



Press Release

Enviro Infra Engineers Pvt Ltd

October 25, 2021

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	41.50	IVR BBB-/Positive (Pronounced as IVR Triple B minus with Positive Outlook)	Rating Reaffirmed and Outlook Changed
Short Term Bank Facilities	18.50	IVR A3 (Pronounced as IVR Single A Three)	Rating Reaffirmed
Total	60.00 (INR Sixty Crores Only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings for the bank loan facilities of Enviro Infra Engineers Pvt Ltd (EIEPL) factors in the long standing experience of the promoters along with the company's track record. execution of water treatment projects. Further, the rating also factors in the adequate order book from reputed clientele providing revenue visibility. The ratings also takes into account the step-up in revenues, profitability and credit metrics reported by the company in FY2021 over the previous fiscal.

However, the ratings are constrained by high working capital intensity mainly on stretched receivables, vulnerability to raw material fluctuation risks, and tender-based nature of business coupled with high fragmentation increasing competitive intensity largely for regional players. The revision in outlook to positive factors in the state impetus on the sewage treatment and clean water reclamation as it becomes a scarce resource amidst rising population and industrial needs as also, depleting ground water levels which is likely to continue in the near term. Further, these projects are expected to be adequately backed by funds. IVR believes that EIEPL will benefit on this increased focus on sewage water treatment.

Key Rating Sensitivities:

Upward Factors

- Significant increase in revenue and sustained improvement in profitability.
- Substantial improvement in the operating cycle than FY2021 level and its sustenance.

Downward Factors



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- Decline in the scale of operations and/or profitability
- Any large debt-funded capital expenditure resulting in increase in gearing levels.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long standing experience of the promoters, proven track record of the company in execution of effluent water treatment projects

The company established in June 2009 has executed several projects in the water treatment especially effluent treatment domain. The company provides end to end solutions in its target sphere and has completed various projects for some of the premium entities in the past. The promoters, Mr. Sanjay Jain and Mr. Manish Jain have an industry experience of 27 years in this field. Further, the company has executed projects in Haryana, Gujarat, Madhya Pradesh, and Chhattisgarh in the past fiscals.

Adequate order book; Reputed customer profile

The company as on October 01, 2021 had a significant outstanding order book of more than 3.0 times of FY2021 total operating income providing adequate revenue visibility for the near term. Further, the company as on Sep 30, 2021, bank guarantee outstanding of Rs. 32.65 crore (61.60% of the sanctioned bank guarantee limit) which provides for buffer for procuring additional projects. The extent of orders garnered, their execution pace and subsequently revenue receipts would be a key monitorable, going forward. Impetus on new projects by various government bodies on effluent water treatments as also suitable and firm allocations to them though enhances the revenue prospects of the entities operating in the water treatment domain. The company in the past has executed projects for the clients like , PWD UP Jal Nigam, Gujarat Water and Sewerage Supply Board, Hindustan Zinc Ltd etc.,

Improvement in revenues in FY2021, increase in EBIDTA margins also aiding growth in return indicators

The company post decline in FY2020 has improved to Rs. 106.85 crore in FY2021 mainly on the crystallization of receivables and execution of orders. The company in past three fiscals has shown a gradual increase in EBIDTA margins aided by better raw material cost and overheads management. The EBIDTA margins in FY2019, FY2020 and FY2021 have progressively improved to 9.16%, 11.19% and 13.48% respectively. Improvement in EBIDTA especially has led to RoCE improving to 19.64% in FY2021 despite increase in debt levels from 15.41% in FY2020 while due to improvement in PAT, RoNW improved to 26.39% in FY 2021 from 20.14% in FY 2020. Sustenance, albeit improvement in profitability and return metrics would be a key monitorable, going forward.



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Comfortable debt metrics in the past fiscals

The company in the past fiscals has marginally improved the credit metrics in FY2021 despite increase in debt levels year on year. The capital structure has remained at 0.83 times in FY2021 over 0.91 times in FY2020. Some improvement in profits has led to increase in debt protection metrics. The DSCR, Interest Coverage and TD/EBIDTA remained at 3.60x, 3.87x, and 2.11x in FY2021 while the same remained at 2.90x, 3.20x and 2.52x in FY2020.

