

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

A2Z INFRA ENGINEERING LTD.



17th Annual Report 2017-18

INSIDE THIS REPORT

CORPORATE OVERVIEW

Empowering the Nation	01
FY 2017-18-Major Milestones	02
Message from the Chairman	04
Message from the Managing Director	06
Board of Directors	08
Corporate Information	09

STATUTORY REPORTS

Directors' Report	10
Management Discussion and Analysis	40
Report on Corporate Governance	49

FINANCIAL STATEMENTS

Independent Auditor's Report on Standalone Financial Statement	65
Standalone Financial Statements	72
Independent Auditor's Report on Consolidated Financial Statements	139
Consolidated Financial Statements	143

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

Since beginning, Financial Year 2017-18 (FY18) has been an year full of challenges, achievements and hope for future, for the economy in India and across the globe, the various industry sectors and for A2Z Group as well. As part of our continuous efforts, the Company completed many of its projects during the year under review. The Company's efforts at improving the financial situation have started showing initial results. We, as a Company, are hopeful that our efforts towards achieving success in getting new business opportunities are on positive track and along with this, the improved financial health will result in fruits of success very soon. Empowering the Nation, since adopted as corporate positioning has come a long way to become a vision, an aspiration and a guiding light for us. Today, A2Z Group is marching forward steadily to realize this statement as a mission, thereby adding to the growth of the nation.

We, at A2Z Group moved forward with clear focus on finding solutions to challenges and tapping every opportunity possible in and around our areas of expertise. The dust is seemingly settling down slowly post the major structural & policy level changes effected by the present government over the past two years. The transformational changes like demonetization in FY17 and implementation of GST regime during FY18 were two major factors in this transformation. At the same time, the present Government's initiatives and commitment towards higher economic growth have been the hope bearers. The few bright spots in this opportunity landscape include Bharat Broadband project, schemes like IPDS of central government for improving power infrastructure, Smart City projects, Infrastructure Sector status to Affordable Housing, Housing for All, Electricity for All among others. While it is absolutely critical to handle the challenges diligently and urgently, there are opportunities too for those who seek. These new opportunities are arising out of the policy & program initiatives by the Indian government.

For A2Z Group, the Facility Management business has been one of the turnaround stories during FY18. We bagged two prestigious Government contracts to provide un-skilled, semi-skilled and skilled manpower in Power T&D business and another one for a Power utility department of the State Government, both in the State of Madhya Pradesh. Besides manpower supplying, we bagged cleaning & maintenance contract for the iconic Chhatrapati Shivaji Station of Mumbai Railway, a foundation laid for many more such possibilities going forwards. In our Waste Management business, we bagged order from South Delhi Municipal Corporation (SDMC) for waste collection & transportation. The project is run through our 'Safai Mitra' app for the citizens of SDMC which is the next level in technology driven city sanitation.

In our Engineering Services business, the focus has clearly been on execution of existing projects and carefully picking up only the new projects which offer financial & operational viability with positive cash flows. With this approach and the strategy to diversify geographically, we pitched aggressively and won orders for setting Power T&D infrastructure for the Government of Tanzania's Rural Electricity Agency.

We ventured into multiple green business initiatives that are technology driven. These business initiatives have the capability to set sectoral benchmarks due to the innovative approach and precision execution. We created a unique business proposition for one of the country's top three food delivery players. This included providing of in-house designed & manufactured E-Bicycle that is run with battery and has inverter fitted in it along with trained food delivery personnel. This could well be the next level of environment friendly technology driven manpower supply projects. Another reason to be content was the installation of first and first of its kind 'Smart Bus Shelter-cum-Smart Toilet' in Lucknow Municipal Corporation area. The first such project is a major contributor to a 'Swachh Bharat' and 'Smart Cities'. During the same year, the other major technology-based new green business initiative was 'Magic Brick'. We made the technological break-through to create high-quality construction bricks from Municipal Solid Waste, an area where we already have strong presence & expertise. With this, we'll help the nation manage its waste, create construction material and invest in a green nation for tomorrow.

