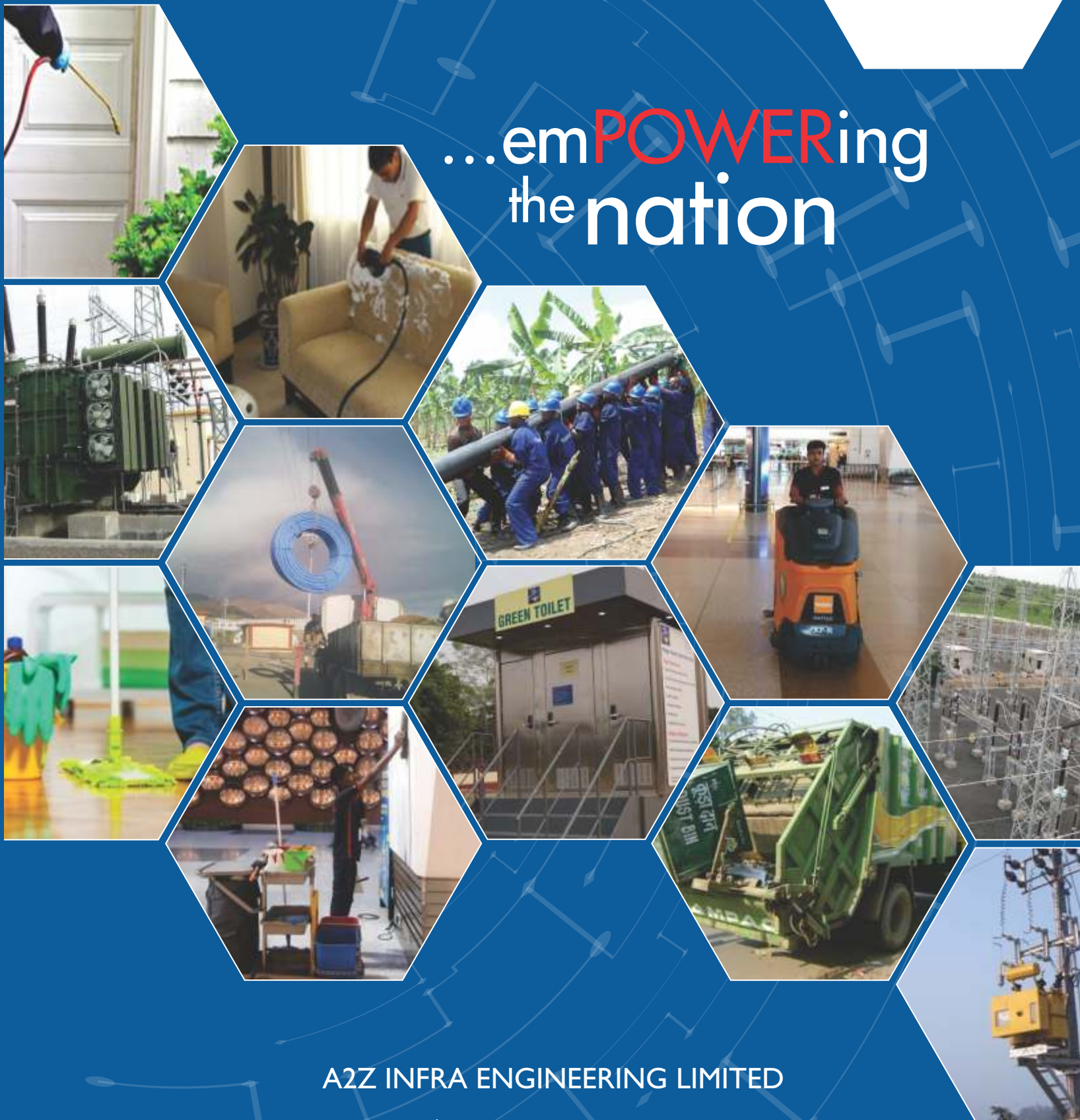


...em**POWER**ing the nation



A2Z INFRA ENGINEERING LIMITED

16th Annual Report 2016-17

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Caution regarding Forward Looking Statements

