

Enviro Infra Engineers Limited

Credit Rating Report

March 2024

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Instruments and ratings

Total bank loan facilities rated	Rs.463 Crore (Enhanced from Rs.280 Crore)
Long-term rating	CRISIL A-/Stable (Reaffirmed)
Short-term rating	CRISIL A2+ (Reaffirmed)

Refer annexure for details of instruments and bank facilities

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Rating history

Date	Long-term	Fixed deposit	Short-term	Rating watch/outlook
Mar 19, 2024	CRISIL A-	-	CRISIL A2+	Stable
Feb 13, 2024	CRISIL A-	-	CRISIL A2+	Stable
Apr 13, 2023	CRISIL BBB+	-	CRISIL A2	Stable
Jul 8, 2022	CRISIL BBB	-	CRISIL A3+	Positive
Dec 24, 2021	CRISIL BBB-	-	CRISIL A3	Stable
Dec 6, 2021	CRISIL BBB-	-	CRISIL A3	Stable

Analytical approach and adjustments

Portfolio performance/networth/gearing/parent or group support	Analytical treatment
Consolidation	CRISIL Ratings has moderately combined the business and financial risk profiles of EIEL and its special purpose vehicle (SPV) -- EIEPL Bareilly Infra Engineers Pvt Ltd (EBIEPL) -- for its hybrid annuity model (HAM) project. In line with the moderate consolidation approach of CRISIL Ratings, the equity requirement and expected cost overrun in under-implementation projects have been factored into the financials of the group

Detailed Rationale

CRISIL Ratings has reaffirmed its ratings on the bank loan facilities of Enviro Infra Engineers Ltd (EIEL; a part of the EIEL group) at 'CRISIL A-/Stable/CRISIL A2+'.

On February 13, 2024, CRISIL Ratings had upgraded its ratings on the bank facilities of EIEL to 'CRISIL A-/Stable/CRISIL A2+' from 'CRISIL BBB+/Stable/CRISIL A2'.

The ratings consider the extensive experience of the promoters in undertaking engineering procurement and construction (EPC) turnkey projects for wastewater plants and healthy financial risk profile of the EIEL group. These strengths are partially offset by the limited track record of sustained and significant improvement in scalability and large working capital requirement.

Rating drivers

Supporting factors	Constraining factors
<ul style="list-style-type: none">Extensive experience of the promotersHealthy financial risk profile	<ul style="list-style-type: none">Limited record of sustained and significant improvement in scalabilityLarge working capital requirement

Outlook: Stable

EIEL will continue to benefit from the extensive experience of the promoters and its healthy orderbook.

Rating sensitivity factors

Upside scenario

- Significant scale up of operations with operating margins continue to remain healthy above 18% on a sustainable basis
- Significant improvement in the working capital cycle

Downside scenario

- Steep decline in revenue and/or operating margin dropping below 16%, leading to lower-than-expected cash accrual
- Further stretch in the working capital cycle or higher-than-expected support to SPVs

Company overview

EIEL, incorporated in 2009, is engaged in civil construction works. This Delhi-based company is promoted by Mr Sanjay Jain and Mr Manish Jain.

EBIEPL, established in September 2021, is developing three sewage treatment plants at Bareilly (Uttar Pradesh) on HAM basis. The project has been awarded by Uttar Pradesh Jal Nigam and is funded by National Mission for Clean Ganga.