With these strides we intend to grow sustainably and are hopeful to add significantly to our mission. We believe that this is just a beginning and we have a long way to go in realizing this mission of **'Empowering the Nation'**.



FY 2017-18 - Major Milestones



GROWING INTERNATIONAL FOOTPRINT

A2Z Infra Engineering was awarded a contract from Rural Energy Agency of Tanzania for supply and installation of Medium and Low Voltage Lines, Distribution Transformers on turnkey basis amounting to around USD 24.62 million. With this, A2Z Group further expanded its international presence by, adding geographic diversity to Group's business portfolio.



NEW WASTE MANAGEMENT PROJECT

A2Z Group won 8 year contract for Municipal Solid Waste Collection & Transportation from the South Delhi Municipal Corporation, Delhi. The project involves door-to-door collection and transportation of waste to designated sites. The entire process is IT controlled both at the front end with the help of 'Safai Mitra' app and at the back end with the help of online monitoring and tracking.



MANPOWER CONTRACT –MADHYA PRADESH ELECTRICITY SUPPLY

The Group was awarded three contracts worth Rs.56 Crores for providing manpower to the Madhya Pradesh Government's electricity supply body – Madhya Pradesh Paschim Ksetra Vidyut Vitran Co. Ltd. The role of the manpower will be to carry out various skill based Operations & Maintenance jobs like Meter Reading, Bill Distribution, Data Entry Operations etc.



EXCLUSIVE MANPOWER CONTRACT WITH LIQUOR SHOPS IN MADHYA PRADESH

The Group received exclusive contract for providing manpower to all the liquor shops in the state of Chhattisgarh on exclusive basis. The business opportunities are huge in this segment and the Group is eyeing all such opportunities aggressively.

CLEANING & MAINTENANCE PROJECT FOR INDIAN RAILWAYS

The Group won work order for the cleaning and maintenance at Chhatrapati Shivaji Maharaj Terminus Railway Station and maintenance of bio-toilets in all central railway trains at Mumbai. The Group is in talks with the Railways for more such possibilities to serve them.



FIRST SMART BUS SHELTER COMMERCIALIZED

A2Z Group has set up first of its' kind Smart Bus Shelter at Lucknow under the aegis of Lucknow Municipal Corporation. This product is highly flexible and customizable and the prototype unit has two kiosks, water dispenser, bus shelter and zero discharge smart toilet. The waste water is 100% recycled and used in flushing.



E-HIRAN – A TECHNOLOGICAL REVOLUTION

A break from urban traffic chaos, burden of rising fuel pricing.. E-Hiran is a battery driven bicycle with highest safety features and convenience for effortless travel. E-Hiran is providing the business opportunity to individuals, it is equipped with battery pack suitable for 100 Kms ride.



E-HIRAN & SKILL MANPOWER – UNIQUE PROPOSITION

Our revolutionary E-Cycle also called as E-Hiran was bundled with our skilled manpower, which opens up whole new avenues of income, going forward. In FY18, we bagged our first order from an online Food Delivery & Review platform. We provide E-Hiran alongwith our manpower to strengthen their supply chain. This initiative is unique proposition of combining technology with human resource which delivers financial and operational efficiency to businesses.



TECHNOLOGY BREAKTHROUGH – MAGIC BRICK

During FY18, Municipal Solid Waste Management (MSW) business made a technology breakthrough and we started manufacturing Bricks as a byproduct of MSW process. The Magic Brick is Durable & Strong; Skid Resistant, Aesthetically Appealing and finally it is a green product coming out of waste management. Various usage of these Bricks include Road Pavements, Building Walls, Toilet Walls, and others. Aligarh Municipal Corporation was awarded as the Best Medium City in Innovative Practices in the Swachh Bharat Awards for adopting this innovation at its Municipal Solid Waste Plant.





