

## Press Release

Vishvaraj Environment Private Limited

May 20, 2022



### Rating Assigned and Upgraded

| Product                                   | Quantum (Rs. Cr) | Long Term Rating                | Short Term Rating     |
|---|------------------|---------------------------------|-----------------------|
| Bank Loan Ratings                         | 100.00           | -                               | ACUITE A2+   Assigned |
| Bank Loan Ratings                         | 12.00            | ACUITE BBB+   Stable   Upgraded | -                     |
| Bank Loan Ratings                         | 190.00           | -                               | ACUITE A2+   Upgraded |
| <b>Total Outstanding Quantum (Rs. Cr)</b> | 302.00           | -                               | -                     |
| <b>Total Withdrawn Quantum (Rs. Cr)</b>   | 0.00             | -                               | -                     |

### Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE BBB+**' (read as **ACUITE Triple B plus**) from '**ACUITE BBB**' (read as **ACUITE Triple B**) and short-term rating to **ACUITE A2+** (read as **ACUITE A two plus**) from '**ACUITE A2**' (read as **ACUITE A Two**) to the Rs.202.00 Cr bank facilities of Vishvaraj Environment Private Limited (VEPL). The outlook is '**Stable**'.

Acuite has assigned its short-term rating of '**ACUITE A2+**' (read as **ACUITE A Two plus**) to the Rs.100.00 Cr bank facilities of Vishvaraj Environment Private Limited (VEPL).

#### Reason for Rating Upgrade:

The rating is upgraded on account of improved business and financial performance of VEPL since the last review. The Company's EPC orderbook improved to Rs. 2229 Cr as on March 2022 from Rs. 620 Cr as on July, 2021. Out of Rs.2229 Cr, the confirmed orderbook stands at Rs. 654 Cr while for balance Rs. 1575 Cr worth of orders the Company has either been declared L1 bidder or has received LOA from respective principals. Further, the promoters infused additional funds vide right issue which was partly utilised towards repayment of unsecured loans from them. The net additional infusion made during the year stands at Rs.10.58 Cr. Post the repayment, VEPL's overall gearing came down to nil as on March 31, 2022 (Provisional) from 0.27 times as on March 31, 2021. On the project execution front, in case of Chandrapur Waste Water Project, VEPL has completed majority of the construction work and is expected to the project by August, 2022 i.e. one year in advance its scheduled completion date.

#### About the Company

Incorporated in 2008, VEPL is a Nagpur based company primarily engaged in construction and operation and maintenance of water and waste water infrastructure projects - water treatment plants and sewage treatment plants. Part of the Vishvaraj Group of companies, VEPL is the flagship company of the group and as on date handles operation and maintenance of 27 drinking water treatment plants (WTPs) with a total capacity of 228 Cr litres per day and 15 Sewage treatment plants (STP) with a capacity of total 53 Cr litres per

day. The Vishvaraj Group is promoted by Mr. Arun Lakhani.

### **Analytical Approach**

Acuité has considered the standalone business and financial risk profile of VEPL for arriving at this rating.

### **Key Rating Drivers**

#### **Strengths**

#### **> Experienced management, established track record of operations and reputed clientele**

Incorporated in 2008, VEPL is managed by Mr. Arun Lakhani along with a team of well qualified and experienced professionals. The team lead by Mr. Arun Lakhani has been in the infrastructure industry for more than two decades. VEPL is a part of Vishvaraj Group which is primarily engaged in the infrastructure development business under Public Private Partnership ("PPP") model in two sectors – Road & Highway, Water & Waste Water sectors. Vishvaraj Group is owned by Mr. Arun Lakhani and his family vide their holding arm Premier Financial Services Limited (PFSL). VEPL is the flagship company for the Group's portfolio of Water and Waste Water projects. As on date, VEPL is handling operation and maintenance of 27 drinking water treatment plants (WTPs) of total capacity of 228 Cr litres per day and 15 Sewage treatment plants (STP) with a capacity of 53 Cr litres per day. Its Clients include Municipal Corporations of Greater Mumbai, Pune Municipal Corporation, Pimpri-Chinchwad Municipal Corporation, Nagpur Municipal Corporation, Naya Raipur Development Authority, CIDCO, Mahagenco, National Mission for Clean Ganga (Govt of India), Kolkata Metropolitan Development Authority, Govt. of Maldives, UP Jal Nigam.

