

# Enviro Infra Engineers Ltd.

Nifty: 23,350 | Sensex: 77,156

IPO Note | 21<sup>st</sup> November 2024
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Sector: Capital goods

Price Range: ₹140 - ₹148

## A Water and Wastewater Solutions Provider

Enviro Infra Engineers Ltd (EIEL) designs, constructs, operates, and maintains Water and Wastewater Treatment Plants (WWTPs) and Water Supply Scheme Projects (WSSPs) for government bodies in India. Established in 2009 and headquartered in Delhi, the company has developed 28 WWTPs and WSSPs, focusing on projects with capacities of 10 MLD (Million Liters per Day) or more across various states of India. EIEL bids for state & local government projects and forms joint ventures to enhance its technical and financial capabilities. Enviro Infra undertakes projects based on Engineering, Procurement and Construction (EPC) or Hybrid Annuity Model (HAM) contracts.

- ◆ The Global Water and Wastewater Treatment market is expected to grow at a CAGR of 6.1%, reaching \$522 billion by 2033 from \$306 billion in 2024. India's rapid population growth & urbanization increased the demand for potable water, benefiting companies like EIEL through the need for improved treatment and distribution systems.
- ◆ EIEL executes projects funded by central and state governments under schemes like AMRUT, National Mission for Clean Ganga, and Jal Jeevan Mission. The company also plans to venture into waste-to-energy initiatives and expand geographically to East and South India.
- ◆ EIEL's revenue has increased from ₹338.1cr in FY23 to ₹728.9cr in FY24, which has grown by 116%. The net profit has increased by 101% from ₹55.3cr in FY23 to ₹108.6cr in FY24.
- ◆ In Q1FY25, the company earned a revenue of ₹205.2cr and a net profit of ₹30.0cr. Enviro Infra Engineers Ltd has an EBITDA margin of 25%, which is superior compared to its peers and a healthy net profit margin of 15% in the same period.
- ◆ EIEL's order book has increased by 42%, from ₹1,496.7cr in FY23 to ₹2,125.6cr in FY24. The company maintained an order book of ₹1,906.3cr in June 2024.
- ◆ The order book to sales ratio for FY24 stood at 2.6x, providing revenue visibility for the next 2 to 3 years.
- ◆ The EIEL's ROE stood at 37.4% in FY24, which is superior compared to its peers. The debt-to-equity ratio of the company has increased from 0.5x in FY23 to 0.95x in Q1FY25. But post IPO it will reduce to 0.2x, indicating improved financial leverage.
- ◆ The company aims to strengthen its position by scaling project capacities to 50–200 MLD for Sewage Treatment Plants (STPs) and 20–50 MLD for Common Effluent Treatment Plants (CETPs). The high-capacity projects provide competitive advantages, including better margins, economies of scale, and efficient resource utilization.
- ◆ At the upper price band of ₹148, EIEL is available at a P/E of 23.9x (FY24), which appears to be fairly priced compared to listed peers. The ambitious initiatives of the Indian government, such as the Jal Jeevan Mission-Har Ghar Jal, AMRUT, the NAMA-MI Gange Programme, and SWAJAL, present significant opportunities for the company's future growth. With a robust order pipeline and consistent financial performance featuring industry-leading margins, the company is well-positioned for future success. We recommend "subscribe" rating for the issue for medium- to long-term investment.

### Issue Details

Date of opening	November 22, 2024
Date of closing	November 26, 2024
Total No. of shares offered (cr.)	4.39
Post Issue No. of shares (cr)	17.6
Face Value	₹10
Bid Lot	101 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 14,948
Maximum application for retail (upper price band for 13 lot)	₹ 194,324
Listing	BSE,NSE
Employee discount	₹13 per share
Lead Managers	Hem Securities Ltd
Registrar	Bigshare services Pvt Ltd.

### Issue size (upper price)

	Rs.cr
Fresh Issue	572.4
OFS	78.0
Total Issue	650.4

Shareholding (%)	Pre-Issue	Post Issue
Promoter & Promo. Group.	94.0	70.0
Public & others	6.0	30.0
Total	100.0	100.0

Issue structure	Allocation (%)	Size Rs.cr
Retail	35	227.7
Non-Institutional	15	97.6
QIB	50	325.2
<b>Total</b>	<b>100</b>	<b>650.4</b>

Y.E March (Rs cr) Consol.	FY23	FY24	Q1FY25
Sales	338.1	728.9	205.2
Growth YoY(%)		115.6	
EBITDA	81.7	169.3	51.3
Margin(%)	24.2	23.2	25
PAT Adj.	55.3	108.6	30
Growth (%)	60.2	96.2	-
EPS	3.2	6.2	1.7
P/E (x)	46.9	23.9	21.7*
EV/EBITDA (x)	32.6	16.7	12.7*
P/BV(x)	20.5	8.9	3.0*

\*Annualised

## Purpose of IPO

The IPO consists of fresh issue of ₹572.46cr and an OFS of ₹78cr. The proceeds from its fresh issuance will be utilised for (i) working capital ₹181cr (ii) debt repayment ₹120 cr (iii) capex ₹30cr (iv) general corporate purposes.