Message from the Chairman

Dear Shareholders,

It gives me pleasure to present before you the annual report for the fiscal year 2017-18, wherein your Company continued to take progressive steps to bring it back on a profitable growth path. During the said year, we have made progress in reducing the debt on the balance sheet and efforts are in line to reduce it further. In the flagship division of Engineering Services, we have achieved initial successes in our strategy to go international. Other divisions, viz. Facility Management Services and Municipal Solid Waste Management, bagged new projects in the market with some of them in completely new customer segments. On the whole, there were many developments which make us hopeful about turning the corner soon in the near future. While I have shared some more of my thoughts below, I invite you to peruse the details shared in this report on our performance and future outlook.

Overall economic scenario across the globe was fairly positive in 2017, both the advanced and emerging economies expanded at one of the fastest pace since financial crisis. In addition to the recovery in oil and commodity prices benefitting oil and commodity exporting countries, overall robustness in consumption and investment across most parts of the world meant higher capacity utilizations, upbeat jobs market and buoyant financial markets. This momentum is likely to sustain in 2018 as well. World Bank has forecasted the global GDP growth to be 3.1% in 2018, same as 2017.

Indian economy, on the other hand, was hamstrung because the structural reforms such as Goods & Services Tax (GST), Insolvency & Bankruptcy Code (IBC), Real Estate Regulatory Authority (RERA), etc. legislated by the Government in previous years were implemented in FY2017-18. In addition to this, residual impact of demonetization carried out in FY2016-17 meant that GDP growth in first half was quite muted. However, it recovered in the second half with the last quarter growth of 7.7% meant India was once again the fastest growing large economy in the world and by a wide margin of 90 basis points as compared to China. In FY2018-19, India is expected to maintain this pace and grow at 7.4% - 7.6% as projected by Reserve Bank of India and a few other reputed agencies.

Indian Government's investments under NDA-2 rule in the infrastructure and the social sector have played a huge role in the economic growth for the last four years, with FY2017-18 being no exception. Your Company's business segments are in perfect alignment with the major thrust areas of this Indian Government in these sectors and where it has reportedly been very successful. In the area of Power Supply, the Indian Government achieved its target of 100% electrification of all inhabited villages 12 days ahead of the 1,000 day deadline announced by the Prime Minister (PM). PM has also advanced the deadline for 100% electrification of all household under the 'Saubhagya Yojana' from March 2018 to December 2019. The Swachh Bharat initiative has taken on the form of a movement with 402 districts out of 712 have been declared Open Defecation Free (ODF) by June 2018. The Swachh Sarvekshan survey has acted as a tool for motivation to many municipal corporations and for large-scale citizen participation. It has pushed municipal corporations to adopt modern solid-waste management methods to maintain cleanliness and sanitation, so as to improve their scores on the survey. On the telecom front, Government completed first phase of its BharatNet program to link 100,000 Gram Panchayats with 100 Mbps broadband connections in December 2017. Going further, this initiatives is expected to connect all 250,000 Gram Panchayats with high speed broadband connectivity. Government's reform initiatives and incentives for

Government completed first phase of its BharatNet program to link 100,000 Gram Panchayats with 100 Mbps broadband connections in December 2017. Going further, this initiatives is expected to connect all 250,000 Gram Panchayats with high speed broadband connectivity.

the real estate sector such as interest subsidy for low cost housing, RERA implementation, approval for Real Estate Investment Trusts (REIT), etc. and continued demand from commercial and retail sector for high quality properties means greater market for organized facility management players. The Government is also working on many more initiatives that are of significance to the Company such as Smart Cities, Renewable Energy, Railway Station cleaning, Beach cleaning etc. Given this scenario, your Company is expected to benefit significantly in terms of higher business opportunities.