VEPL's two completed projects, have received awards from International Finance Corporation (IFC), FICCI and other government bodies. One was a 24\*7 water supply services project undertaken under a joint venture with a France based company. The project involved setting up of water supply network over ~668 kms and setting up of ~2.26 lakh connections. The other was the project executed under its SPV Nagpur Waster Water Management Private Limited (NWWMP). The project involved augmenting an existing 100 MLD Sewage Treatment Plant (STP) at Bhandewadi, Nagpur to 200 MLD STP on DBFOT basis in Phase I and to construct and operate a Tertiary Treatment Plant (TTP) and supply 190MLD of tertiary treated water to Mahagenco's Khaperkheda Thermal Power Plant (100 MLD) and Koradi Thermal Power Plant (90 MLD) in Phase II. Both the phases of the project have been operational for almost ~4 years and ~2 year respectively, with O&M of the two contracted to VEPL. The Phase II of the project was completed 10 months earlier (in April 2020) than its scheduled completion date in January, 2021.

Acuité believes that VEPL will continue to benefit from the extensive experience of its promoter and established track record of operations.

#### **> Healthy orderbook**

As on March, 2022 VEPL had confirmed EPC orders in hand of Rs.654 Cr and had either received letter of award or had been declared L1 bidder for orders worth Rs. 1575 Cr, taking the total EPC orderbook value to Rs.2229 Cr. Apart from EPC segment, VEPL in the O&M segment has received new O&M contract during the year worth Rs. 76 Cr. Thus, the total pending execution value in O&M segment stands at Rs. 1206 Cr as on March 31, 2022 with highest value order contracts (generating average revenue of Rs. 45-50 Cr annually) continuing till 2040. Further, With increased focus on waste water recycling by industries as well as local authorities due to rise in water scarcity, the sector is expected to benefit over the medium term. The global market for wastewater recycling and reuse technologies is estimated to grow from \$21.3 billion in 2021 to reach \$40.5 billion by 2026, at a compound annual growth rate (CAGR) of 13.8% during the forecast period of 2021-2026.

Acuite believes that the healthy order-book of VEPL and positive sector outlook provides revenue visibility over the medium term.

### > **Healthy financial risk profile**

VEPL has a healthy financial risk profile marked by healthy net-worth, negligible debt and healthy debt protection metrics. The Company's tangible net-worth stood at Rs. 258.84 Cr as on March 31, 2022 (Prov.) as against Rs.183.31 Cr as on March 31, 2021. The improvement is primarily on account of raising of additional capital via rights issue and accretion of profits to reserve. On the debt front, the total debt came down to Rs.1.06 Cr as on March 31, 2022 (which pertains to vehicle and equipment loans) from Rs. 48.61 Cr as on March 31, 2021. VEPL's overall gearing stood at 0.00 times as on March 31, 2022 (Prov.) as against 0.27 times as on March 31, 2021. The TOL/TNW of the Company stood at 0.60 times as on March 31, 2022 (Prov.) as against 0.76 times as on March 31, 2021. The debt protection metrics remained comfortable, as the interest coverage ratio stood at 5.00 times for FY22 (Prov.) as against 16.49 times for FY2021. The high coverage ratio for FY2021 was driven by exceptional gain of Rs. 134.50 Cr which the company earned during the year on sales of its stake in a JV. The Debt on EBITDA stood at 0.04 times as on March 31, 2022 (Prov.) as against 0.31 times as on March 31, 2021.

Acuite believes the financial risk profile of VEPL would remain healthy over the medium term in absence of any major debt funded capex plan.

## **Weaknesses**

### > **Implementation risk**

As on March 2022, VEPL has a confirmed EPC orderbook of Rs.654 Cr while it has either received letter of award or is declared L1 bidder for orders worth Rs. 1575 Cr. The confirm orderbook is mainly towards three projects on hand i.e. Maheshtala Waste Water project, Chandrapur Waste Water and Turnkey (EPC) contract from Government of Maldives (GoM). Maheshtala Waste Water project is a hybrid annuity model project allocated under the 'Namami Gange Programme' of the Union Government for setting up and operating 35 MLD Sewage Treatment Plant (STP) at Maheshtala, Kolkata. The project is awarded to a special purpose vehicle Maheshtala Waste Water Management Pvt Ltd (MWWMPL), owned by Vishvaraj group with 90 percent stake of VEPL. As on date, the Company has received clear land title to begin construction on the project and is awaiting final approvals towards its debt tie up from the authorities.