Key credit factors

Business risk profile

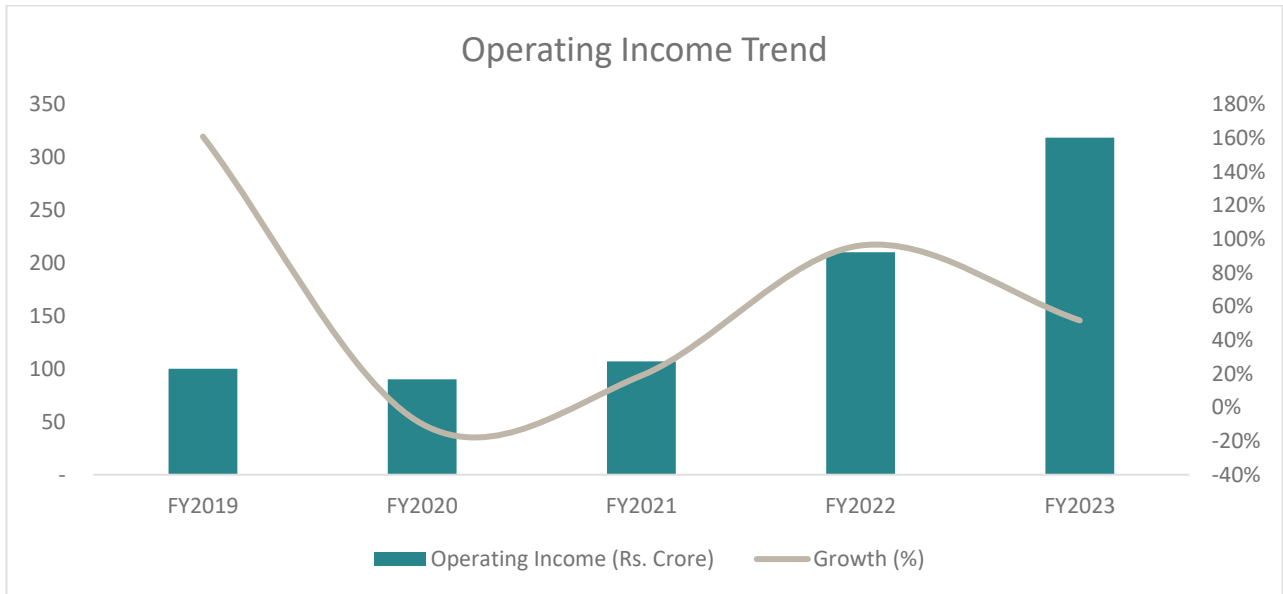
Market Position-

Extensive experience of the promoters

The promoters have more than a decade of experience in undertaking EPC turnkey projects for wastewater plants; their strong understanding of market dynamics and healthy relationships with suppliers and customers should continue to support the business. Orderbook stood robust at Rs 2,625 crore as on November 30, 2023 (8.4 times the operating income in fiscal 2023), ensuring adequate revenue visibility. Revenue is estimated at Rs 340 crore till November 30, 2023, against Rs 318 crore in fiscal 2023, and is projected at more than Rs 700 crore in fiscal 2024 and above Rs 800 crore in fiscal 2025. The in-house design team and ability of the group to execute orders in a timely manner led to robust operating profitability; the operating margin stood healthy at 23.5% during April to November 2023, as compared to 25.5% in fiscal 2023, and is expected at 21-22% for fiscal 2024.

Limited record of sustained and significant improvement in scalability

Though medium-term revenue visibility remains supported by a healthy orderbook, its timely execution while managing the working capital requirement efficiently needs to be monitored. Further, as the group derives its entire revenue from tender-based orders, its ability to successfully bid for projects is critical. Also, since the group majorly undertakes government projects, any unfavourable change in government policy could adversely impact the business. Sustenance of the scale of operations will remain a key monitorable.



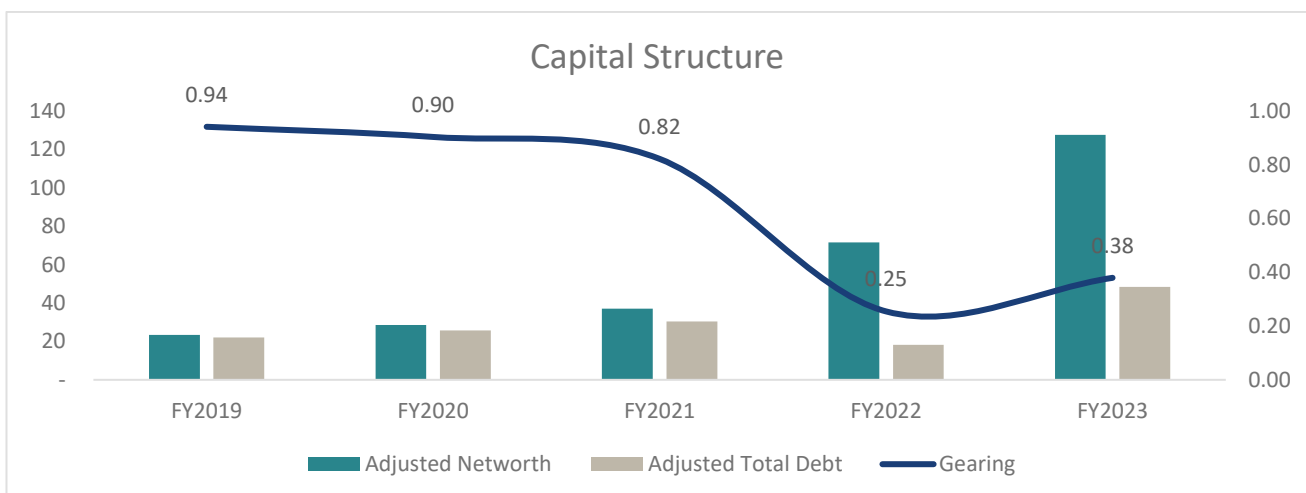
**Operating efficiency-
Large working capital requirement**

Gross current assets have been sizeable at 133-256 days for the past three fiscals and were 138 days as on March 31, 2023, driven by high debtors (107 days) because of retention money being included in the same. The working capital cycle is likely to remain stretched over the medium term and will be a key monitorable.