## Key Risks

- ◆ Its significant reliance on government contracts (~100% of FY24 revenue) makes it highly dependent on government spending in the water treatment sector.

## Peer Valuation

Company	MCap(₹ cr)	Sales (₹ cr)	EBITDA(%)	PAT (%)	EPS(₹)	RoE (%)	EV/EBITDA	P/E	Mcap/sales	CMP(₹)
Enviro Infra Engineers Ltd	2,598	729	23.23	14.9	6.2	37.4	16.7	23.9	3.6	148
EMS LTD	4,193	793.3	25.7	19.2	28.5	23.6	11.1	26.9	5.3	766
ION Exchange (India) Ltd	9,470	2,337.9	11.6	8.4	16.7	21.2	24.7	38.0	4.1	633
VA Tech Wabag Ltd	10,602	2,856.4	13.2	8.6	37.8	14.5	12.1	38.9	3.7	1,469
Vishnu Prakash R Punglia Ltd	3,468	1,474	14	8.2	9.8	23.6	18.8	28.3	2.4	267

Source: Geojit Research, Bloomberg; Valuations of EIEL are based on upper end of the price band (post issue), Financials as per FY24 consolidated.



## Business Operations:

**Enviro Infra Engineers Ltd (EIEL)** is in the business of designing, construction, operation and maintenance of Water and Wastewater Treatment Plants (WWTPs) and Water Supply Scheme Projects (WSSPs) for government authorities/bodies. WWTPs include Sewage Treatment Plants (STPs), Sewerage Schemes (SS) and Common Effluent Treatment Plants (CETPs) while WSSPs include Water Treatment Plants (WTPs) along with pumping stations and laying of pipelines for supply of water (collectively, "Projects").

### Revenue from our EPC, HAM and O&M projects

(₹ in lakhs)

Type of project	June 30, 2024	Fiscal 2024	Fiscal 2023	Fiscal 2022
EPC	19,839.81	62,841.44	21,609.48	20,480.62
HAM	-	7,124.16	10,451.64	-
O&M	678.21	2,925.90	1,749.08	1,871.89
<b>TOTAL</b>	<b>20,518.02</b>	<b>72,891.50</b>	<b>33,810.20</b>	<b>22,352.51</b>

Source: RHP, Geojit Research

Company bids for tenders issued by State Governments and ULBs for developing WWTPs and WSSPs on an EPC or HAM basis. As on June 30, 2024, company have successfully developed 28 WWTPs and WSSPs across India in past seven (7) years which includes 22 projects with 10 MLD capacity and above. As of June 30, 2024, company's Order Book includes 21 WWTPs and WSSPs for an aggregate value of ₹ 1,90,628.06 lakhs.

### Bifurcation of the ongoing projects under the category of EPC, HAM and O&M as of June 30, 2024

Category of project	Number of projects
EPC	20
HAM	1
O&M	40

Source: RHP, Geojit Research

Company has an in-house team for designing, engineering and construction which makes it self-reliant on all aspects of its business. Company has a team of 180 engineers who are supported by third-party consultants and industry experts to ensure compliance and quality standards laid down by the industry and government agencies & departments. Company also have its own team for civil construction works thereby reducing dependence on third parties. The scope of company's services typically includes design and engineering of the projects, procurement of raw materials, execution at site with overall project management up to the commissioning of projects. Post commissioning, operations and maintenance of these plants for a certain period of time is generally a part of the award.

### Revenue bifurcation based on type of client

(₹ in lakhs)

Revenue – Client wise	June 30, 2024	Fiscal 2024	Fiscal 2023	Fiscal 2022
Government	20,515.18	72,891.50	33,810.20	22,268.44
Private	2.83	-	-	84.07
<b>TOTAL</b>	<b>20,518.02</b>	<b>72,891.50</b>	<b>33,810.20</b>	<b>22,352.51</b>

Source: RHP, Geojit Research

### Revenue bifurcation of operations

(₹ in lakhs)

Particulars	During the Fiscal/ Period ended			
	June 30, 2024	Fiscal 2024	Fiscal 2023	Fiscal 2022
<b>Projects</b>				
WWTPs	7,841.82	20,296.00	23,378.45	20,480.62
% of Revenue from Operations	38.22%	27.84%	69.15%	91.63%
WSSPs	11,997.99	49,669.60	8,682.67	-
% of Revenue from Operations	58.48%	68.15%	25.68%	0.00%
O&M	678.21	2,925.90	1,749.08	1,871.89
% of Revenue from Operations	3.30%	4.01%	5.17%	8.37%
<b>Total</b>	<b>20,518.02</b>	<b>72,891.50</b>	<b>33,810.20</b>	<b>22,352.51</b>

