

Rating Rationale

April 13, 2023 | Mumbai

Enviro Infra Engineers Limited

Ratings upgraded to 'CRISIL BBB+/Stable/CRISIL A2'; Rated amount enhanced

Rating Action

Total Bank Loan Facilities Rated	Rs.280 Crore (Enhanced from Rs.127 Crore)
Long Term Rating	CRISIL BBB+/Stable (Upgraded from 'CRISIL BBB/Positive')
Short Term Rating	CRISIL A2 (Upgraded from 'CRISIL A3+')

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its ratings on the bank facilities of Enviro Infra Engineers Limited (EIEL; Formerly known as Enviro Infra Engineers Private Limited) to **'CRISIL BBB+/Stable/CRISIL A2'** from **'CRISIL BBB/Positive/CRISIL A3+'**.

The rating upgrade takes into account CRISIL Ratings' believe that business risk profile of the company will continue to improve as a result of its healthy orderbook of 7.6 times of fiscal 2022's operating income as on December 31, 2022. The company's turnover is estimated to have grown to over ~Rs. 300 crore in fiscal 2023 as compared to Rs. 210.2 crore in fiscal 2022, which is likely to result in higher cash accruals in the fiscal. It is likely to see further growth in fiscal 2024 as a result of its orderbook.

The financial risk profile is expected to continue to remain comfortable with gearing and TOL/TNW estimated at below 1.0 time as on March 31, 2023. Debt protection metrics are expected to continue to remain robust. Liquidity remains comfortable with moderate bank limit utilisation of 75% in the 12 months ended January 2023 and cash accruals expected over Rs. 49 crore which are sufficient against repayment obligations.

The rating reflects EIEL's extensive industry experience of the promoters, and healthy financial profile. These strengths are partially offset by its susceptibility to tender-based operations and working capital intensive operations as well as the project risks associated with its hybrid annuity model (HAM) project

Analytical Approach

CRISIL Ratings has moderately combined the business and financial risk profiles of EIEL and its SPV for its HAM project. In-line with CRISIL's moderate consolidation approach, the equity requirement and expected cost overrun in under-implementation projects have been factored into the financials of the company.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation

Key Rating Drivers & Detailed Description

Strengths:

Extensive industry experience of the promoters: The promoters have an experience of over a decade in undertaking EPC turnkey projects for wastewater plants. This has given them an understanding of the dynamics of the market and enabled them to establish relationships with suppliers and customers leading to a healthy outstanding orderbook of Rs 1600 crore (7.6 times of fiscal 2022 operating income) as of December 31, 2022. Its strong orderbook has led to revenue growth of 97% to Rs. 210 crore in fiscal 2022 and estimated turnover of over Rs. 300 crore in fiscal 2023.

Healthy financial profile: EIEL's capital structure has been at a healthy level due to lower reliance on external funds yielding gearing of 0.25 times and low total outside liabilities to adj tangible networth (TOL/ANW) of 0.9 times for year ending on March 31, 2022. Its debt protection measures have also been comfortable due to moderate leverage and healthy profitability. The interest coverage and net cash accrual to total debt (NCATD) ratio are at 11.6 times and 1.99 times for fiscal 2022 and are likely to remain at similar levels in fiscal 2023.

Weakness:

Susceptibility to tender-based operations: The company's revenue and profitability entirely depend on the ability to win tenders. Further, as the company majorly undertakes Government projects, any change in Government policy could result in adverse impact on its operating income and operating profitability.

Working capital intensive operations: Gross current assets were at 133-256 days over the three fiscals ended March 31, 2022. Its intensive working capital management is reflected in its gross current assets (GCA) of 133 days as on March 31,

2022. Its large working capital requirements arise from its high debtor levels as a result of retention money being included in the same. Debtor days stood at 89 days as on March 31, 2022 and are likely to remain at a similar level going forward.

Project risk associated with HAM project: EIEL has been awarded a HAM project worth ~Rs. 182 crore from UP Jal Nigam. Financial closure has been achieved, thereby mitigating its financing risk to some extent. Though construction has commenced, and the company has achieved two milestones of its project, it continues to be exposed to associated project risks such as construction risk for the remainder of the project.

Liquidity: Adequate

Bank limits of Rs. 38 crore (enhanced from Rs. 36 crore in January 2023) are moderately utilized at around 75% for the past twelve months ended January 2023. Cash accruals are expected to be over Rs 49 crore which are sufficient against term debt obligation of Rs 1.5 crore in fiscal 2023. Cash accruals are likely to be sufficient to meet repayment obligations as well the incremental equity contribution for its project SPV. In addition, it will be act as cushion to the liquidity of the company. Current ratio is healthy at 2.02 times on March 31, 2022 and expected to continue to remain comfortable as on March 31, 2023.

Outlook: Stable

CRISIL Ratings believe EIEL will continue to benefit from the extensive experience of its promoter, and established relationships with clients.

Rating Sensitivity Factors

Upward factor

- Ramping up of scale of operations to over Rs.700 crore with operating margins of over 16% on a sustainable basis leading to higher cash accruals
- Improvement in working capital cycle on a sustained basis thereby improving its liquidity profile

Downward factor

- Extending additional support to project SPV undertaking HAM project
- Increase in GCA to over 300 days thereby weakening its liquidity & financial profile.

