



Press Release
Vishvaraj Environment Private Limited
October 14, 2024
Rating Reaffirmed and Withdrawn

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|------------------------------------|------------------|------------------------------------|-------------------------------------|
| Bank Loan Ratings | 3.00 | ACUITE A- Reaffirmed & Withdrawn | - |
| Bank Loan Ratings | 279.00 | - | ACUITE A2+ Reaffirmed & Withdrawn |
| Bank Loan Ratings | 20.00 | - | Not Applicable Withdrawn |
| Total Outstanding Quantum (Rs. Cr) | 0.00 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 302.00 | - | - |

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of 'ACUITE A-' (read as ACUITE A Minus) and short-term rating of 'ACUITE A2+' (read as ACUITE A Two Plus) on the Rs 282.00 crore bank facilities of Vishvaraj Environment Private Limited (VEPL).

Further, Acuite has withdrawn its short-term rating on proposed bank facilities of Rs.20.00 Cr. without assigning any rating as it is a proposed facility of Vishvaraj Environment Private Limited (VEPL).

The rating has been withdrawn as per Acuite's policy of withdrawal of ratings as applicable to the respective instrument/facility. The rating has been withdrawn on account of the request received from the company, and the NOC (No Objection Certificate) received from the banker.

Rationale for Rating Reaffirmation

The rating reaffirmation reflects long track record of operations of the company and extensive experience of the promoters of over two decades in the infrastructure industry and its association with reputed clientele. The rating further considers, improvement recorded in the operating performance marked by increase in revenue to Rs.1,058.89 Cr. in FY2024 from Rs.502.81 Cr. in FY2023 on the back of higher execution of orders and improvement in operating profit margins to 13.06% in FY2024 from 9.77% in FY2023, primarily on account of higher execution of orders and resultant cost savings.

Furthermore, the financial risk profile of the company continues to remain healthy marked by healthy net-worth, nominal debt levels and healthy debt protection metrics. However, strengths are partially offset by working capital intensive nature of operations and highly 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).

Unsupported Rating

Not Applicable

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 is led by Mr. Arun Lakhani who 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. 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.

Further, the company has a healthy order book position of ~Rs.1998 Cr. as of March 2024.

Healthy Financial Risk Profile

VEPL has a healthy financial risk profile marked by healthy net-worth, debt protection metrics and negligible debt levels. The company’s tangible net-worth stood at Rs. 387.30 Cr. as on March 31, 2024 as against Rs.294.53 Cr. as on March 31, 2023. The improvement is primarily on account of accretion of profits to reserve. The overall gearing stood at 0.09 times as on March 31, 2024 as against 0.39 times as on March 31, 2023. The TOL/TNW of the company stood at 2.01 times as on March 31, 2024, as against 1.97 times as on March 31, 2023. The debt protection metrics remained healthy, with interest coverage ratio of 9.22 times for FY2024 as against 10.54 times for FY2023.

Weaknesses

Working Capital Intensive Nature of Operations

The nature of operations of the company continue to remain working capital intensive marked by GCA days of 245 days in FY2024 as against 337 days in FY2023. The debtor days stood at 160 days in FY2024 against 259 days in FY2023. The inventory days stood at 34 days as on March 31, 2024 as against 42 days as on March 31, 2023. The creditor days stood at 57 days as on March 31, 2024 as against 56 days as on March 31, 2023.

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

Not Applicable

Liquidity Position

Strong

The liquidity position of VEPL is strong marked by healthy net cash accruals generation against negligible repayment obligations. VEPL generated net cash accruals of Rs.135.30 Cr. in FY2024 against its debt obligation of Rs.0.61 Cr. during the same period.

The current ratio remained healthy at 1.52 times as of March 31, 2024. Further, the company-maintained cash and cash equivalents of ~Rs.114 Cr. as of March 31,2024.

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials

| Particulars | Unit | FY 24 (Actual) | FY 23 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income | Rs. Cr. | 1058.89 | 502.81 |
| PAT | Rs. Cr. | 129.88 | 72.48 |
| PAT Margin | (%) | 12.27 | 14.42 |
| Total Debt/Tangible Net Worth | Times | 0.09 | 0.39 |
| PBDIT/Interest | Times | 9.22 | 10.54 |

