



Press Release
VISHVARAJ ENVIRONMENT PRIVATE LIMITED
August 28, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	3.00	ACUITE A- Stable Reaffirmed	-
Bank Loan Ratings	299.00	-	ACUITE A2+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	302.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and 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**'.

Rationale for reaffirmation

The rating reaffirmation takes into account sustenance of the healthy operating performance and healthy financial risk profile of VEPL. The company generated revenue of Rs.503.73 Cr. in FY2023 (Prov.) as against Rs.230.93 Cr. in FY2022. In line with Acuite's expectations, the revenue increase is driven by timely execution of ongoing projects. The rating also factors in healthy orderbook of VEPL. The company's EPC orderbook improved to Rs. 2591 Cr. as on March 2023 as against Rs. 2229 Cr as on March 2022. The operating margins moderated to 9.41% in FY2023 (Prov) as against 13.07% in FY2022, primarily on account of increased direct project bidding and execution by VEPL as against vide SPVs, entering newer geographies and overall reduction in share of higher margin generating O&M segment vis-à-vis relatively lower margin generating EPC segment in total operating income. The financial risk profile continues to remain healthy marked by healthy net-worth, negligible bank debt and consequent healthy debt protection metrics. These strengths are partially offset by implementation risk, working capital intensive nature of operations and high competitive and fragmented nature of industry.

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).

Analytical Approach

Acuite 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 (NWW MPL). 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 Order Book

The company has healthy EPC order book in hand of Rs. 2591 Cr. as on March 31, 2023. Out of this total order book in hand, Rs. 2097 Cr. is yet to be executed which provides revenue visibility for the near to medium term.. Apart from the EPC orderbook, the company also has O & M contracts. It would generate average annual income of Rs. 50-75 Cr from these contracts till FY2040.

Acuité believes that the healthy order-book of VEPL provides revenue visibility over the medium term.

Healthy Financial Risk Profile

VEPL has a healthy financial risk profile marked by healthy net-worth, low gearing level and healthy debt protection metrics. The company's tangible net-worth stood at Rs. 330.18 Cr as on March 31, 2023 (Prov.) as against Rs.244.11 Cr. as on March 31, 2022. The improvement is primarily on account of raising of additional capital of the shares which were issued and partly paid up in FY2022 and are now fully paid up in FY2023 and also on account of accretion of profits to reserve. The total outstanding debt includes unsecured loans from related parties of Rs. 81.40 Cr. and Rs. 0.70 Cr. of bank loans (vehicle and equipment loans) as on March 31, 2023 (prov.). The company follows a conservative leverage policy as reflected in the peak

overall gearing of 0.25 times as on March 31, 2023 (Prov.) as against 0.01 times as on March 31, 2022. However, the adjusted gearing level is nil as on March 31, 2023(prov.) as against 0.01 times as on March 31, 2022. The debt protection metrics remained healthy, as the interest coverage ratio stood at 12.85 times for FY2023 (Prov.) as against 7.66 times for FY2022.

Acuite believes the financial risk profile of VEPL would remain healthy over the medium term.

Weaknesses

Implementation Risk

The company is currently executing HAM/PPP orders under its SPVs which are at different stages of completion and the debt tie-up for all the projects is done. The Chandrapur Wastewater project is executed under a special purpose vehicle Chandrapur Wastewater Management Private Limited (CWW MPL), which is under commissioning stage and is expected to be completed by the month of September 2023. The Maheshtala Wastewater project which is a hybrid annuity model project allocated under the 'Namami Gange Programme' of the Union Government is 25% completed under the SPV Maheshtala Wastewater Private Limited. Another HAM project, Agra waste water under the NMCG scheme is 12.5% completed through its SPV Agra Waste Water Private Limited. The Turnkey (EPC) contract for Maldives which 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 is 90% completed. The company also received an order under the Jal Jeevan Mission (JJM scheme of the central government) which is 20% completed.

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

The nature of operations of the company continue to remain working capital intensive marked by GCA days of 321 days as on March 31, 2023 (Prov) as against 252 days as on March 31, 2022. The rise is driven by higher debtor days which stood at 260 days as on March 31, 2023 (Prov.) as against 198 days as on March 31, 2022. The debtor dues also include retention money. However, as on March 31, 2023, 81.24% of the total receivables stood receivable within less than 30 days. The inventory days stood at 34 days as on March 31, 2023(Prov.) as against 28 days as on March 31, 2022. The creditor days stood at 60 days as on March 31, 2023(Prov.) as against 180 days as on March 31, 2021.

Acuite believes 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

All Covenants

None

Liquidity Position

Strong

The liquidity position of VEPL is strong marked by healthy net cash accruals against negligible repayment obligations over the medium term. VEPL generated net cash accruals of Rs.73.71

Cr. in FY2023(Provisional) against its debt obligation of Rs.0.57 Cr. The cash accruals of the Company are expected to remain in the range of Rs.58.17 Cr to 86.64 Cr. over the medium term against negligible repayments for the same period. The working capital utilisation of the LC limits stood at 68.54% and of the BG limits stood at 83.72% for the last seven months ended June 2023. The unencumbered cash and bank balance stood at Rs. 17.75 Cr. as on March 31, 2023(prov.). 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 negligible 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

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	503.73	230.93
PAT	Rs. Cr.	71.60	19.09
PAT Margin	(%)	14.21	8.27
Total Debt/Tangible Net Worth	Times	0.25	0.01
PBDIT/Interest	Times	12.85	7.66

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

None

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Jun 2022	Bank Guarantee	Short Term	50.00	ACUITE A2+ (Reaffirmed)
	Proposed Bank Facility	Short Term	40.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Bank Guarantee	Short Term	50.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	50.00	ACUITE A2+ (Reaffirmed)
	Proposed Short Term Loan	Short Term	100.00	ACUITE A2+ (Reaffirmed)
	Proposed Bank Facility	Long Term	11.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
Maharashtra State Cooperative Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A2+ Reaffirmed
Yes Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	85.00	ACUITE A2+ Reaffirmed
Abhyudaya Cooperative Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	49.00	ACUITE A2+ Reaffirmed
Kotak Mahindra Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	37.50	ACUITE A2+ Reaffirmed
Axis Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	57.50	ACUITE A2+ Reaffirmed
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	0.25	ACUITE A- Stable Reaffirmed
RBL Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	0.10	ACUITE A- Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.50	ACUITE A- Stable Reaffirmed
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	0.15	ACUITE A- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A2+ Reaffirmed

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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.

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