About the Company

EIEL was incorporated in 2009, it is located in Delhi. EIEL is promoted by Mr. Sanjay Jain & Manish Jain. EIEL is engaged in civil construction works.

Key Financial Indicators

As on/for the period ended March 31	Unit	2022	2021
Operating income	Rs crore	210.15	107.14
Reported profit after tax	Rs crore	34.60	8.42
PAT margins	%	16.46	7.94
Adjusted Debt/Adjusted Networkth	Times	0.25	0.49
Interest coverage	Times	11.56	3.97

Status of noncooperation with previous CRA

EIPL did not cooperate with INFOMERICS Valuation and Rating Private Limited, which classified it as 'issuer not cooperative' vide release dated December 30, 2022. The reason provided by INFOMERICS Valuation and Rating Private Limited is non-furnishing of information for monitoring of ratings

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity Levels	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	8.5	NA	CRISIL BBB+/Stable
NA	Cash Credit	NA	NA	NA	4	NA	CRISIL BBB+/Stable
NA	Cash Credit	NA	NA	NA	5	NA	CRISIL BBB+/Stable
NA	Cash Credit	NA	NA	NA	4	NA	CRISIL BBB+/Stable
NA	Cash Credit	NA	NA	NA	3	NA	CRISIL BBB+/Stable
NA	Cash Credit	NA	NA	NA	5	NA	CRISIL BBB+/Stable
NA	Cash Credit	NA	NA	NA	4	NA	CRISIL BBB+/Stable
NA	Cash Credit	NA	NA	NA	4.5	NA	CRISIL BBB+/Stable
NA	Letter of credit & Bank Guarantee	NA	NA	NA	20	NA	CRISIL A2

NA	Letter of credit & Bank Guarantee	NA	NA	NA	34	NA	CRISIL A2
NA	Letter of credit & Bank Guarantee	NA	NA	NA	27	NA	CRISIL A2
NA	Letter of credit & Bank Guarantee	NA	NA	NA	30	NA	CRISIL A2
NA	Letter of credit & Bank Guarantee	NA	NA	NA	19	NA	CRISIL A2
NA	Letter of credit & Bank Guarantee	NA	NA	NA	25.5	NA	CRISIL A2
NA	Letter of credit & Bank Guarantee	NA	NA	NA	36	NA	CRISIL A2
NA	Letter of credit & Bank Guarantee	NA	NA	NA	41.5	NA	CRISIL A2
NA	Proposed Fund-Based Bank Limits	NA	NA	NA	2	NA	CRISIL BBB+/Stable
NA	Proposed Non Fund based limits	NA	NA	NA	7	NA	CRISIL A2

Annexure - List of Entities Consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
EIEL	Moderate	To the extent of support towards equity commitment and cost overrun during construction and cash flow mismatches during operations
EIEPL Bareilly Infra Engineers Private Limited		

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2023 (History)		2022		2021		2020		Start of 2020
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	40.0	CRISIL BBB+/Stable		--	08-07-22	CRISIL BBB/Positive	24-12-21	CRISIL BBB-/Stable		--	--
					--		--	06-12-21	CRISIL BBB-/Stable		--	--
Non-Fund Based Facilities	ST	240.0	CRISIL A2		--	08-07-22	CRISIL A3+	24-12-21	CRISIL A3		--	--
					--		--	06-12-21	CRISIL A3		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	8.5	Punjab National Bank	CRISIL BBB+/Stable
Cash Credit	4	AU Small Finance Bank Limited	CRISIL BBB+/Stable
Cash Credit	5	HDFC Bank Limited	CRISIL BBB+/Stable
Cash Credit	4	ICICI Bank Limited	CRISIL BBB+/Stable
Cash Credit	3	Axis Bank Limited	CRISIL BBB+/Stable
Cash Credit	5	YES Bank Limited	CRISIL BBB+/Stable
Cash Credit	4	Kotak Mahindra Bank Limited	CRISIL BBB+/Stable
Cash Credit	4.5	IndusInd Bank Limited	CRISIL BBB+/Stable
Letter of credit & Bank Guarantee	20	HDFC Bank Limited	CRISIL A2
Letter of credit & Bank Guarantee	34	ICICI Bank Limited	CRISIL A2

Letter of credit & Bank Guarantee	27	Axis Bank Limited	CRISIL A2
Letter of credit & Bank Guarantee	2	IndusInd Bank Limited	CRISIL A2
Letter of credit & Bank Guarantee	30	YES Bank Limited	CRISIL A2
Letter of credit & Bank Guarantee	19	Kotak Mahindra Bank Limited	CRISIL A2
Letter of credit & Bank Guarantee	23.5	IndusInd Bank Limited	CRISIL A2
Letter of credit & Bank Guarantee	36	AU Small Finance Bank Limited	CRISIL A2
Letter of credit & Bank Guarantee	41.5	Punjab National Bank	CRISIL A2
Proposed Fund-Based Bank Limits	2	Not Applicable	CRISIL BBB+/Stable
Proposed Non Fund based limits	7	Not Applicable	CRISIL A2

This Annexure has been updated on 13-Apr-2023 in line with the lender-wise facility details as on 06-Dec-2021 received from the rated entity.

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating criteria for manufacturing and service sector companies
Rating Criteria for Construction Industry
CRISILs Criteria for Consolidation

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