Source: RHP, Geojit Research

Company has a team of dedicated engineers and personnel focused on operations and maintenance of completed projects. In addition to the execution of projects independently, company also enter into joint ventures with other infrastructure and construction companies to jointly bid and execute projects. Joint ventures or partnerships enable company to achieve prequalification, both technical and/or financial, with its joint venture partner at the time of the bid and where the bid is successful, company also execute the project with its joint venture partner considering the technical skill and qualification of the joint venture partner required to execute a particular project. As on June 30, 2024, company is executing 5 WWTPs and WSSPs projects in partnership with its joint venture partners. In line with government policies and industry trends, company is taking various initiatives towards "Waste to Energy" in its projects to reduce its carbon footprint and contribute to environmental sustainability .

## Key strengths

- ◆ In house designing, engineering and execution team.
- ◆ In-house execution capabilities with timely delivery and established track record enabling consistent increase in eligibility for high value project tenders
- ◆ Use of advanced technologies in the construction and installation of WWTPs or WSSPs.
- ◆ Experienced Promoters and senior management team
- ◆ Increasing presence in existing geographies with new projects

## Key strategies

- ◆ Increasing the size of projects and company's pre-qualification
- ◆ Expansion of company's geographical footprint
- ◆ Plan to further bid for HAM projects
- ◆ New initiatives towards "Waste to Energy" as a part of company's projects

## Industry Outlook

The Global Water and Wastewater Treatment market is expected to grow at a CAGR of 6.10% in terms of value to reach USD 521.97 Billion in 2033 from USD 306.332 Billion in 2024. India accounts for 2.45% of land area and 4% of water resources of the world but represents 16% of the world population. With the present population growth-rate (1.9% per year), the population is expected to cross the 1.5 billion mark by 2050. The trend of urbanization in India is exerting stress on civic authorities to provide basic requirement such as safe drinking water, sanitation, and infrastructure. The rapid growth of population has exerted the portable water demand, which requires exploration of raw water sources, developing treatment and distribution systems.

The estimated sewage generation from Class I cities and Class II towns, based on the 2001 census, is 29,129 million liters per day (MLD). Currently, this figure is projected to reach 33,212 MLD, assuming a 30% increase in urban population over the decade. In contrast, existing sewage treatment plants (STPs) have a capacity of only 6,190 MLD, with an additional 1,743 MLD capacity under development. This means that the current treatment capacity accounts for merely 18.6% of present sewage generation, with an extra 5.2% capacity being added. Moreover, the actual utilization of STPs stands at only 72.2%, resulting in just 13.5% of sewage being treated effectively. This situation highlights the serious inadequacy of sewage treatment, which is a primary contributor to the pollution of rivers and lakes. To enhance the water quality of these water bodies, it is essential to significantly increase sewage treatment capacity and optimize its usage.

## Promoter and promoter group

The Promoters of the company are Sanjay Jain, Manish Jain, Ritu Jain and Shachi Jain.

## Brief Biographies of directors

- **Sanjay Jain** is the Chairman and Whole-time Director of the Company. He has been associated with Company since incorporation. He holds a bachelor's degree in chemical engineering from the Mangalore University. He has over two decades of experience in water and wastewater treatment industry. He looks after the designing, procurement of raw material and machinery in connection with construction and operation & maintenance of projects of Company.
- **Manish Jain** is the Managing Director of Company. He has been associated with company since incorporation. He holds a bachelor's degree in chemical engineering from the Punjab University. He has over two decades of experience in water and wastewater treatment industry. He looks after bidding, execution and operation & maintenance of projects of company
- **Ritu Jain** is the Non-Executive Director of Company. She has been associated with Company since February 2017. She holds a bachelor's degree in science (Home Science) from the Maharshi Dayanand University, a bachelor's degree in education the Kurukshetra University and master's degree in science (Home Science) from the Kurukshetra University.
- **Anil Goyal** is the Independent Director of Company. He has been appointed as Independent Director of Company on January 20, 2023. He holds a bachelor's degree in commerce from University of Rajasthan and a master's degree in commerce from University of Ajmer.
- **Nutan Guha Biswas** is the Independent Director of Company. She has been appointed as an Independent Director of Company on June 15, 2024. She holds bachelor's degree in arts from University of Delhi. She is a retired IAS officer. She has over 15 (fifteen) years of work experience.
- **Aseem Jain** is the Independent Director of Company. He has been appointed as Independent Director of Company on August 23, 2022. He is a member of Institute of Cost Accountants of India and a practising cost accountant. He has over two decades of experience in field of cost accountancy, finance, accounts, taxation, contracts, commercial and regulatory laws.

