



पावर ग्रिड कारपोरेशन ऑफ इंडिया लिमिटेड

(भारत सरकार का उद्यम)

POWER GRID CORPORATION OF INDIA LIMITED

(A Government of India Enterprise)



पावरग्रिड

केन्द्रीय कार्यालय: "सौदामिनी" प्लॉट सं. 2, सैक्टर-29, गुडगाँव-122 001, (हरियाणा) दूरभाष: 0124-2571700-719, फ़ैक्स : 0124-2571762,
"Saudamini" Plot No. 2, Sector-29, Gurgaon-122 001, (Haryana) Tel. : 0124-2571700-719, Fax : 0124-2571762, Web.: www.powergridindia.com

CP/RTI /2014/59

14th August, 2014

Shri A.K. Bajaj,
CEO (Transmission)
A2Z, Maintenance & Engineering Service Limited,
Plot No. - B-38, Sector-32,
Institutional Area, Gurgaon-122001
Haryana

Sub: **Information under Right to Information Act, 2005.**

Dear Mr. Bajaj

This has reference to your letter dated 30th June 2014 seeking information under RTI Act, 2005.

The information / document sought is attached at Annex-I.

Thanking You,

भवदीय,

(सुधीर मित्तल) 14/8/14

महाप्रबंधक(के.आ.)एवंके.लो.सू.अधिकारी

POWER GRID CORPORATION OF INDIA LIMITED

Sub.: Assessment of M/s A2Z Maintenance & Engineering Services Limited (A2Z).

1.0 The ED level Steering Committee on Assessment of Capacity & Capability of Lower Contractors [Report No.8 (Part-II), August 2013], has raised certain concerns about A2Z financial position. Based on the financial details furnished by A2Z, the Committee in the aforesaid report has inter-alia opined the following (copy enclosed at Appendix I).

"Based on the aforesaid details it is noted that apparently the financial position of A2Z is not encouraging. However, in view of the fact that presently all the contracts awarded to them by POWERGRID are almost completed, it would be appropriate that their assessment taking into account inter-alia the feedback regarding their performance from NR-I, ER-II and SR-II where they had executed the works in POWERGRID, their financial position, their interaction with them and their bankers and integrity issues, if any, may be done before taking a final view for further award of contracts on them."

Accordingly, the undersigned committee was constituted Vide Note no: CC/CS/Assessment Note dated 26.08.2013 (Copy enclosed at Appendix-II) for assessment of certain aspects pertaining to capacity and capability of A2Z for award of contracts for transmission line projects.

2.0 The committee's findings and observations are brought-out hereunder:

2.1 A2Z had been awarded contracts by POWERGRID for transmission lines in the past as summarised as below:

Sl.	NAME OF TRANSMISSION LINE	LOA DATE	LOA COMPLETION	ACTUAL COMPLETION	LINE LENGTH (KM)
1	LHO of Nambajiri-Gajuwaka 400KV D/C line at Simhagri-II S/yard	Feb-10	May-12	Jun-11	6
2	LHO of bstr. of out. of 400kV D/C Nambangala Somanbally line at Bidadi	Feb-10	Feb-12	Mar-12	11
3	LHO-I of Udumelpet Trichur TL at Palakkad	Feb-10	Feb-12	Feb-12	25

4	LILO-2 of Dehmalpet - Trichur TL at Palakkad	Feb-10	Feb-12	Aug-12	25
5	LILO of 400 KV D/C Bareilly - Mandola Line at Meerut (1st ckt)	Feb-10	Feb-12	Sep-12	55
6	LILO of 400 KV D/C Bareilly - Mandola Line at Meerut (2nd ckt)	Feb-10	Feb-12	Mar-13	57
7	765 KV S/C Meerut - Agra	Feb-10	Dec-11	May-13	136
8	LILO of Barakke-beerat line at Behrampur	Jan-11	Sep-12	Jun-13	7
9	400 KV D/C Behrampur - Bheramara TL between India and Bangladesh Electrical Grids for India Portion	Jan-11	Sep-12	Aug-13	71

In regard to the above lines, the feedback obtained from the executing regions i.e. NR-I, ER-II and SR-II is enclosed at Appendix-III and summarized below:

NR-I

LOA No.:- C-14905(R1)-L095A-3/G2/NOA-I/3224 & NOA-II/3225 dtd. 11.02.2010 for 765 KV Meerut - Agra Line

1. After execution of the line and taking over of the same, comfort letters to some parties have been issued by POWERGRID in order to facilitate supplies of such material which was diverted on loan basis to M/s A2Z for completion of Line.