Chandrapur Waste Water project is structured similar to its NWWMPL project. The project involves rehabilitation of 2 of existing sewage treatment plants (STP) of Chandrapur Municipal Corporation (CMC) on DBFOT basis and construct and operate a single 50 MLD tertiary water treatment plant (TWP) which would further treat the STP water and send the tertiary treated water to Mahagenco's Chandrapur Super Thermal Power Plant (CSTPS). The Chandrapur Waste Water project is executed under a special purpose vehicle Chandrapur Waste Water Management Private Limited (CWWMPL) and both rehabilitation of STPs and construction and operations of TWP is expected to be completed by August, 2022 i.e. one year in advance of its scheduled completion date. As on date, the Company has completed over 70 percent of its construction work involved and is awaiting final approvals on its debt tie up on the project. The Turnkey (EPC) contract is awarded to VEPL under Exim Bank of India Line of Credit to Government of Maldives (GoM) for water and sewerage projects in six islands of the country. The design stage is completed and VEPL has begun construction work for the project.

Apart from the above ongoing projects, VEPL expects to generate significant revenue from its upcoming projects in Uttar Pradesh and Agra for which it has received Letter of Award/has been either declared L1 bidder. Going forward timely execution of these key orders remain important to VEPL's revenues over the medium term.

Acuite believes completion of the key projects without significant time and cost overruns will

be a key rating sensitivity.

### > Working capital intensive nature of operations

VEPL's operations continue to remain working capital intensive. The Company's GCA days rose to 311 days as on March 31, 2022 (Prov) as against 283 days as on March 31, 2021. The rise is driven by higher debtor days. The debtor days stood at 228 days as on March 31, 2022 (Prov.) as against 168 days as on March 31, 2021. The debtor dues include retention money. As on March 31, 2022 (Prov.) out of the total receivables of Rs. 144.41 Cr, ~58 percent receivables are aged less than 30 days and ~24 percent are outstanding for more than 6 months. The inventory days stood at 25 days as on March 31, 2022(Prov.) as against 37 days as on March 31, 2020. The creditor days stood at 176 days as on March 31, 2022(Prov.) as against 119 days as on March 31, 2021.

Acuité expects VEPL's ability to manage its working capital requirements efficiently over the medium term will remain a key rating sensitivity.

### > Highly competitive and fragmented nature of industry

VEPL operates in a highly fragmented industry with a large number of organized and unorganized players present in the market. However, the risk is mitigated to an extent on account of established track record of operations of VEPL.

### Rating Sensitivities

- > Execution of key orders in hand without significant time or cost overruns
- > VEPL's ability to efficiently manage its working capital requirements

### Material covenants

None

### Liquidity Position: Strong

VEPL has a strong liquidity position marked by healthy net cash accruals against negligible repayment obligations over the medium term. VEPL generated net cash accruals of Rs.17.18 Cr and Rs. 115.39 Cr in FY2022(Provisional) and FY2021 respectively while its debt obligation to pay during the same period was Rs.0.09-0.11 Cr. The cash accruals of the Company are expected to remain in the range of Rs. 45-105 Cr over the medium term, while no repayments are estimated to be due for the same period. The gross current asset (GCA) days were around 311 days estimated as on March 31, 2022(Provisional) and the unencumbered cash and bank balance was Rs.6.22 Cr as on March 31, 2022(Provisional). Currently, VEPL does not utilize any fund based facility and the average bank limit utilization of its non- fund based facility for the twelve months ended Mar, 2022 stood at ~55 percent. Acuité believes that the liquidity of the Company is likely to remain strong over the medium term on account of healthy expected cash accruals against no debt repayments.

