

## Rating Rationale

December 24, 2021 | Mumbai

### Enviro Infra Engineers Private Limited

Ratings reaffirmed at 'CRISIL BBB- / Stable / CRISIL A3'; rated amount enhanced for Bank Debt

#### Rating Action

Total Bank Loan Facilities Rated	Rs.110 Crore (Enhanced from Rs.10 Crore)
Long Term Rating	CRISIL BBB-/Stable (Reaffirmed)
Short Term Rating	CRISIL A3 (Reaffirmed)

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL BBB-/Stable/CRISIL A3' ratings to the bank facilities of Enviro Infra Engineers Private Limited (EIEPL).

CRISIL Ratings had earlier assigned the rating of 'CRISIL BBB-/Stable/CRISIL A3' to the bank facilities of EIEPL vide rating rationale dated 6<sup>th</sup> December, 2021.

The ratings reflect the extensive experience of the promoters in the wastewater management sector and EIEPL's healthy financial profile. These strengths are partially offset by the company's susceptibility to tender-based operations and large working capital requirement as well as risks associated with its hybrid annuity model (HAM) project.

#### Analytical Approach

Unsecured loans of Rs 12.09 crore have been treated as neither debt nor equity as the loans are expected to remain in the company over the medium term.

#### Key Rating Drivers & Detailed Description

##### Strengths:

**Extensive industry experience of the promoters:** The promoters have experience of over a decade in undertaking engineering, procurement and construction (EPC) turnkey projects for wastewater plants. This has given them a good understanding of the market dynamics and enabled them to establish strong relationships with suppliers and customers, leading to healthy orderbook of Rs 496.3 crore (4.68 times of fiscal 2021 revenue) as on October 1, 2021. Strong orderbook has led to revenue of Rs 84 crore in the first six months of fiscal 2022 and is likely to result in healthy growth during the fiscal.

**Healthy financial profile:** EIEPL's capital structure has been healthy due to lower reliance on external funds, yielding gearing of 0.49 time and low total outside liabilities to adjusted networth (TOLANW) ratio of 1.51 times as on March 31, 2021. Debt protection metrics have also been comfortable due to moderate leverage and healthy profitability. The interest coverage and net cash accrual to total debt ratios were 3.97 times and 0.53 time, respectively, for fiscal 2021.

##### Weaknesses:

**Susceptibility to tender-based operations:** The company's revenue and profitability entirely depend on the ability to win tenders. Furthermore, as the company mainly 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 (GCAs) were 256.3-240.2 days over the three fiscals ended March 31, 2021 (256.3 days as on March 31, 2021). Large working capital requirement is driven by high receivables because of retention money.

**Project risk associated with HAM project:** EIEPL has been awarded a HAM project worth Rs 182 crore from the Uttar Pradesh Jal Nigam. The project is in the nascent stages with financial closure yet to be received and construction yet to commence. Therefore, EIEPL is exposed to new project construction and financial risks.

#### Liquidity: Adequate

Bank limit utilisation was moderate at 73.9% on average for the 12 months through September 2021. Cash accrual is expected to be over Rs 19 crore, which should be sufficient against term debt obligation of Rs 0.99 crore in fiscal 2022. In addition, it will cushion the liquidity of the company.

Current ratio was healthy at 1.75 times as on March 31, 2021. The promoters are likely to extend support in the form of equity and unsecured loans to meet the working capital requirement and debt obligation, if required.

#### Outlook: Stable

CRISIL Ratings believes EIEPL will continue to benefit from the extensive experience of its promoters and established relationships with clients.

