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Euroteck Environmental Private Limited

October 25, 2024

Ratings

Instrument Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facility	15.80	IVR BBB-; Stable (IVR Triple B minus with stable outlook)	-	Assigned	Simple
Short Term Bank Facilities	33.00	IVR A3 (IVR A three)	-	Assigned	Simple
Total	48.80 (Rupees forty-eight crore and eighty lakh only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The ratings assigned to the bank facilities of Euroteck Environmental Private Limited (EEPL) derives comfort from its experienced promoters, steady improvement in scale of operations, satisfactory orderbook indicating healthy revenue visibility and satisfactory capital structure with adequate debt protection metrics. However, these rating strengths are partially offset by working capital-intensive nature of its operations coupled with presence in competitive & fragmented industry.

The stable outlook reflects expected stable business performance marked by growth in scale of operations and improvement in profitability in the near term.

Key Rating Sensitivities:

Upward Factors

- Sustained growth in operating income with improvement in gross cash accruals
- Sustenance of the capital structure with improvement in TOL/TNW to below 1.5x and/or improvement in debt protection metrics with interest coverage to improve above 6x
- Improvement in liquidity marked by improvement in operating cycle



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Downward Factors

- Moderation in operating income and/or profitability and cash accruals impacting the debt protection metrics with moderation in interest coverage ratio to below 2x
- Any debt funded unplanned capex or availment of any fresh loan leading to deterioration in overall gearing to over 2x
- Stretch in the working capital cycle driven by stretch in receivables impacting the liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters**

The managing director of the company, Mr. Raja Kumar Kurra, is an MBA with technical graduation in Electronics. He has eight years' of experience in sales and service in Orbit Technologies Pvt Ltd. Mr. Hiral Kumar Kurra, whole time Director of the company is a Graduate with an experience of 11 years in Admin & Marketing. Further, being incorporated back in 2008, the company has a long track record of operation for more than sixteen years which has helped them to develop and established strong relationship with the customers.

- **Steady improvement in scale of operations**

The operating income of the company (Standalone) registered a CAGR of ~42% i.e., from Rs.67.87 crore in FY22 [FY refers to the period from April 1 to March 31] to Rs.156.07 crore in FY24 (Prov.) which is mainly driven by timely execution of work contract orders and equipment orders. The operating margin of the company remained healthy and witnessed improvement from 9.22% in FY22 to 19.69% in FY24 (Prov.) driven by higher absorption of fixed overheads underpinned by increase in scale of operations and rise in average sales realisation attributable to rising demand of wastewater management. Further, with improvement in absolute EBITDA, the PAT margin also improved from 5.39% in FY22 to 11.26% in FY24 (Prov.). In H1FY25, the company has achieved a revenue of ~Rs.71 crore.

- **Satisfactory orderbook indicating healthy revenue visibility**

The pending order book of EEPL is Rs.136.05 crore as on August 2024 which is 0.87 times of its FY24(Prov.) revenue. The orders are expected to be executed in coming 12-15 months



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provides a strong near to medium term revenue visibility for the company. Moreover, EEPL has a strong and growing customer base among domestic players.

- **Satisfactory capital structure with adequate debt protection metrics**

The capital structure of the company remained satisfactory over the past fiscals marked by its satisfactory leverage ratios underpinned by low reliance on long term debts. The overall gearing ratio (on adjusted TNW incl. corporate guarantee) moderated as on March 31, 2023 to 2.77x from 1.09x as on March 31, 2022 due to elevated total debt attributable to rise in bills discounted during the year to support its working capital requirements. However, the same has improved as on March 31, 2024 (Prov.) to 0.79x on the back of dip in total debt. However, the long-term debt equity ratio has improved from 0.31x as on March 31, 2022 to 0.11x as on March 31, 2023 and further to 0.05x as on March 31, 2024 (Prov.) due to regular repayment of term loans and consistent accretion of profits to net worth. Despite increase in finance cost, debt protection metrics as indicated by interest coverage ratio improved to 4.95x in FY24 (Prov.) as compared to 2.69x in FY23 due to increase in absolute EBITDA. In line, the Total debt to EBITDA and Total debt to NCA has also improved to 0.73x & 1.18x respectively as on March 31, 2024 (Prov.) from 5.07x & 9.21x respectively as on March 31, 2023.

Key Rating Weaknesses

- **Competitive and fragmented nature of industry**

The water and water treatment industry in India is highly fragmented and relatively unorganized, due to the presence of a large number of small-scale units leading to high competition in the industry. However, due to the diversification in operations and asset light business streams, this risk is mitigated to an extent. Ability of the company to maintain its profit margins amidst growing scale of operation needs to be observed.

- **Working capital intensive nature of operations**

The business of the company remained working capital intensive in nature marked by its high gross current assets (GCAs) days. Large working capital requirement arises from security deposit, tax advances and advances to suppliers. GCA days though improved in FY24 (Prov.) to 176 days as on March 31, 2024 (Prov.) continues to remain high. Infomerics Ratings believes the operations of the company will continue to remain working capital intensive and prudent working capital management amid increasing scale of operations will remain a key rating monitorable.



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Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The liquidity position of the company is expected to remain adequate in the near term marked by its expected adequate gross cash accruals in the range of ~Rs. 32.39 to ~Rs.38.51 crore as against its low debt repayment obligations in the range of ~Rs. 0.22 to ~Rs. 0.94 crore during FY25-FY27. Further, on the back of its satisfactory capital structure, the company has adequate gearing headroom. The current ratio also stood comfortable at 1.50x as on March 31, 2024 (Prov.). However, the average fund based working capital utilisation remained moderate at ~85% during the past 12 month's period ended September 2024, which imparts moderate liquidity buffer.

About the Company

Euroteck Environmental Private Limited (EEPL) was established in 2003 as a proprietorship concern. Later in 2008, it converted to a private limited company. EEPL provide innovative water purification technologies and solutions for both the government and industrial sectors comprising of various treatment processes and wastewater treatment equipment and monitoring instruments such as sewage treat plant, common effluent treatment, and process modelling and evaluation that optimizes capital expenses, operational expenses and enhances treated water quality.

Financials (Standalone):

For the year ended / As on*	(Rs. Crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	83.40	156.07
EBITDA	10.39	30.74
PAT	4.31	17.69
Total Debt	52.63	22.41



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For the year ended / As on*	31-03-2023	31-03-2024
	Audited	Provisional
Tangible Net worth	22.98	40.67
Adjusted Tangible Net worth	22.23	39.91
EBITDA Margin (%)	12.46	19.69
PAT Margin (%)	5.11	11.26
Overall Gearing Ratio	2.77	0.79
Interest Coverage (x)	2.69	4.95

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	GECL	Long Term	1.80	IVR BBB-; Stable			
2.	Cash Credit	Long Term	14.00	IVR BBB-; Stable			
3.	Stand by Line Credit	Short Term	3.00	IVR A3			
4.	Bank Guarantee	Short Term	8.00	IVR A3			
5.	Letter of Credit	Short Term	22.00	IVR A3			

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).



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Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Instrument/Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
GECL	-	-	-	-	1.80	IVR BBB-; Stable
Cash Credit	-	-	-	-	14.00	IVR BBB-; Stable
Stand by Line Credit	-	-	-	-	3.00	IVR A3
Bank Guarantee	-	-	-	-	8.00	IVR A3
Letter of Credit	-	-	-	-	22.00	IVR A3

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-euroteck-oct24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable



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Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

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