Key Rating Weaknesses

High working capital intensity mainly on stretched receivables

Stretched receivables have pressurized the working capital intensity in the past fiscals. The working capital intensity has remained at 40% in FY2021 as compared to 49% in FY2020. The debtor days remained at 147 days in FY2021 moderating from 172 days in FY2020. The debtor days had gradually improved from FY2017 to FY2020 before moderating in FY2021. The inventory days in FY2021 and FY2020 remained at 9 days and 18 days respectively.

Vulnerability to raw material fluctuation risks

The company profitability overall remains vulnerable to raw material fluctuations, adequate pass on of any adverse movement remains critical as far as the profitability is concerned. The company although has been able to pass on any variations in the raw material fluctuations to an extent in the past fiscals.

Tender-based nature of business coupled with high fragmentation increases competitive intensity albeit in region focussed entities: The domestic infrastructure/construction sector is highly fragmented marked by presence of many players with varied statures & capabilities. EIEPL faces direct competition from various organized and unorganized players in the market. Further, given the largely tender based procurement mechanism also increases the competition to an extent especially amongst the entities which have a limited geographic distribution of projects EIEPL in the past has most focussed on projects in the Northern and West Indian states.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity – Adequate

The company's liquidity profile is expected to remain at an adequate position marked by sufficient cash accruals in the range of Rs. 9.69-16.63 crore in the period FY2022 -24 against the envisaged repayments. The fund-based working capital utilization of Rs. 16.00 crore



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remains moderate with an average 70% for the 12 months period ending September 2021. Absence of any debt funded capex plan provides some comfort. However, the free cash and cash equivalents was modest at 0.47crore in FY 2021. The working capital intensity also remains at 40% in FY2021 mainly on stretched receivables, its crystallisation at also remains crucial to the liquidity of the company.

About the Company

Enviro Infra Engineers Pvt Ltd. ('EIEPL' or the company) was incorporated on June 19, 2009, as private limited company. Closely held by Jain family & its members and headquartered in Delhi, EIEPL undertakes projects primarily under engineering, procurement, and construction basis (EPC) with prime focus on wastewater management. The company thus provides turnkey solutions in the field of water and wastewater treatment and undertakes operations and maintenance (O&M) contracts for the same. The company provides end to end solutions with the scope of activities being investigation and assessment of treatment plants, conducting feasibility study and design, design implementation, research and development, identifying environmental problems, establishing pollution control priorities, analysing the discharge limits, identifying appropriate correction actions & monitor for non-expectable effluent effects, and emission monitoring and ambient quality monitoring for performance studies.

Financials (Standalone):

(Rs. Crore)

For the year ended*/As on	31-03-2020	31-03-2021
Total Operating Income	89.96	106.85
EBITDA	10.07	14.40
PAT	5.14	8.50
Total Debt	25.41	30.40
Tangible Net Worth	28.03	36.43
EBITDA Margin (%)	11.19	13.48
PAT Margin (%)	5.64	7.81
Overall Gearing Ratio (x)	0.91	0.83

Status of non-cooperation with previous CRA : Brickwork Ratings in its press release dated June 02 , 2021 has continued to place the rating of Enviro Infra Engineers Pvt. Ltd. under Issuer Not Cooperating category due to non-availability of information.

Any other information: NA



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Rating History for last three years:

Sr. No.	Name of Facilities	Rating History for the past 3 years			Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
		Type	Amount outstanding (Rs. Crore)	Rating			
1.	Cash Credit	Long Term	13.00	IVR BBB- /Positive (Reaffirmed and outlook revised)	IVR BBB- /Stable (Dec 17, 2020)	--	--
2.	Bank Guarantee		28.50			--	--
3.	Overdraft	Short Term	3.00	IVR A3 (Reaffirmed)	IVR A3 (Dec 17, 2020)	--	--
4.	LC/BG		15.50			--	--

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About Infomerics:

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of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facilities	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facilities (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Cash Credit, BG	-	-	--	41.50	IVR BBB-/Positive (Reaffirmed and Outlook Revised)
Short Term Bank Facilities- Overdraft, LC/BG				18.50	IVR A3 (Reaffirmed)

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Enviro-infra-engineers-lenders-oct21.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Facilities	Complexity Indicator
1.	Cash Credit	Simple
2.	Overdraft	Simple
3.	Bank Guarantee/Letter of Credit	Simple

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it based on complexity and a note thereon is available at www.infomerics.com.