Certain statements in this annual report concerning our future growth prospects are forward-looking statements, which involve a number of risks, and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expect', 'project', 'intend', 'plan', 'believe' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, our actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



Empowering the Nation

“A life is enhanced, a society is lifted and a nation is developed, into a stronger, far better version of its own self, when an infrastructure project is realized, when a new job is created for the weakest member of the society or when a clean and hygienic environment is developed for a healthy life. Every infrastructure project, directly or indirectly, accentuates the quality and efficiency, not just of an economy, but also of a society. When an electric lamp reaches some remote villagers, it adds to the brightness of their smiles. When a road is created, it leads to better opportunities for life. When the telecom services make way to the hinterland, it intertwines the lives of a bunch of natives with that of thousands of others. When sanitation facilities find their way to the hamlets, women enjoy a new-found freedom and respect and many jobs are created for common people to stand against adversities of life. At A2Z Infra Engineering, this is exactly what we strive to achieve. While we may only be doing a small bit towards building India, we do play a part in empowering the nation.



Empowering the Nation



Infrastructure is the lifeline of any modern-day society, and we at A2Z Infra Engineering, take immense pride in working relentlessly for the past 15 years with the aim of making India stand tall. Our ability to conceptualise and deliver some of the country's most critical and challenging infrastructure projects stand as a testimony to our dedication. We started spreading our wings with Facilities Management and today we are present across Power & Telecom (EPC) Projects, Municipal Solid Waste (MSW) Management, Facilities & Industrial Operations Management and formation of Renewable Energy (Waste-to-Energy), and continue to do so. However, with the commencement of FY15, at A2Z Group, we have started to systematically diversify our customer segments. With our offerings like Magic Genie Home Services and the zero waste-discharge Echo-Tech Green Toilets, we are incessantly working towards the betterment of the individuals as well as the society on the whole. In fact, our newest offering the zero-emission e-Bicycles are also ready to make a mark in the society.

Fy17 was marked by some of the most historic changes in India's economic and financial ecosystems. Nonetheless, A2Z Group continued to make a progressive contribution to the nation's infrastructure, and for what it's worth, also expanded its horizons in the global arena, by way of foraying into the promising markets of Nepal and Tanzania. It is with sheer pleasure that we share with you, that amidst all the pandemonium, we remained unflappable and maintained our focus on completing the projects at hand. In fact, we also sifted for projects which promise an elevated financial viability. Of course, our existing end-consumer facing projects such as Magic Genie Home Services and Eco-Tech Green Toilets continued to gain traction in the urban regions of the nation, leaving us brimming with both, anticipation and aspiration for FY18!

FY2016-17 – THE YEAR IN PERSPECTIVE

Fy17 has been an year of consolidating our existing position and gearing up for tomorrow's opportunities. There have been certain achievements worth sharing during FY17:

Global Presence Expansion -

Foray in Nepal & Tanzania locations
In addition to existing African countries

End-consumer business expansion -

Launch of Magic Genie e-Bicycle

Magic Genie Eco Tech Green Toilet Expansion -

Ground work began for new installations

Green Toilet-cum-Bus Shelter -

A new viable business model

Magic Genie Home Services - Gaining Traction

South Delhi Municipal Corporation (SDMC) West Zone - Best Scientific & Hygienic C & T Launch



From the Desk of Chairman

Dear Shareholders

I am pleased to share with you the annual report for the fiscal year 2016-17, when your Company has stayed the course on a difficult path to long-term sustainability. We have made significant progress in improving business viability by focusing on completing existing projects and taking up only profitable projects. I welcome you to read through the details of our performance and our prospects, which remain bright.

In 2016, the world economy continued to be affected by the investment slowdown and was further impacted by declining trade in the face of growing protectionism. Hence, recovery in commodity prices and buoyant financial markets during the year did not result in any acceleration of growth momentum. The growth in economic output in 2016 stayed stagnant at 3.1%, same as 2015. However, the tide has started turning since the last quarter of 2016 and outlook for global economy in 2017 was positive. International Monetary Fund (IMF) has forecast a 3.4% growth, with the acceleration of both organized and developing economies. The Indian economy is also expected to do better in FY18 than the 7.1% GDP growth in FY17, and will remain as the fastest growing large economy in the world.

