

Press Release

Eurotek Environmental Private Limited

January 07, 2019



Rating Reaffirmed and Withdrawn

Total Bank Facilities Rated*	Rs. 30.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs. 30.00 crore bank facilities of Eurotek Environmental Private Limited (EEPL). The outlook is '**Stable**'.

Further, Acuité has withdrawn the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to Rs. 5.00 crore bank facilities of EEPL. The rating is being withdrawn on account of request received from the company.

EEPL, incorporated in 2008, is engaged in the business of water treatment solutions. EEPL undertakes projects related to sewage treatment, drinking water treatment, lake and river restoration, among others and caters to several industries including chemical, steel, pharmaceutical and paper to name a few. EEPL has a wholly owned subsidiary- Water Matrix Technologies FZE established in 2010 at Sharjah (U.A.E.) promoted by Mr. Rajkumar Khurra. The subsidiary is also engaged in the aforementioned business.

Analytical Approach

To arrive at the rating, Acuité has considered combined business and financial risk profiles of Eurotek Environmental Private Limited (EEPL) and Water Matrix Technologies FZE. This is because these companies, collectively referred to as the Eurotek group, are in the same line of business, and under the common promoter group and management. Extent of Consolidation : Full

Key Rating Drivers

Strengths

- Healthy revenue growth and moderate order book position**

The operating income of Eurotek Group stood at Rs.50.54 crore for FY2018 (Provisional), ~33 percent growth from the previous year which stood at Rs. 37.79 crore in FY2017. The growth in operating income is on account of addition of acquisition of new customers. Further, Eurotek Group has orders in hand of ~Rs. 24.00 crore which gives visibility of revenue in the medium term. Also, the group has recorded turnover of Rs. 38.00 crore as on 30 November, 2018.

- Established track record of operations and experienced management**

Eurotek group was incorporated in 2008 to take over the running business of 'Eurotek Environmental', a proprietorship concern engaged in providing technologies for water and wastewater treatment plants. EEPL is promoted by Mr. Rajkumar Kurra and Mr. Hiral Kurra having extensive experience of more than fifteen years in the waste water management industry.

- Moderate financial risk profile**

The financial risk profile of Eurotek group is moderate marked by moderate net worth, debt protection measures and gearing. The net worth of Eurotek Group is moderate at ~Rs.11.56 crore as on 31 March, 2018 (Provisional) as against Rs.8.60 crore as on 31 March, 2017. The net worth is inclusive of Rs.1.94 crore of unsecured loans by the promoters to support the incremental working capital requirements. The gearing of Eurotek Group stood at 1.61 times as on 31 March, 2018 (Provisional) against 1.13 times as on 31 March, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 3.42 times as on 31 March, 2018 (Provisional) as against 3.27 times as on 31 March, 2017. Interest Coverage Ratio (ICR)

stood at 2.79 times in FY2018 (Provisional) as against 3.71 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) decreased to 0.14 times as on 31 March, 2018 (Provisional) as against 0.22 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood low at 1.27 times in FY2018 (Provisional) as against 2.45 times in FY2017. Acuité believes that the financial risk profile of Eurotek Group will continue to remain moderate over the medium term on account of its improving scale of operations.

Weaknesses

- **Working capital intensive nature of operations**

The operations of the group are working capital intensive with Gross Current Assets (GCA) of 285 days in FY2018 (Provisional) as against 271 days in the previous year. The reason for high GCA days is due to the stretched debtor days at 171 for FY 2018 and high amount of Earnest Money Deposit to be maintained with the customers. However, Eurotek Group is able to manage its working capital cycle effectively due to favorable credit period received from its suppliers with payable days at 171 for FY 2018 (Provisional). Further, the average cash credit limit utilisation stood at 90 percent during the last six months ended as on 31 November, 2018.

- **Operating in highly competitive and fragmented industry**

The group is engaged as a contractor for turnkey projects for water treatment plants and this business is marked by the presence of several mid to big size players. The group faces intense competition from the other players in the sectors. The group has to do tendering on competitive prices; this may affect the profitability of the group. Also, there are uncertainties attached with the allotment of tenders, this poses risk related to fluctuations in the business of the group.

Outlook: Stable

Acuité believes that Eurotek group will maintain a 'Stable' business risk profile over the medium term owing to its established operations and experienced management. The outlook may be revised to 'Positive' if the group registers significant growth in revenues and net cash accruals. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue and profitability margins, stretched working capital cycle, or any large debt-funded capital expenditure, resulting in deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	50.54	37.79	33.87
EBITDA	Rs. Cr.	5.04	3.18	3.22
PAT	Rs. Cr.	2.12	1.34	1.43
EBITDA Margin	(%)	9.98	8.42	9.49
PAT Margin	(%)	4.19	3.54	4.23
ROCE	(%)	19.39	21.21	63.22
Total Debt/Tangible Net Worth	Times	1.61	1.13	0.44
PBDIT/Interest	Times	2.79	3.71	3.53
Total Debt/PBDIT	Times	3.59	2.80	0.83
Gross Current Assets (Days)	Days	285	271	159

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
08-Aug-2018	Cash Credit	Long Term	7.00	ACUITE BB+ (Indicative)
	Proposed Cash Credit	Long Term	2.00	ACUITE BB+ (Indicative)
	Bank Guarantee	Short Term	10.00*	ACUITE A4+ (Indicative)
	Proposed Bank Guarantee	Short Term	11.00*	ACUITE A4+ (Indicative)
20-Jun-2017	Cash Credit	Long Term	7.00	ACUITE BB+ / Stable (Assigned)
	Proposed Cash Credit	Long Term	2.00	ACUITE BB+ / Stable (Assigned)
	Bank Guarantee	Short Term	10.00*	ACUITE A4+ (Assigned)
	Proposed Bank Guarantee	Short Term	11.00*	ACUITE A4+ (Assigned)

*Includes sublimit of Letter of Credit to the extent of Rs. 2.00 crore.

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB+ / Stable (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4+ (Reaffirmed)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ (Withdrawn)

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About Acuité Ratings & Research:

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