The Company made significant progress on the strategic realignment front, however there are many more milestones to achieve on this front before it emerges from the overhang of the past. Old projects and their execution continue to take away precious time, effort and resources that could be devoted to exploiting the attractive business opportunities available in the market today. Nevertheless, your Company has succeeded in breaking ground on a few frontiers in FY2017-18. In the Power Transmission & Distribution segment it bagged a few substantial projects in Tanzania. Your Company's eco-friendly bricks branded as 'Magic Brick', which enable 100% utilisation of waste in an innovative way, have found acceptance with Aligarh Municipal Corporation in Uttar Pradesh. Aligarh Municipal Corporation was awarded India's Best Medium City in Innovation & Practices because of this initiative. Your Company has developed battery operated cycle which is the best solution for urban as well as rural area for pollution free, economic way of transportation. It has many advantages over other modes of commutation, as a legally allowed way of speedy commuting for teenagers, in terms of Capex, Opex, and ease of operation. The Company has been selected by one of the top three food delivery aggregator companies, for use of its e-cycles and manpower supply services. Another innovation installed by the Company was the first bus-shelter-cum-green-toilet in Lucknow. It has also won many new orders for providing facility management and manpower supply services especially in new business areas like Railway Station, Railway Coach Factory and Beach management in Karnataka.

As can be seen from our performance and the market outlook, the Company is poised to do well in the near future in the Facility Management Services and Waste Management space. In the EPC segment, the focus will be on newer, viable opportunities in the international market and in sideline manner in Indian Market. It will continue to focus on paring down the debt through bank settlement process to improve balance sheet quality along with efforts to improve margins through new businesses. Even though this difficult journey is expected to last a little longer, we can clearly see the light at the end of this tunnel and hope to touch the bright future soon. Finally, I would like to thank all our shareholders, customers, investors, suppliers, the exchequer and employees for their support, patience and belief in our long-term vision.

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 2017-18 (FY18). During this year, we continued our arduous journey to emerge from the shadow of the past difficulties faced in the EPC business. With our success in reducing some of the past loans and in winning projects in new markets and products, the Company was able to significantly reduce its losses at the net level. This performance of ours mirrors the current situation of the Indian economy, which has been held back by the structural realignment and reforms implemented by the Government in FY2017-18 in Banking and Tax Regulations.

Our efforts of increasing footprint in international market during FY17 started paying off with significant new orders bagged by the Company from Rural Energy Agency of Tanzania to supply equipment and set up distribution infrastructure in the Dodoma region. In the domestic market, the Company received two major manpower supply orders, one in the Power Distribution space and another in the Facility Management Space. These projects involved supply of unskilled, semi-skilled and skilled manpower for Operations & Maintenance work from a utility department in Madhya Pradesh and supply of staff for the government-owned corporations in Chhattisgarh. In the core Facility Management Services space, Company won an order for cleaning and maintenance of the iconic Chhatrapati Shivaji Maharaj Terminus (erstwhile Victoria Terminus) railway station. Railway Station cleaning and maintenance is an opportunity that the Company plans to take further by bidding for more such projects. The Company also received new work orders in the Waste Management space from South Delhi Municipal Corporation.

In FY18, we continued with our strategy of the past few years of focusing on speedy execution of old projects, specifically in the Engineering Services business to limit the financial impact from the delays and overruns. Major reason for the Company getting stuck in this situation was the external scenario, where funding crunch and policy paralysis meant many infrastructure and EPC projects were delayed, deferred or dropped. But the Company is determined to come out of these troubles, and make its operations viable again through its execution capability and focus on strategic realignment. While this would mean that legacy issues would continue to be a drag on Company's performance for some more time and our ability to tap newer opportunities in the market, we are committed to do our best to improve the Company's performance.

Environment friendly initiatives of the Company have found new traction in the market during the reported year. E-Hiran, a battery based cycle also doubling up as an inverter, manufactured by the company was selected by one of the top 3, food delivery aggregator companies, for its delivery operations. The Company will also support in supplying trained food delivery personnel to the food delivery aggregator company. An innovation that can have a far reaching impact on the waste management practices was launched by the Company under the brand name 'Magic Brick'. This involves making bricks and blocks from solid waste, which will help municipal corporations achieve 100% utilization of solid waste and contribute towards sustainable future for the cities. Aligarh

Our Municipal Solid Waste business, where the Group develops all required equipment in-house, has seen a turnaround in momentum during the year, with the revenues growing by 19.5%. The Group will also continue working on Waste to Energy projects and for generating Refuse-Derived Fuel.