2. Upon insistence of POWERGRID, another agency M/s AAR Foundation was deployed for execution of erection and Stringing work in the subject line due to poor progress of work by M/s A2Z. Payment of Rs 1.9 Cr was released by POWERGRID to M/s AAR Foundations for the subject work as M/s A2Z failed to pay the same to them. Out of the above, an amount of Rs 1.57 Cr is yet to be adjusted from the bills of M/s A2Z which shall be adjusted from their retention bills alongwith applicable interest.

3. M/s AZZ has to return 7.19 Km AC5R Bersimis conductor against excess consumption as per provision of contract. M/s AZZ has requested POWERGRID to issue comfort letter stating that payment will be made by PGCIL directly to the selected vendor of AZZ.

LOA No: C-14811-1195A-3/NOA-1/3226 & NOA-11/3227 Dated 11.02.2010 for LILO of Bareilly - Mandola at Meerut

1. After execution of the line and taking over of the same, comfort letters to some parties have been issued by POWERGRID in order to facilitate supplies of such material which was diverted on loan basis to M/s AZZ for completion of line.

2. M/s AZZ has to return 3.67 Km AC5R Morse conductor against excess consumption as per provision of contract. M/s AZZ has requested POWERGRID to issue comfort letter stating that payment will be made by PGCIL directly to the selected vendor of AZZ.

ER-II

LOA No: C-03502-1195A-3/NOA-1&11/ 3555 &3556 Dtd. 05.01.2011 for Tower Package of 400 KV Behranipore- Bhecamara II associated with Indo Bangla Grid Conectivity

1. Supply of OPGW and accessories: Supply of OPGW and accessories was under the scope of M/s AZZ as per provision of the contract. M/s AZZ expressed their inability to supply OPGW and accessories due to non-establishment of 7% in foreign currency on manufacturer from their end vide letter dtd. 15.03.11 and requested POWERGRID to supply the same as OSM. POWERGRID took necessary action for the same vide approved note sheet (N-00987/13) dtd. 19.03.2013.

2. Release of adhoc payment against supply of incomplete tower: M/s AZZ requested to release adhoc payment of Rs. 10 crs. directly to their sub vendor M/s Steel Product against supply of 147 MT tower materials of incomplete tower due to financial problem of their company. POWERGRID released Rs. 76.50 lakhs payment to M/s Steel Product against supply of incomplete tower in the interest of everyone.

3. Release of of payment to sub vendor of M/s A2Z : Based on request of M/s A2Z POWERGRID released Rs. 85.6 Lacs. Directly to M/s ASBESCO against supply of 11 nos towers.

4. Involving KBC for part stringing work to expedite string work : M/s KBC was involved for part stringing work to expedite the work. However M/s A2Z released payment directly to M/s KBC for the work.

5. Non supply of spare Towers: In spite of repeated persuasion from POWERGRID M/s A2Z has not supplied 17 nos spare tower till date.

6. Return of 15.27 km ACSR moose conductor against excess consumption: M/s A2Z has to return 15.27 km ACSR moose conductor against excess consumption as per provision of contract. M/s A2Z has requested POWERGRID vide letter Dtd. 27.05.2011 to issue comfort letter stating that payment will be made by PCCU directly to the selected vendor of A2Z (from payable amount to A2Z from POWERGRID). request letter of A2Z enclosed.