### Rating Sensitivity factors

#### Upward factors:

- \* Increase in revenue to over Rs 220 crore on a sustainable basis, while maintaining operating profitability
- \* Improvement in working capital management on a sustained basis, thereby improving liquidity

#### Downward factors:

- \* Extending additional support to the special purpose vehicle undertaking the HAM project
- \* Increase in GCAs to over 300 days, thereby weakening liquidity and financial profiles

### About the Company

Incorporated in 2009, EIEPL is in Delhi. The company is promoted by Mr Sanjay Jain and Mr Manish Jain. Its services include project management, mechanical engineering, electrical engineering and civil engineering for waste water treatment plants.

### Key Financial Indicators

As on / for the period ended March 31		2021	2020
Operating income	Rs crore	107.14	90.13
Reported profit after tax	Rs crore	8.42	4.99
PAT margins	%	7.94	5.71
Adjusted Debt/Adjusted Net worth	Times	0.49	0.45
Interest coverage	Times	3.97	3.36

**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. The CRISIL Ratings' complexity levels are available on [www.crisil.com/complexity-levels](http://www.crisil.com/complexity-levels). Users are advised to refer to the CRISIL Ratings' complexity levels for instruments that they consider for investment. 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	Bank Guarantee	NA	NA	NA	5	NA	CRISIL A3
NA	Bank Guarantee	NA	NA	NA	27	NA	CRISIL A3
NA	Bank Guarantee	NA	NA	NA	17	NA	CRISIL A3
NA	Bank Guarantee	NA	NA	NA	13	NA	CRISIL A3
NA	Bank Guarantee	NA	NA	NA	5.5	NA	CRISIL A3
NA	Cash Credit	NA	NA	NA	3	NA	CRISIL BBB-/Stable
NA	Cash Credit	NA	NA	NA	3	NA	CRISIL BBB-/Stable
NA	Cash Credit	NA	NA	NA	8.5	NA	CRISIL BBB-/Stable
NA	Cash Credit	NA	NA	NA	4.5	NA	CRISIL BBB-/Stable
NA	Letter of Credit	NA	NA	NA	5	NA	CRISIL A3
NA	Letter of Credit	NA	NA	NA	2.5	NA	CRISIL A3
NA	Proposed Bank Guarantee	NA	NA	NA	6	NA	CRISIL A3
NA	Proposed Letter of Credit	NA	NA	NA	10	NA	CRISIL A3

### Annexure - Rating History for last 3 Years

		Current		2021 (History)		2020		2019		2018		Start of 2018
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	19.0	CRISIL BBB-/Stable	06-12-21	CRISIL BBB-/Stable		--		--		--	--
Non-Fund Based Facilities	ST	91.0	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
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Bank Guarantee	5	IndusInd Bank Limited	CRISIL A3
Bank Guarantee	27	AU Small Finance Bank Limited	CRISIL A3
Bank Guarantee	17	YES Bank Limited	CRISIL A3
Bank Guarantee	13	Punjab National Bank	CRISIL A3
Bank Guarantee	5.5	IndusInd Bank Limited	CRISIL A3
Cash Credit	3	AU Small Finance Bank Limited	CRISIL BBB-/Stable
Cash Credit	3	YES Bank Limited	CRISIL BBB-/Stable
Cash Credit	8.5	Punjab National Bank	CRISIL BBB-/Stable
Cash Credit	4.5	IndusInd Bank Limited	CRISIL BBB-/Stable
Letter of Credit	5	IndusInd Bank Limited	CRISIL A3
Letter of Credit	2.5	Punjab National Bank	CRISIL A3
Proposed Bank Guarantee	6	Not Applicable	CRISIL A3
Proposed Letter of Credit	10	Not Applicable	CRISIL A3

This Annexure has been updated on 24-Dec-2021 in line with the lender-wise facility details as on 06-Dec-2021 received from the rated entity.

## Criteria Details

Links to related criteria
<a href="#">CRISILs Approach to Financial Ratios</a>
<a href="#">CRISILs Bank Loan Ratings - process, scale and default recognition</a>
<a href="#">Rating criteria for manufacturing and service sector companies</a>
<a href="#">Rating Criteria for Construction Industry</a>

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