FY17 saw the Indian government pushing the envelope hard on the reforms front with the passage of Goods & Services Tax Act, Insolvency and Bankruptcy Code, enforcement of Real Estate (Regulation and Development) Act, liberalization of Foreign Direct Investment norms in many sectors and further increase in investments in the infrastructure sectors. However, the one initiative that gathered most attention was demonetization of high value currency notes that amounted to nearly 80% of the value of cash in the economy. Demonetization did affect the growth momentum in the third and fourth quarter of the fiscal year, thus slowing down the growth to 7.1% in FY17. The overall sound macroeconomic conditions, reform push, improving global economy and underlying resilience of the economy meant that the growth momentum returned by the first quarter of FY18. This is likely to further gather steam with the predicted good monsoon and expected reduction in interest rates by the Reserve Bank.

Overall economic growth and especially reform push by the Government are expected to positively impact the sectors in which your Company operates. Overall increase in the budget outlays for the infrastructure sector will also boost the opportunities for EPC players, for e.g. allocations under the Integrated Power Development Scheme (IPDS) and Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) were increased by 35% to Rs 10,635 Crore in Budget 2017 from the revised estimate of Rs. 7,874 Crore in FY17. Recently the central government has declared a budget of Rs. 75,000 to 78,000 Crore for building PAN India Optical Fibre Cable Network specially to reach each Gram Panchayat of India. However, given the anemic credit growth due to NPA issues faced by banks, the recovery in capital investment will continue to be slower than the economic potential. Telecom sector is going to see consolidation going forward because of the disruption brought about by launch of Reliance Jio in September 2016, as seen from the proposed Airtel – Telenor and Vodafone – Idea mergers that were announced recently. The Government has also kept the 5G launch target of 2022 intact in spite of the debt overhang on the sector from spectrum purchases. These factors point to continued investment by the industry majors to retain their market shares. Focus on urbanization and improvement in urban infrastructure and sanitation by the Government is pushing municipal bodies across the country to adopt modern waste management techniques and outsourcing to specialized private players. Commercial Real Estate segment has been a lone bright spot in the real estate market in the last few years. With the launch of Real Estate Investment Trusts (REITs) and 100% FDI in ready projects, institutional investment in the sector will see a huge spurt, in turn leading to more Grade 'A' properties in the country. Hence, all these factors put together allow us to conclude that the Group's businesses have a bright future ahead.

The strategic realignment that we embarked upon few years back is not yet complete and is yet to help us achieve turn around. During the year we posted a higher loss as compared to previous year, however in addition to the declining revenue we were also hit by one-off items such as impairment of project assets and deferred tax exposure. These results are but a temporary setback, which have not undermined our confidence in the steps that we implemented and continue to push to achieve long term sustainability.

On the positive side, the Company has executed most of the old EPC projects successfully, which has generated enough confidence in customers and banks. This would be a key factor in getting new business for the Company, since most of the Infrastructure Companies have struggled and could not survive in recent difficult times. Very few companies could survive and are on revival path and your Company is one of those few companies. Since the Government is increasing the spending on infrastructure to overcome the investment deficit and accelerate growth, this gives your Company a good opportunity to benefit from, as it is fully geared to take up new projects in times to come.

Your Company has a promising future because of its contribution to nation building in key sectors of the world's fastest growing large economy. We are working hard on realizing this potential with a well-crafted strategy. I would like to thank our shareholders, customers, investors, suppliers, the exchequer and employees for their continued trust in us and our long-term success story.

Best regards

Surender Kumar Tuteja
Chairman

Message from the Managing Director



Dear Shareholders

It is my pleasure to share with you the Company's performance for the financial year 2016-17 (FY17). The said year was a tumultuous one for the economy and your Company. Similar to the decline in GDP growth for the country to 7.1% in FY17 even with increased pace of reforms, the Company also saw increase in losses in spite of continued push for strategic realignment of businesses.