### Outlook: Stable

Acuité believes that VEPL will maintain a 'Stable' outlook over medium term on account of its experienced management and healthy order-book. The outlook may be revised to 'Positive' in case of faster than expected completion of its order-book and scale up of operations without adverse impact on profitability and liquidity. Conversely, the outlook may be revised to 'Negative' in case of slower than expected pace of execution and stretch in working capital cycle leading to deterioration in liquidity.

### Key Financials

| Particulars                   | Unit    | FY 22 (Provisional) | FY 21 (Actual) |
|-------------------------------|---------|---------------------|----------------|
| Operating Income              | Rs. Cr. | 230.85              | 169.43         |
| PAT                           | Rs. Cr. | 16.78               | 114.80         |
| PAT Margin                    | (%)     | 7.27                | 67.76          |
| Total Debt/Tangible Net Worth | Times   | 0.00                | 0.27           |

|                |       |      |       |
|----------------|-------|------|-------|
| PBDIT/Interest | Times | 5.00 | 16.49 |
|----------------|-------|------|-------|

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

Not Applicable

**Any other information**

None

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

**Note on complexity levels of the rated instrument**

<https://www.acuite.in/view-rating-criteria-55.htm>

**Rating History**

| Date        | Name of Instruments/Facilities | Term       | Amount (Rs. Cr) | Rating/Outlook                 |
|-------------|--------------------------------|------------|-----------------|--------------------------------|
| 20 Sep 2021 | Bank Guarantee                 | Short Term | 50.00           | ACUITE A2 (Assigned)           |
|             | Proposed Bank Facility         | Long Term  | 11.00           | ACUITE BBB   Stable (Assigned) |
|             | Bank Guarantee                 | Short Term | 50.00           | ACUITE A2 (Assigned)           |
|             | Proposed Bank Guarantee        | Short Term | 40.00           | ACUITE A2 (Assigned)           |
|             | Bank Guarantee                 | Short Term | 50.00           | ACUITE A2 (Assigned)           |
|             | Cash Credit                    | Long Term  | 1.00            | ACUITE BBB   Stable (Assigned) |

## Annexure - Details of instruments rated

| Lender's Name                      | ISIN           | Facilities                        | Date Of Issuance | Coupon Rate    | Maturity Date  | Quantum (Rs. Cr.) | Rating                          |
|------------------------------------|----------------|-----------------------------------|------------------|----------------|----------------|-------------------|---------------------------------|
| Axis Bank                          | Not Applicable | Bank Guarantee (BLR)              | Not Applicable   | Not Applicable | Not Applicable | 50.00             | ACUITE A2+   Upgraded           |
| Abhyudaya Cooperative Bank         | Not Applicable | Bank Guarantee (BLR)              | Not Applicable   | Not Applicable | Not Applicable | 50.00             | ACUITE A2+   Upgraded           |
| Maharashtra State Cooperative Bank | Not Applicable | Bank Guarantee (BLR)              | Not Applicable   | Not Applicable | Not Applicable | 50.00             | ACUITE A2+   Upgraded           |
| Axis Bank                          | Not Applicable | Cash Credit                       | Not Applicable   | Not Applicable | Not Applicable | 1.00              | ACUITE BBB+   Stable   Upgraded |
| Not Applicable                     | Not Applicable | Proposed Long Term Bank Facility  | Not Applicable   | Not Applicable | Not Applicable | 11.00             | ACUITE BBB+   Stable   Upgraded |
| Not Applicable                     | Not Applicable | Proposed Short Term Bank Facility | Not Applicable   | Not Applicable | Not Applicable | 40.00             | ACUITE A2+   Upgraded           |
| Not Applicable                     | Not Applicable | Proposed Short Term Loan          | Not Applicable   | Not Applicable | Not Applicable | 100.00            | ACUITE A2+   Assigned           |

## Contacts

| Analytical   | Rating Desk  |
|--|--|
| Aditya Gupta<br>Vice President-Rating Operations<br>Tel: 022-49294041<br><a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>          | Varsha Bist<br>Senior Manager-Rating Operations<br>Tel: 022-49294011<br><a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a> |
| Salony Goradia<br>Assistant Manager-Rating Operations<br>Tel: 022-49294065<br><a href="mailto:salony.goradia@acuite.in">salony.goradia@acuite.in</a> |  |

### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.