SR-II

LOA No: C-56902-I 168-3/NOA-I&II/ 3237 & 3238 Dtd. 17.02.2010 for Tower Package for (i) LLO of both Ckt of 400kV Neelmangla-Somanhally TL at Bidadi (ii) LLO of both ckts of 400kV Udmalpet-Madakarathara (Noth Trichur) (iii) 400kV D/C Sumanadri-Gazuwaka TL under SRSS-XI.

1. Release of direct payment against supply of balance tower & Missing members: M/s A2Z requested to release direct payment of Rs. 2.0 Crs directly to their sub vendor M/s Sujana Towers against the supply of tower & Tower members.

2. Release of payment to sub vendor of A2Z: Due to non-settlement of payment to civil sub-vendors of M/s A2Z, the agencies has requested POWERGRID to take-up the issue with A2Z for settlement of the same. Accordingly matter has taken-up with M/s A2Z and the payment of Rs 15 Lacs released directly to their civil sub vendors based on the consent from A2Z.

It is observed from the above that A2Z had been facing severe constraints in execution of contracts and POWERGRID was compelled to undertake various activities beyond contract provision for getting the work executed.

2.2 Financial Position:

2.2.1 The financial analysis at 3.27 for the past five years has been carried out and is presented below (copies of their Annual report and certificate of Financial parameters duly certified by Chartered Accountants are enclosed at Appendix-IV).

Figures in INR (in Crore)

SL NO.	PARTICULARS	2013-14	2012-13	2011-12	2010-11	2009-10
1	Sales	336.29	554.96	968.23	1102.87	1113.39
2	Other Income	7.36	20.28	8.36	13.46	5.78
3	Total Income	343.65	575.24	976.59	1116.33	1124.17
4	Net Profit After Tax (PAT)	-194.96	-53.81	19.73	85.35	94.90
5	Share Capital	74.18	74.18	74.18	74.18	57.30
	Reserves & Surplus	835.47	1030.13	1084.24	1064.51	367.19
	Miscellaneous Exp. not written off		39.59	5.29	9.60	0
6	Net worth	909.65	1065.02	1153.13	1129.09	415.36
7	Net Fixed Assets		90.29	348.48	206.62	53.64
8	Net Current Assets		454.33	227.24	482.60	151.11
9	Capital Employed(7+8)		544.62	575.72	689.22	204.75
10	Current Assets		1307.62	1091.98	1089.47	892.37
	Inventories		476.97	479.83	312.85	124.82
	Sundry Debtors		311.40	350.70	498.90	590.17
11	Liquid Assets		830.65	612.15	776.62	767.55
12	Current Liabilities & Provisions		853.29	864.74	606.87	741.26
13	Long Term Loan Funds		197.25	158.36	77.26	61.77
14	Repayment of Long Term Loans		6.20	7.26	22.08	21.33
15	Depreciation		7.18	6.99	11.18	2.44
16	Interest Paid		86.70	74.12	74.44	62.41
17	PAT + Depreciation + Interest	-194.96	40.07	100.84	170.97	159.75
	Profitability Ratios (%)					
18	Net Profit to Total Income (4/3)	-56.73	-9.35	2.02	7.65	8.44
19	Net Profit to Capital Employed (4/9)	N/A	-9.88	3.43	12.38	46.35
20	Net Profit to Net Worth (4/6)	-21.43	-5.05	1.71	7.56	22.85
	Liquidity Ratios (Times)					
21	Current Ratio (10/12)	N/A	1.53	1.26	1.80	1.20
22	Debt to Equity Ratio (13/6)		0.19	0.14	0.07	0.15
	Other Ratios (%)					
23	Debtor to Sales Ratio		56.11	36.22	45.24	52.77
24	Inventory to Sales Ratio		85.95	49.56	28.37	11.16

25	Debt Service Coverage Ratio [17/(14+16)]	*NA	0.43	1.24	1.77	1.91
26	Interest Coverage Ratio [17/16]	*NA	0.36	1.36	2.30	2.56
27	Debtor Turnover Ratio (Sales/As Receivables)	2.16	1.68	2.28	2.03	1.87
Other Ratios (Days)						
28	Debtor Velocity (360/Debtor Turnover Ratio)	169	217	160	180	194

* Figures for 2013-14 has been taken from the website of M/s. A2Z based on Financial Results filed with BSE and NSE on 30.05.2014 (copy enclosed at Appendix-V), which do not contain all the figures required in above statement.

