

**CARE/DRO/RL/2018-19/1084**

**Mr. Amit Mittal**

**Director**

**A2Z Infra Engineering Limited**

Cosmos Building,

B-38, Sector – 32,

Jharsa Chowk, Gurgaon – 122001

Haryana, India

April 2, 2018

Dear Sir,

**Credit rating for bank facilities**

On the basis of recent developments including operational and financial performance of your company for 9MFY18 (UA), our Rating Committee has reviewed the following ratings:

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

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, 2018, we will proceed on the basis that you have no any comments to offer.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

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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](http://www.careratings.com) for latest update on the outstanding rating.
8. CARE ratings are **not** recommendations to sanction, renew, disburse or recall any bank facilities.
9. If you need any clarification, you are welcome to approach us in this regard. We are indeed, grateful to you for entrusting this assignment to CARE.

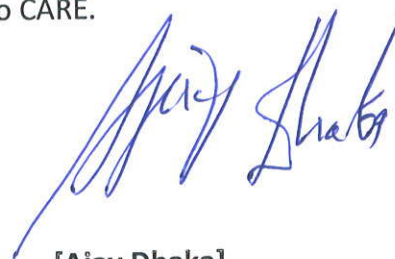
Thanking you,  
Yours faithfully,



**[Rajan Sukhija]**

Analyst

[rajan.sukhija@careratings.com](mailto:rajan.sukhija@careratings.com)



**[Ajay Dhaka]**

Senior Manager

[ajay.dhaka@careratings.com](mailto:ajay.dhaka@careratings.com)

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**

**1. Long-term facilities**

**1.A. Secured rupee term loans**

Sr. No.	Lender	Amount (Rs. Crore)	Remarks	Debt Repayment Terms
<b>Term Loan</b>				
1.	EDELWEISS ARC Ltd	111.92	Outstanding as on February 28, 2018	As per CDR. Maturing in December 2022.
2.	DBS Bank	84.69	Outstanding as on February 28, 2018	As per CDR. Maturing in December 2022.
<b>FITL</b>				
3.	Allahabad Bank	4.46	Outstanding as on February 28, 2018	As per CDR. Maturing in March 2021
4.	Axis Bank Ltd	0.94	Outstanding as on February 28, 2018	As per CDR. Maturing in March 2021
5.	IDBI Bank Ltd	5.51	Outstanding as on February 28, 2018	As per CDR. Maturing in March 2021
6.	Indusind Bank Ltd	1.58	Outstanding as on February 28, 2018	As per CDR. Maturing in March 2021
7.	Kotak Bank	8.00	Outstanding as on February 28, 2018	As per CDR. Maturing in March 2021
8.	SBI (post merger)	56.01	Outstanding as on February 28, 2018	As per CDR. Maturing in March 2021
9.	Union Bank of India	2.20	Outstanding as on February 28, 2018	As per CDR. Maturing in March 2021
10.	EDELWEISS ARC Ltd	23.59	Outstanding as on February 28, 2018	As per CDR. Maturing in March 2021
<b>WCTL</b>				
11.	SBI (post merger)	51.56	Outstanding as on February 28, 2018	As per CDR. Maturing in March 2022
12.	ICICI Bank	6.76	Outstanding as on February 28, 2018	As per CDR. Maturing in March 2022
13.	Allahabad Bank	5.76	Outstanding as on February 28, 2018	As per CDR. Maturing in March 2022
14.	HSBC	1.44	Outstanding as on February 28, 2018	As per CDR. Maturing in March 2022
<b>Term Loans for EPC</b>				
15.	SBI (post merger)	6.91	Outstanding as on February 28, 2018	As per CDR. Maturing in March 2021

Sr. No.	Lender	Amount (Rs. Crore)	Remarks	Debt Repayment Terms
16.	Axis Bank Ltd	2.96	Outstanding as on February 28, 2018	As per CDR. Maturing in March 2021
17.	IDBI Bank Ltd	2.49	Outstanding as on February 28, 2018	As per CDR. Maturing in March 2021
18.	Allahabad Bank	0.99	Outstanding as on February 28, 2018	As per CDR. Maturing in March 2021
19.	Union Bank of India	0.62	Outstanding as on February 28, 2018	As per CDR. Maturing in March 2021
<b>Term loans for Power</b>				
20.	SBI (post merger)	10.10	Outstanding as on February 28, 2018	As per CDR. Maturing in December 2022
21.	Axis Bank Ltd	4.01	Outstanding as on February 28, 2018	As per CDR. Maturing in December 2022
22.	Allahabad Bank	1.58	Outstanding as on February 28, 2018	As per CDR. Maturing in December 2022
23.	Union Bank of India	0.94	Outstanding as on February 28, 2018	As per CDR. Maturing in December 2022
24.	Indusind Bank Ltd	0.25	Outstanding as on February 28, 2018	As per CDR. Maturing in December 2022
	<b>Total term loans</b>	<b>395.25</b>		

### 1.B. Fund Based limits

Sr. No.	Name of Bank	Cash credit
1	Allahabad Bank	32.57
2	Axis Bank	33.42
3	IDBI Bank	37.55
4	Indusind Bank	11.94
5	Kotak Bank	32.06
6	SBI (post merger)	280.71
7	Union Bank of India	18.88
8	Edelweiss ARC Ltd.	126.78
9	DBS Bank	71.28
10	HSBC	6.63
<b>TOTAL</b>		<b>651.82</b>

**Total long-term facilities: Rs 1047.07 crore**

## 2. Short-term facilities

### 2.A. Non fund based limits

Sr. No.	Name of Bank	Nature of Facility (LC/BG)	Amount (Rs. Crore)
1	SBI (post merger)	LC/BG	71.85
2	Axis Bank Ltd	LC/BG	119.09
3	IDBI Bank Ltd	LC/BG	20.83
4	ICICI Bank Ltd	LC/BG	48.50
5	Kotak Bank	LC/BG	41.21
6	Allahabad Bank	LC/BG	46.60
7	Union Bank of India	LC/BG	40.06
8	Indusind Bank Ltd	LC/BG	32.56
9	Yes Bank Ltd	LC/BG	2.08
	<b>TOTAL</b>		<b>416.02</b>

\*LC=Letter of credit; BG=Bank guarantee

**Total short-term facilities: Rs. 416.02 crore**

**Total facilities rated: Rs. 1463.09 crore**

Annexure 2  
Press release  
**A2Z Infra Engineering Limited**

Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	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
<b>Total Facilities</b>	<b>1,463.09</b> <b>(Rupees One Thousand Four Hundred sixty three crore and nine lakh only)</b>		

*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).

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

**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**

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](http://www.careratings.com). Investors/market



intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

**Analyst Contact:**

Name: Mr Ajay Dhaka

Tel: 011-45333218

Mobile: 8826868795

Email: [ajay.dhaka@careratings.com](mailto:ajay.dhaka@careratings.com)

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://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.

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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	-	-	December 2022	395.25	CARE D
Fund-based-Working capital facilities	-	-	-	651.82	CARE D
Non-fund-based-Short Term	-	-	-	416.02	CARE D

CARE Ratings Limited  
(Formerly known as Credit Analysis & Research Limited)

**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)