



Press Release

Enviro Infra Engineers Pvt Ltd

December 17, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities	51.50	IVR BBB-/Stable Outlook (Pronounced as IVR Triple B Minus with Stable Outlook)	Assigned
2.	Proposed Bank Facilities – LongTerm	6.00	IVR BBB-/Stable Outlook (Pronounced as IVR Triple B minus with Stable Outlook)	Assigned
3.	Short Term Bank Facility	2.50	IVR A3 (Pronounced as IVR Single A Three)	Assigned
	Total	60.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Enviro Infra Engineers Pvt Ltd (EIEPL) drives comfort from the rich experience of the promoters of over two decades and established relationships with external stakeholders, healthy order book position and geographically diversified clientele base, and healthy financial risk profile. However, the ratings are constrained by susceptibility of profitability to volatility in input costs, tender-based nature of business with high fragmentation, and client concentration risk.

Key Rating Sensitivities:

Upward Factor:

- Sustained improvement in revenue and profitability leading to cash accruals.
- Improvement in the operating cycle leading to satisfactory utilization of the working capital limits below 85%.

Downward factor:

- Decline in operating income and/or profitability impacting the debt coverage indicators



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- Any large debt-funded capital expenditure resulting in gearing above 1.5 times.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Rich experience of the promoters and established relationships with external stakeholders:** The promoters of the company, Mr. Sanjay Jain and Mr. Manish Jain carry rich experience of over two decades in the turnkey business which strengthens the company and helps in getting new tenders from the government bodies. Moreover, the company has also established relations of over two decades with its external stakeholders i.e. its suppliers and customers.
- **Healthy order book position and geographically diversified clientele base:** Company has healthy unexecuted work orders of Rs. 370.00 crore approximately which gives it medium term revenue visibility. Furthermore, the company enjoys association with other state governments such as Haryana, Punjab, Rajasthan, Gujarat, Chhattisgarh, etc. apart from Delhi which gives it an edge over other players in the market and extricates it from geographical concentration risk.
- **Healthy financial risk profile:** The overall gearing of the company stood comfortable at 0.81x as on March 31, 2020. The debt protection indicators of the company like interest coverage are above-average at 3.20x in FY20 (3.57x in FY19) and DSCR at above 2.50 times in FY 2020. Total Debt/GCA has improved from 14.45 years in FY 2018 to 4.17 years in FY2020 mainly due to steady increase in GCA. Further, total indebtedness of the company as reflected by TOL/ATNW remained moderate at 2.31x as on March 31, 2020.



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Key Rating Weaknesses

- **Susceptibility of profitability to volatility in input costs:** As the company provides turnkey solutions in the field of water and wastewater treatment so the major raw materials required are DI pipes, cement, etc., the prices of which is escalates may increase the operating cost to the company and may adversely affect the profitability margins.
- **Tender-based nature of business coupled with high fragmentation:** Execution risks for newly awarded projects in a timely manner will be key to achieving growth in revenue and profits. Business certainty is dependent on the company's ability to successfully bid for the tenders as entire business is tender based. The domestic infrastructure/construction sector is highly fragmented marked by presence of many players with varied statures & capabilities. Boom in the infrastructure sector, a few years back, resulted in increase in the number of players. While the competition is perceived to be healthy, significant price cut by few players during the bidding process is a matter of serious concern for the users with respect to quality of output. EIEPL faces direct competition from various organized and unorganized players in the market.
- **Client concentration risk:** EIEPL generates approximately 70% of revenue from its top 5 customers which indicates fair degree of concentration risk.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Adequate

Company's liquidity profile is expected to remain at an adequate position marked by sufficient cash accruals in the range of Rs. 6.21-9.68 crore against the current minimal repayment commitment of Rs. 0.32 crore in FY 2021. Although, the fund-based working



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capital utilization of Rs. 8.50 crore is 100% but the current ratio and the quick ratio stood adequate at 1.61x and 1.57x respectively in FY 2020. Also, the free cash and cash equivalents was modest at 0.70 crore in FY 2020.

About the Entity

Enviro Infra Engineers Pvt.Ltd. ('EIEPL' or the company) was incorporated on June 19, 2009 as private limited company, closely held. Headquartered in Delhi, the company operates in the infrastructure sector. EIEPL undertakes projects primarily under engineering, procurement and construction basis (EPC) and are active within the field of water, wastewater, effluent and common effluent treatment. The company provides turnkey solutions in the field of water and wastewater treatment and also undertakes operations and maintenance (O&M) contracts for the same. Scope of activities carried out by the company includes investigation and assessment of treatment plants, conducting feasibility study and design, design implementation, research and development, identifying environmental problems, establishing pollution control priorities, analyzing the discharge limits, identifying appropriate correction actions & monitor for non-expectable effluent effects, and emission monitoring and ambient quality monitoring for performance studies. EIEPL designs, manufactures and provides filtration, water and waste water treatment for water purification systems, wastewater treatment systems, and water recycle and reuse.

Financials (Standalone):

	(Rs. crore)	
For the year ended*/As on	31-03-2020	31-03-2019
	Audited	Audited
Total Operating Income	89.96	100.01
EBITDA	10.07	9.16
PAT	5.14	4.99
Total Debt	25.73	22.00
Tangible Net worth	28.49	23.39
EBITDA Margin (%)	11.19	9.16
PAT Margin (%)	5.64	4.95
Overall Gearing Ratio (x)	0.90	0.94

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Issuer not cooperating by BWR vide press release dated July 24, 2020 due to non-availability of information.



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Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	13.00	IVR BBB- /Stable			
2.	Bank Guarantee		38.50		-	-	-
3.	Proposed Bank Guarantee		6.00		-	-	-
4.	Letter of Credit	Short Term	2.50	IVR A3	-	-	-

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Cash Credit	-	-	-	13.00	IVR BBB- /Stable
Long Term Bank Facilities – Bank Guarantee	-	-	-	38.50	
Proposed Long Term Bank Facility- Bank Guarantee	-	-	-	6.00	
Short Term Bank Facility- Letter of Credit	-	-	-	2.50	IVR A3

Annexure 2: Facility Wise Lender Details

<https://www.infomerics.com/admin/prfiles/lender-enviro-17-dec-20.pdf>



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