Municipal Corporation was awarded as the Best Medium City in Innovation & Practices in the Swachh Bharat awards for adopting this innovation from the Company at its Municipal Solid Waste plant.

Beyond these operational successes, the Company has also been able to effectively negotiate for a One Time Settlement with certain lenders of the Company during the year. These agreements involve settlement of outstanding principal and accrued interest of the Company and its subsidiaries in lieu of part payment through fund transfers and allotment of 3.03 crore equity shares at a price of ₹39.8 per share. Overall settlement process has taken longer than anticipated by the Company, but it is committed to taking this to closure so as to improve the Balance Sheet quality and make funds available for the new growth areas.

On the financial results front, the Company's operating revenues were ₹358 crores in comparison with ₹635 crores in FY17, a decline of 43.7%. This reduction is because of Company's Policy to be very selective in taking EPC order and increased business from Facility Management and Waste Management which will soon start to give thrust to the Group's revenue. On a consolidated basis, the Group's operating revenues went down by 28.8% from ₹996 crores in FY17 to ₹709 crores. The net loss at the company level decreased from ₹139 crores in FY17 to ₹114 crores. Similarly at the Group level, it declined from ₹305 crores to ₹87 crores. Financials include impact of exceptional items of ₹136 crore gain out of which ₹315 crore gain was on account of One Time Settlement agreements with certain lenders for the past loans including accrued interest.

Going forward, we foresee FMS business as having significant scope and growth potential, as we have seen in some of the new orders bagged during the year. The FMS space is expected to grow at a rate of 30 - 40% as per an internal estimate. Our Municipal Solid Waste business, where the Group develops all required equipment in-house, has seen a turnaround in momentum during the year, with the revenues growing by 19.5%. The Group will also continue working on Waste to Energy projects and for generating Refuse-Derived Fuel. In the EPC business, the Group will adopt a cautious approach of doing thorough risk assessment related to project feasibility and financial viability before taking up new projects. Major focus area here will be to actively explore international opportunities, especially in Africa and South Asia.

While the financial results do not reflect many of the successes at operational level, we believe we are on the right path. Our endeavor to regain the Group's position as a leader in value creation for its stakeholders will continue steadfastly. While the external environment played truant with the Group and the infrastructure industry as a whole, your Company had the strength and capabilities to tide over these difficult times. Based on the progress we have made, the goal of turning profitable seems much closer than before. We have all the stakeholders, including shareholders, bankers, suppliers and employees to thank for this achievement. I would also like to express my personal appreciation of the guidance and backing that we have received from the Board of Directors. The Group continues to look forward to such continued support going ahead and is confident of achieving its stated goals.

Sincerely yours

Amit Mittal
Managing Director

Board of Directors



Mr. Surender Kumar Tuteja
Non-Executive
Independent Chairman



Mr. Amit Mittal
Managing Director



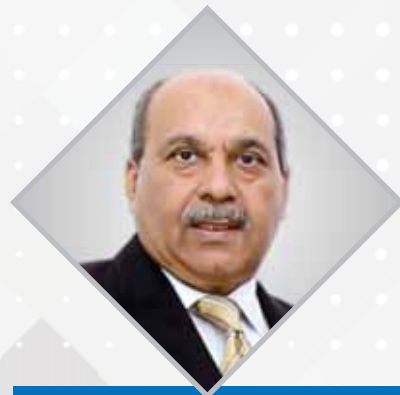
Ms. Dipali Mittal
Non-Executive
Non-Independent Director



Mr. Rajesh Jain
Whole Time
Director & CEO



Dr. Ashok Kumar Saini
Whole Time Director



Dr. Ashok Kumar
Non-Executive
Independent Director