Figures in INR (in Crore)

PARTICULARS	2012-				
	2013-14	13	2011-12	2010-11	2009-10
Net Cash flow from Operating Activities (A) (As per the Cash Flow Statement forming part of the Audited Accounts)	*NA	-2.70	1.36	-215.58	-50.62
Long Term Loans - banks repaid (B)	*NA	6.2	7.26	22.08	21.84
Dividend and Dividend Tax paid (C)	*NA			17.29	
Cash Flow from Operations net of Repayment of					
long term Loan and Dividend (A)-(B)-(C)		(8.90)	(5.90)	(254.95)	(71.95)

* Figures for 2013-14 has been taken from the website of M/s. A2Z based on Financial Results filed with BSE and NSE on 30.05.2014 (copy enclosed at Appendix-V), which do not contain all the figures required in above statement.

On the basis of above financial analysis the following are observed.

1. EY Level committee report no. 8 (Part-III) - August 2013, wherein details upto 2012-13 were available. It is observed that cash flow from operations of A2Z is negative and Net profit structure is in decreasing trend and debt service coverage ratio also reduced drastically from 2.39 in 2008-09 to 0.13 in 2012-13.
2. Figures for 2013-14 has been taken from the website of M/s. A2Z based on Financial Results filed with BSE and NSE on 30.05.2014, which do not contain all the figures required in above statement.
3. It is observed that the total income has decreased from Rs. 1124 Crore in 2009-10 to Rs. 344 Crore in 2013-14 with a corresponding decrease in profit from Rs. 160 crore to loss of Rs. 195 Crore i.e. total decline in profit of Rs. 355 Crore in last five years.
4. Net worth was Rs. 415 Crores in 2009-10 which increase to Rs. 1153 crores in 2011-12. However, it is showing declining trend for subsequent period i.e. from 1153 in 2011-12 to Rs. 910 Crores in 2013-14.

3. From the financial results of 2013-14 filed with BSE/NSE by A2Z on 30.05.2014, the following salient points are also observed (Details in copy enclosed):
- (a) The Statutory Auditor have qualified in their report regarding non-reversal of opening deferred tax asset of Rs. 39,60 Lakhs.
 - (b) Company is presently facing liquidity problem on account of delayed realization of trade receivables coupled with delays in commencement of commercial production at its biomass based power generation plant.
 - (c) One of the non CDR holder filed civil suits in Delhi High Court on the company against creation of second charge on power plants under the CDR schemes interalia other matters.
- 2.2.2 A2Z informed that they have outstanding debtors as on 30/09/2013 amounting to Rs. 735 Cr (Age-wise analysis of outstanding debtors is enclosed at **Appendix-VI**). In this regard, the Statutory Auditor also indicated in financial results of 2013-14 that A2Z is presently facing liquidity problem on account of delayed realization of trade receivables coupled with delays in commencement of commercial production at its biomass based power generation plant.
- 2.3 A2Z informed that restructuring proposal was approved under CDR system by CDR Cell vide letter Ref. CDR(PM) No. 853/2013-14 dated December' 28, 2013 and further modified dated February'03, 2014 (Copy enclosed at **Appendix-VII**). The salient features of CDR package are summarized below:
- (a) State Bank of Patiala (SBP) was appointed as Monitoring Institution (MI) to oversee the implementation of the package.
 - (b) Monitoring Committee (MC) comprising one representative each of SBP, ICICI Bank, Axis Bank, DBS Bank and State Bank of Travancore was constituted.
 - (c) The cut-off date (COD) is January 1, 2013.
 - (d) Waiver of penal interest and liquidated damages from COD till date of implementation of package and the consequent refund/re-credit of the interest, installment, penal interest & liquidated damages already collected from COD, if any.
 - (e) For the purpose of implementation of the approved package as also to comply with the post-implementation requirements, State Bank of Patiala is appointed as the MI to oversee the implementation of the package.
 - (f) Company/ promoters to sell the stake in A2Z infraservices ltd and bring back the investments into the company as envisaged in the scheme.

