

## Press Release

Vishvaraj Environment Private Limited

June 03, 2022



### Rating Reaffirmed and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.00	ACUITE A-   Stable   Upgraded	-
Bank Loan Ratings	290.00	-	ACUITE A2+   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	302.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE A-**' (read as **ACUITE A minus**) from '**ACUITE BBB+**' (read as **ACUITE Triple B plus**) and reaffirmed its short-term rating of **ACUITE A2+** (read as **ACUITE A two plus**) on the Rs.302.00 Cr bank facilities of Vishvaraj Environment Private Limited (VEPL). The outlook is '**Stable**'.

#### Reason for Upgrade:

The upgrade reflects the healthy order book of VEPL and liquidity support assured by the ultimate parent company of the Vishvaraj Group. 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, around Rs.600 Cr worth of projects are Hybrid Annuity Model (HAM) Projects under the 'Namami Gange Programme' of the Union Government, and EPC contracts from entities including UP Government's Nal se Jal Scheme, Exim bank supported project at Maldives; and O&M contracts with many municipal corporations and well rated entities. Further, the ultimate parent company of Vishvaraj Environment Group i.e. Premier Financial Services Limited has a track record of supporting group companies in the past and has also undertaken to provide financial support before the repayment due date to VEPL and its subsidiaries by way of promoter loan and equity on a timely basis for any financial requirement, and the same is expected to continue. The promoters during the year FY2022 made a net infusion of Rs.10.58 Cr via rights issue.

Out of the current orderbook, VEPL expects to complete its Chandrapur Waste Water Project by September, 2022 i.e. one year in advance its scheduled completion date. As on date, VEPL has completed more than 80 percent of the construction work on the project. The maldives project is currently ongoing with timely payments, and work on the EPC contract for its Namami Gange Project is scheduled to start in June (Financial closure achieved in May 2022).

The upgrade also factors the ability of VEPL and its promoters to raise finance from multilateral institutions at competitive rates, which is reflective of healthy financial and resource mobilization ability.

#### 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 ultimately promoted by Mr. Arun Lakhani and family through their investment arm Premier Financial Services Limited (PFSL). PFSL is debt-free unlisted NBFC, with over Rs.300 Cr of liquid investments as on December, 2021.

### **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 Environment Group which is primarily engaged in the infrastructure development business under Public Private Partnership ("PPP") model in 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 and recognition 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 Veolia, a French 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.

Acuité 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 (Nil term 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 (over Rs 45 Cr pertaining to promoter loans). 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 entirely by VEPL. As on date, the Company has received clear land title to begin construction on the project and has tied up debt with a European DFI.

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 (TTP) which would further treat the STP water and send the tertiary treated water to Mahagenco's Chandrapur Super Thermal Power Plant (CSTPS) on a take-or-pay basis. 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 TTP is expected to be completed by September, 2022 i.e. one year in advance of its scheduled completion date. As on date, the Company has completed over 80 percent of its construction work involved and is awaiting final approvals on its debt tie up on the project. The Turnkey (EPC) contract for Maldives 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 for which it has received Letter of Award. 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
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### 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 May 2022	Proposed Short Term Loan	Short Term	100.00	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	1.00	ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable)
	Proposed Bank Facility	Long Term	11.00	ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable)
	Bank Guarantee	Short Term	50.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Proposed Bank Facility	Short Term	40.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Bank Guarantee	Short Term	50.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Bank Guarantee	Short Term	50.00	ACUITE A2+ (Upgraded from ACUITE A2)
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+   Reaffirmed
Abhyudaya Cooperative Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A2+   Reaffirmed
Maharashtra State Cooperative Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A2+   Reaffirmed
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A-   Stable   Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE A-   Stable   Upgraded
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A2+   Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Loan	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A2+   Reaffirmed

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### About Acuité Ratings & Research

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