

Press Release: Q1 FY 12 Results and update on business operations

Stand-alone Financial Highlights

- Revenue at ₹ 192.5 Cr
- EBIDTA at ₹ 21.1 Cr
- PAT at ₹ 3.4 Cr
- Order book Position – ₹ 1,414 Cr as on July 31, 2011

Gurgaon, August 12, 2011 – A2Z Maintenance & Engineering Services Limited (A2ZMES) today announced its unaudited standalone results today which primarily comprise its Engineering Services (ES)/Engineering, Procurement and Construction (EPC) business.

Total income for quarter ended June 30, 2011 is ₹ 192.5 Cr. ES/EPC contributed ₹ 188.9 Cr to the income from operations for Q1 FY 12. There is no equivalent comparison available for the corresponding period the previous year.

EBIDTA for the quarter stood at ₹ 21.1 Cr

PAT is ₹ 3.4 Cr for the quarter ended June 30, 2011.

Our **Sundry Debtors** as on June 30, 2011 are ₹ 713 Cr as compared to ₹ 789 Cr as on March 31, 2011. Out of total debtors, ₹ 378 Cr represents retention money as on June 30, 2011 as compared to ₹ 395 Cr as on March 31, 2011.

The **order book** stands at ₹ 1,414 Cr as on July 31, 2011

Discussion -

The growth and profitability of the **ES/EPC business** is dependent on the pace of release of orders by our customers (SEBs, PGCIL, and NHPC etc.) and the pace of acceptance of work order revisions. Delays in above can significantly affect profitability as fixed cost at various sites is incurred without any work execution. In this quarter we have recorded reduced revenue recognition in our EPC business.

Revenue could not be recognized in certain projects (though personnel expenses were incurred) because our projects suffered from -

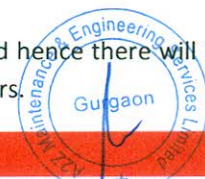
- a) Either finished work was not inspected;
- b) Material that was inspected and approved was not received on site;
- c) In some instances customers have delayed clearance of work order revisions; and
- d) In some new projects, there has been delay in approval of drawings as a consequence of which work could not start.

The company believes that these practices are par for the course in the EPC business and hence there will be QoQ variations in margins. Delays in revenue booking can be made up in following quarters.

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Business outlook:

Power T&D

The Company sees robust tendering activity but also enhanced competition in bidding for new projects. It remains focused on bidding selectively for fair margin orders which have moderate working capital requirements

Based on revised internal estimates of our pipeline, order execution and discussions with customers on delays at their end, we estimate we should be able to book net revenues in excess of ₹ 1,200 Cr this financial year with operating EBITDA of about 15% in the EPC business. We are hopeful in winning a few large contracts bid for. With a few large contract wins along with expedited execution, the numbers could be revised upwards.

We remain focused on reducing Working Capital through selective bidding and close co-ordination between Accounts, Purchase and the field team.

We are also looking to diversify revenue streams from markets where margins are healthier with lower Working Capital cycle requirements.

Order-book Position

Particulars	Amount in ₹ Cr
Opening order book as of 1 April, 2011	1,397
New firm orders between 1 April, 2011 and 31 July, 2011	286
Orders executed and recognized as revenue (1 April, 2011 to 30 June, 2011)	191
Curtailement of Orders	78
Unexecuted Order Book as on 31 July, 2011 (excluding revenue recognized during the month of July 2011)	1,414

The Municipal Solid Waste Management (MSW) Business - AZZ Infrastructure Limited & its subsidiaries

Our MSW operations continue to ramp up strongly. The quantity of waste collected and processed continues to be strong as we commence operations in new cities as well as ramp up volumes in existing ones.

The MSW business has turned EBIDTA positive on a consolidated basis this quarter. Revenue for this quarter stood at ₹ 19.1 Cr (unaudited) and EBIDTA of ₹ 3.6 Cr (unaudited) for this quarter. The business had generated a Revenue of ₹ 22.4 Cr and EBIDTA of ₹ - 0.99 Cr for the full year 2010-11.