Financial risk profile

Healthy financial risk profile

The capital structure should remain adequate due to lower reliance on external funds. Gearing stood at 0.38 time as on March 31, 2023, and should continue below 0.30 time on March 31, 2024, supported by private equity infusion of Rs 58.10 crore in September 2023; total outside liabilities to adjusted network ratio was 1.61 times on March 31, 2023. Debt protection metrics may continue to be comfortable due to moderate leverage and healthy profitability. The interest coverage and net cash accrual to total debt ratios are expected to be robust in fiscal 2024.



Liquidity: Strong

Bank limit utilisation

Bank limit of Rs 53 crore (enhanced from Rs 46 crore in October 2023) was utilised at around 52.7% for the 12 months through November 2023.

Cash accrual against debt obligation

Cash accrual is expected at more than Rs 115 crore in fiscal 2024, against term debt obligation of Rs 3.5 crore.

Healthy current ratio

Current ratio was 1.36 times as on March 31, 2023. The ratio is likely to remain stable over the medium term.

Financial policy

The financial policy is moderate, with TOLTNW ratio at 1.51 times as on March 31, 2023. The ratio is likely to remain comfortable over the medium term as well supported by strong network.

Derivatives

The company does not have forex exposure and hence does not deal in derivatives.

Financial summary

As on/ For the year ended March 31		2023	2022	2021
		Actual	Actual	Actual
	-			
Net Sales	Rs crore	319	210	107
Operating Income	Rs crore	319	210	107
OPBDIT	Rs crore	81	50	15
PAT	Rs crore	56	35	9
Net Cash Accrual	Rs crore	58	36	10
Equity Share Capital	Rs crore	26	2	2
Adjusted Networkth	Rs crore	127	72	37
Adjusted Debt	Rs crore	48	18	30
OPBDIT Margin	%	25.5	23.8	13.8
Net Profit Margin	%	17.6	16.5	7.9
RoCE	%	63.2	63.6	23.4
PBDIT / Int. & Finance Charges	Times	11.18	11.85	4.13
Net Cash Accrual / Adjusted Debt	Times	1.21	1.99	0.32
Adjusted Debt / Adjusted Networkth	Times	0.38	0.25	0.82
Adjusted Debt / PBDIT	Times	0.57	0.35	1.85
Current Ratio	Times	1.36	2.02	1.75
Cash flow from operations	Rs crore	75	41	-2
TOL/ ANW	Times	1.51	0.90	1.83
Operating Income/Gross Block	Times	13.68	13.06	7.98
Gross Current Assets	Days	155	133	256
Debtor	Days	107	89	153
Inventory	Days	11	18	14
Creditor	Days	190	104	198

Annexure 1: Bank-details of facility classes

1. Cash Credit

#	Bank	Amount (Rs.Cr.)	Rating
a.	HDFC Bank Limited	15	CRISIL A- / Stable
b.	IndusInd Bank Limited	5	CRISIL A- / Stable
c.	Punjab National Bank	10	CRISIL A- / Stable
d.	Axis Bank Limited	5	CRISIL A- / Stable
e.	ICICI Bank Limited	6.5	CRISIL A- / Stable
f.	Kotak Mahindra Bank Limited	8	CRISIL A- / Stable
-	Total	49.5	-

2. Letter of credit & Bank Guarantee

#	Bank	Amount (Rs.Cr.)	Rating
a.	Punjab National Bank	70	CRISIL A2+
b.	AU Small Finance Bank Limited	45	CRISIL A2+
c.	Axis Bank Limited	45	CRISIL A2+
d.	Kotak Mahindra Bank Limited	32	CRISIL A2+
e.	ICICI Bank Limited	58.5	CRISIL A2+
f.	IndusInd Bank Limited	45	CRISIL A2+
g.	HDFC Bank Limited	58	CRISIL A2+
h.	YES Bank Limited	60	CRISIL A2+
-	Total	413.5	-

Criteria details

Links to related criteria

[CRISIL's approach to financial ratios](#)

[CRISIL's bank loan ratings – process](#)

[Rating criteria for manufacturing and service sector companies](#)

[CRISIL's criteria for rating short-term debt](#)

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