kotak Mahindra Bank	BG	55.90
4	Allahabad Bank	LC/BG	57.90
5	Union Bank of India	LC/BG	42.00
6	Indusind Bank	LC/BG	63.33
7	ICICI Bank	LC/BG	123.90
8	DBS Bank	BG	2.08
	TOTAL		721.01

Total short-term bank facilities – Rs 721.01 crore

Total facilities to be rated as on February 28, 2019 – Rs 1014.33 crore

Annexure 2
Press Release
A2Z Infra Engineering Limited

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

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

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

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

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. 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	-	-	-	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)