The company recently won rights to set up an integrated project at Ludhiana, Punjab with aggregate capacity of 1,068 MT/day. The project includes servicing Ludhiana city as well as 12 nearby towns, together referred to as 'Ludhiana cluster'. The project has been awarded for duration of 25 years.



The current list of contracted cities and their status is as under:

S. No.	City	Contract	Capacity MT/day	C&T Start date	P&D start date
1	Kanpur	Integrated	1,500	Operational	Operational
2	Ludhiana	Integrated	1,068	Q2 FY 12	Q1 FY 13
3	Indore	Integrated	600	Operational	Operational
4	Meerut	Integrated	600	Operational	Q4 FY 12
5	Varanasi	Integrated	600	Operational	Q3 FY 12
6	Ranchi	Integrated	490	Operational	Q2 FY 12
7	Ghaziabad	Integrated	300	Operational	Land allotment awaited
8	Moradabad	Integrated	280	Operational	Q3 FY 12
9	Aligarh	Integrated	220	Operational	Q3 FY12
10	Muzaffarnagar	Integrated	120	Operational	Operational
11	Amravati	P&D	300	NA	Q4 FY 12
12	Firozabad	P&D	130	NA	Land allotment awaited
13	Loni	P&D	120	NA	Q1 FY 13
14	Mirzapur	P&D	100	NA	Q4 FY 12
15	Jaunpur	P&D	80	NA	Q1 FY 13
16	Sambhal	P&D	75	NA	Q4 FY 12
17	Badaun	P&D	55	NA	Q4 FY 12
18	Fatehpur	P&D	55	NA	Q4 FY 12
19	Ballia	P&D	40	NA	Q1 FY 13
20	Basti	P&D	40	NA	Q1 FY 13
21	Goa	P&D	20	NA	Agreement Signed
22	Patna	C&T	800	Operational	NA
23	Darbhanga	C&T	120	Operational	NA
TOTAL			7,713		

The list of projects where we are L1 is:

City	Contract	Capacity MT/day	Current Status
Nainital	Integrated	40	L1/Lol awaited
Nanded	P&D	300	L1/Lol awaited
Bihar Sharif	C&T	120	Agreement Revision in Process

The Facilities Management Services (FMS) Business - A2Z Infraserivices Limited & its subsidiary; Imatek Solutions Private Limited & its subsidiary

As on 30 June, 2011, A2Zs consolidated FMS business is one of the largest facilities management companies in India with a PAN-India footprint. The business generated Revenue of ₹ 71.2 Cr (unaudited) and EBIDTA of ₹ 4.1 Cr (unaudited) for this quarter. For the full year ended 31 March 2011, the Business generated Revenue of ₹ 220 Cr and EBIDTA of ₹ 17.2 Cr. The revenue run rate for the month of June 2011 was ₹ 22.5 Cr (unaudited).

We expect the FMS business to deliver strong growth in FY12.

During the quarter, A2ZMES has increased its stake in CNCS Facility Solutions Private Limited (a subsidiary engaged in the FMS business) from 51% to 76% through its subsidiary, Imatek Solutions Private Limited.

Renewable Energy Generation

The four renewable energy projects (45 MW biomass based co generation projects in Punjab, housed in A2ZMES, and 15 MW biomass/RDF based project in Kanpur, housed in A2Z Infrastructure Limited) aggregating 60 MW being setup by A2Z are in final stages of commissioning.

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Forward Looking Statements:

Certain statements in this release may refer to our future growth and profitability prospects and hence are forward-looking statements, which involve a number of risks and uncertainties that could cause actual results to differ significantly from directional indications stated above. Important factors that could make a difference to the Company's operations include general economic conditions, changes in Government Regulations and Tax Regime, competition etc. The company assumes no responsibility to publically amend, modify or revise any forward looking statements on the basis of subsequent developments, information or events.