Year 2016 was a difficult year for the global economy because of slowdown in developed countries, especially USA and increasing protectionism across the world. Similarly in India the holdback in private investment affected the

growth in the first two quarters of FY17 and demonetization affected the last two quarters. These factors did had an impact on the Company's performance during the year.

Our strategy in the last few years has been to focus on execution of business-on-hand to ensure financial viability of the operations and consolidation of operational capabilities. Success in the business portfolio that the Company operates is determined by superior execution capability and this was our focus during this time. However, dependence on external factors can impact our performance and profitability. In a difficult macro environment, these effects are amplified. Hence, even though we continued to pursue our strategic realignment with all sincerity, external environment affected our performance. However, given the improving business environment we are hopeful of delivering a much better performance going ahead because of the realignment.

On the operations front there were many achievements during FY17. Our efforts of increasing footprint in international market have started paying off, and we have added Nepal and Tanzania as new business territories by getting new orders. Also, we have started commercial production of E-bicycles which is pollution free, battery based bicycle with an option of using it as an inverter as well. This is a product of

the future and we are getting a very good response from the market. In addition to this new development, we have successfully streamlined Magic Genie B2C operations in NCR and in next phase pan-India roll out will take place. In recent times, the Government has taken several initiatives in waste management and new concept has been introduced in Collection & Transportation (C&T) for making collection and transportation more efficient and hygienic and we are one of the front runners to get benefits of these initiatives by getting good business. On EPC front we have been executing old orders successfully, and have recently started bidding for new projects and adding new orders progressively in power and telecom sector.

Diversification has been one of our key strategies to ensure financial viability of the Company. This includes diversification of product portfolio, for e.g. the Telecom EPC business that we added a few years back. One of the major diversification objective is acquiring a wider customer mix across governments, civic bodies, private sector companies and retail presence. With our innovative products Magic Genie Green Toilets and Home Cleaning Services, we have taken the Facility Management Services business right to the doorstep of the consumers. We have also succeeded in entering new countries, such as Nepal and Tanzania to broaden our geographic presence and are also currently executing projects in other African countries such as Uganda and Zambia.

This year also, we were focusing on executing old orders and although we have started taking new orders but starting of execution of these new orders will take some time. In FY17, the Company's operating revenues were Rs. 635 Crore in comparison with Rs. 961 Crore in FY16, a decline of 34%. On a consolidated Group basis, the operating revenues went down by 26.2% from Rs. 1,349 Crore in FY16 to Rs. 996 Crore in FY17. The net loss at the Company level increased from Rs. 40 Crore in FY16 to Rs. 139 Crore. Similarly at the Group level, it increased from Rs. 131 Crore in FY16 to Rs. 305 Crore in FY17. One time hits from exceptional item of Rs. 99 Crore related to charge for impairment of power generation plants in Punjab and write-off of some non-recoverable assets, and a deferred tax charge contributed majorly to the profitability decline.

The numbers however do not reflect the true successes of our pursuit to transform the Group into a value-creating organization. We, along with the whole Infrastructure industry, faced a very tough time and we are one of those who could survive the turbulence of infrastructure industry, any business success depends on it's operational and financial success and we have already proved our operational success by completing our old contracts successfully and our efforts will reflect by achieving improvement in financial situations very soon. We are committed to pursuing this endeavor of ours and with a supporting business environment deliver outstanding performance going forward. I would like to thank all the stakeholders for their continued trust and contributions. I would like to place on record my gratitude to the Board of Directors for their ample support and guidance. Our wonderful team is determined and will rest only when we achieve our goals for taking the organization to unforeseen heights and I thank them for their perseverance.

Sincerely yours

Amit Mittal
Managing Director

Board of Directors



Dr. Ashok Kumar Saini
Whole Time Director

Dr. Ashok Kumar
Non-Executive
Independent Director

Mr. Amit Mittal
Managing Director

**Mr. Surender Kumar
Tuteja**
Non-Executive
Independent Chairman