- (g) Principal payment moratorium on Term loan outstanding of Rs. 95Cr of 24th months from 01/01/2013 to 31/12/2014. First installment of principal repayment fall on 31st March, 2013 i.e. end of the quarter.
- (h) Power Business - Term Loan of Rs. 178 Cr
The outstanding of term loan (incl. interest overdue) as on Cut-off date shall be as under:
- | | |
|------------|----------------------|
| ICICI Bank | Rs. 88.00 Cr |
| Yes Bank | Rs. 74.79 & 15.21 Cr |
- * A2Z had extended buyers credit of Rs. 15.21 Cr for completion of one of its Power project which was restored back to Rs. 90 Cr from Yes Bank. Thus, the total term loan outstanding for power is Rs. 178 Cr.
- (i) Funded Interest Term Loan (FITL) (EPC Business + Power Plant)
EPC Business: Interest on Term Loan, working capital limit (fund based) and WCTL-I aggregating to Rs. 122.78 Cr, shall be funded for 24 months for Term Loan & WCTL-I and 24 months for working capital limit (Sustainable WC limit) respectively.
- (j) One time inter-bankability from NBI-FC limit to 65 limit amounting to Rs. 20 Cr sanctioned by MI with the overall limit shall be approved and repayable within 12 months from the date of Master Restructuring Agreement (MRA).

2.4 Interaction with Bank:

The committee interacted with State Bank of Patiala (SBP), Commercial branch, New Delhi on 25/06/2014 which is the Monitoring Institution (MI) under CDR mechanism, and had discussion with Sh Jitendra Yadav, Dy Manager and Sh Ankur Agrawal, Dy Manager. It was informed by SBP that the CDR package has not yet been made fully operational due to certain formalities yet to be fulfilled by A2Z including the court case filed by Yes Bank. Accordingly, no fresh fund based or non-fund based limits approved in the CDR scheme have been sanctioned as on date.

SBP have also furnished the certificate regarding limits sanctioned and utilization thereof of LC, BC and fund based working capital limit (CC limit) as on 25/06/2014 (copy enclosed at Appendix-VIII). From this certificate, it is observed that A2Z have the following limits:

Type of facility	Sanctioned Limit	Figures in Rs. Crore
		Utilized as on 25.06.2014
Fund Based working capital limit	105	105
Letter of Credit	20.37	0.67
Bank Guarantee	175.51	159.66

2/9

Conclusion:

Based on the feedback from the regions, it is observed that due to financial constraints faced by A2Z, certain assistance beyond contractual provision was provided by POWERGRID to achieve the completion of the project such as issuance of comfort letters to sub-vendors, direct payment to sub-vendors, release of adhoc payment, issue of certain items (to be supplied by A2Z as per provision of contract) as OSM etc. Further, it is also noted that they failed to supply spare towers, replenish conductor against excess consumption.

Based on the financial details furnished by them earlier and latest financial statement, it is noted that A2Z is still passing through financial crisis and they had gone for Corporate Debt Restructuring in order to reduce stress on working Capital. It is also noted that CDR package has not yet been made fully operational due to certain formalities yet to be fulfilled by A2Z, as informed by Monitoring Institution i.e. State Bank of Patiala (SBP) during discussion. Keeping in view that they had been referred to Corporate Debt Restructuring and they have to comply various terms and conditions to extricate itself from debt trap, it would be prudent for POWERGRID to adopt a cautious approach in awarding additional contracts on them. Therefore, it would be commercially appropriate for POWERGRID not to consider them for award of further contracts presently. It may, however, be reviewed to ascertain the effect of CDR scheme and trade receivable etc, after the audited accounts of 2014-15 are made available.