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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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 |
|-------------|------------------------------------|------------|-----------------|--|
| 28 Aug 2023 | Cash Credit | Long Term | 0.15 | ACUITE A- Stable (Reaffirmed) |
| | Cash Credit | Long Term | 0.25 | ACUITE A- Stable (Reaffirmed) |
| | Cash Credit | Long Term | 0.10 | ACUITE A- Stable (Reaffirmed) |
| | Cash Credit | Long Term | 2.50 | ACUITE A- Stable (Reaffirmed) |
| | Bank Guarantee (BLR) | Short Term | 50.00 | ACUITE A2+ (Reaffirmed) |
| | Proposed Short Term Bank Facility | Short Term | 20.00 | ACUITE A2+ (Reaffirmed) |
| | Bank Guarantee/Letter of Guarantee | Short Term | 85.00 | ACUITE A2+ (Reaffirmed) |
| | Bank Guarantee/Letter of Guarantee | Short Term | 49.00 | ACUITE A2+ (Reaffirmed) |
| | Bank Guarantee/Letter of Guarantee | Short Term | 37.50 | ACUITE A2+ (Reaffirmed) |
| | Bank Guarantee/Letter of Guarantee | Short Term | 57.50 | ACUITE A2+ (Reaffirmed) |
| 03 Jun 2022 | Cash Credit | Long Term | 1.00 | ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable) |
| | Proposed Long Term Bank Facility | Long Term | 11.00 | ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable) |
| | Bank Guarantee (BLR) | Short Term | 50.00 | ACUITE A2+ (Reaffirmed) |
| | Bank Guarantee (BLR) | Short Term | 50.00 | ACUITE A2+ (Reaffirmed) |
| | Proposed Short Term Bank Facility | Short Term | 40.00 | ACUITE A2+ (Reaffirmed) |
| | Proposed Short Term Loan | Short Term | 100.00 | ACUITE A2+ (Reaffirmed) |
| | Bank Guarantee (BLR) | Short Term | 50.00 | ACUITE A2+ (Reaffirmed) |
| 20 May 2022 | Proposed Long Term Bank Facility | Long Term | 11.00 | ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable) |
| | Bank Guarantee (BLR) | Short Term | 50.00 | ACUITE A2+ (Upgraded from ACUITE A2) |
| | Bank Guarantee (BLR) | Short Term | 50.00 | ACUITE A2+ (Upgraded from ACUITE A2) |
| | Proposed Short Term Bank Facility | Short Term | 40.00 | ACUITE A2+ (Upgraded from ACUITE A2) |
| | Proposed Short Term Loan | Short Term | 100.00 | ACUITE A2+ (Assigned) |
| | Bank Guarantee (BLR) | Short Term | 50.00 | ACUITE A2+ (Upgraded from ACUITE A2) |
| | Cash Credit | Long Term | 1.00 | ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable) |
| 20 Sep 2021 | Proposed Long Term Bank Facility | Long Term | 11.00 | ACUITE BBB Stable (Assigned) |
| | Cash Credit | Long Term | 1.00 | ACUITE BBB Stable (Assigned) |
| | Bank Guarantee (BLR) | Short Term | 50.00 | ACUITE A2 (Assigned) |
| | Proposed Bank Guarantee | Short Term | 40.00 | ACUITE A2 (Assigned) |
| | Bank Guarantee (BLR) | Short Term | 50.00 | ACUITE A2 (Assigned) |

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|--|----------------------|---------------|-------|----------------------|
| | Bank Guarantee (BLR) | Short Term | 50.00 | ACUITE A2 (Assigned) |
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Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Quantum (Rs. Cr.) | Complexity Level | Rating |
|------------------------------------|----------------------|------------------------------------|----------------------|----------------------|----------------------|-------------------|------------------|-------------------------------------|
| Maharashtra State Cooperative Bank | Not avl. / Not appl. | Bank Guarantee (BLR) | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 50.00 | Simple | ACUITE A2+ Reaffirmed & Withdrawn |
| Yes Bank Ltd | Not avl. / Not appl. | Bank Guarantee/Letter of Guarantee | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 85.00 | Simple | ACUITE A2+ Reaffirmed & Withdrawn |
| Abhyudaya Cooperative Bank | Not avl. / Not appl. | Bank Guarantee/Letter of Guarantee | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 49.00 | Simple | ACUITE A2+ Reaffirmed & Withdrawn |
| Kotak Mahindra Bank | Not avl. / Not appl. | Bank Guarantee/Letter of Guarantee | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 37.50 | Simple | ACUITE A2+ Reaffirmed & Withdrawn |
| Axis Bank | Not avl. / Not appl. | Bank Guarantee/Letter of Guarantee | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 57.50 | Simple | ACUITE A2+ Reaffirmed & Withdrawn |
| Indian Bank | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 0.25 | Simple | ACUITE A- Reaffirmed & Withdrawn |
| RBL Bank | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 0.10 | Simple | ACUITE A- Reaffirmed & Withdrawn |
| Kotak Mahindra Bank | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 2.50 | Simple | ACUITE A- Reaffirmed & Withdrawn |
| Axis Bank | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 0.15 | Simple | ACUITE A- Reaffirmed & Withdrawn |
| Not Applicable | Not avl. / Not appl. | Proposed Short Term Bank Facility | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 20.00 | Simple | Not Applicable Withdrawn |

Contacts

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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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