## CONSOLIDATED FINANCIALS

### PROFIT & LOSS

Y.E March (Rs cr)	FY23	FY24	Q1FY25
<b>Sales</b>	<b>338.1</b>	<b>728.9</b>	<b>205.2</b>
% change	51.3%	115.6%	-
<b>EBITDA</b>	<b>81.7</b>	<b>169.3</b>	<b>51.3</b>
% change	63%	107%	-
Depreciation	2.3	6.1	2.0
<b>EBIT</b>	<b>79.4</b>	<b>163.2</b>	<b>49.3</b>
Interest	8.4	22.5	8.5
Other Income	3.6	9.1	2.3
Exceptional items	-	-	-
PBT	74.6	149.8	43.1
% change	62%	100.8%	-
Tax	19.2	41.2	13.1
Tax Rate (%)	26%	28%	-
Reported PAT	55.3	108.6	30.0
Adj	-	-	-
<b>Adj. PAT</b>	<b>55.3</b>	<b>108.6</b>	<b>30.0</b>
% change	60.2%	96.2%	-
<b>Post issue No. of shares (cr)</b>	<b>17.6</b>	<b>17.6</b>	<b>17.6</b>
Adj EPS (Rs)	3.2	6.2	1.7
% change	60.2%	96.2%	-

### CASH FLOW

Y.E March (Rs cr)	FY23	FY24	Q1FY25
PBT Adj.	74.6	146.99	43.12
<i>Non-operating &amp; non cash</i>	<i>7.4</i>	<i>23.6</i>	<i>8.8</i>
Changes in W.C	42.7	-215.6	-152.6
<b>C.F. Operating</b>	<b>101.09</b>	<b>-69</b>	<b>-103</b>
Capital expenditure	-10.8	-33.4	-5
Change in investment	-58.8	-33.9	0.42
Sale of investment	-	0.2	-
Other invest.CF	-71.4	-72.3	27.43
<b>C.F - investing</b>	<b>-141</b>	<b>-139.34</b>	<b>22.7</b>
Issue of equity	-	55.1	-
Issue/repay debt	42.05	151.7	80
Dividends paid	-	-	-
Other finance.CF	-	-	-
<b>C.F - Financing</b>	<b>42.1</b>	<b>206.83</b>	<b>80</b>
Change. in cash	2.1	-1.5	-0.6
Opening Cash	0.2	2.4	0.87
Closing cash	2.377	0.9	0.2

\*Annualised.

### BALANCE SHEET

Y.E March (Rs cr)	FY23	FY24	Q1FY25
<b>Cash</b>	<b>92.3</b>	<b>148.5</b>	<b>120.7</b>
Accounts Receivable	56.5	104.1	112.3
Inventories	9.8	35.3	20.3
Other Cur. Assets	73.7	273.2	354.6
Investments	-	-	-
Deff. Tax Assets	1.1	2.0	2.2
Net Fixed Assets	18.3	46.9	51.2
CWIP	0.3	1.4	0.2
Intangible Assets	0.00	0.00	0.00
Other Assets	95.5	149.9	151.5
<b>Total Assets</b>	<b>348</b>	<b>761</b>	<b>813</b>
Current Liabilities	127.6	173	82.8
Provisions	16.9	15.7	32
Debt Funds	64.5	233.6	305.6
Other Fin. Liabilities	9.1	28.2	41
Deferred Tax liability	2.7	20	30.6
Equity Capital	126.5	292.2	323.0
Reserves & Surplus	-	-	-
Shareholder's Fund	126.9	290.6	320.6
<b>Total Liabilities</b>	<b>348</b>	<b>761</b>	<b>812</b>
BVPS (Rs)	7.2	16.6	18.3

### RATIOS

Y.E March	FY23	FY24	Q1FY25
<b>Profitab. &amp; Return</b>			
EBITDA margin (%)	24.2	23.2	25
EBIT margin (%)	23.5	22.4	24
Net profit mgn.(%)	16.4	14.9	14.6
ROE (%)	43.6	37.4	9.3
ROCE (%)	43.8	34.9	6.2
<b>W.C &amp; Liquidity</b>			
Receivables (days)	52	40	48
Inventory (days)	15	16	19
Payables (days)	105	82	34
Current ratio (x)	1.6	3.0	5.3
Quick ratio (x)	1.2	1.5	2.8
<b>Turnover &amp; Levg.</b>			
Net asset T.O (x)	23.7	22.4	8.0
Total asset T.O (x)	1.4	1.3	0.3
Int. covge. ratio (x)	9.5	7.2	5.8
Adj. debt/equity (x)	0.5	0.8	0.95
<b>Valuation ratios</b>			
<b>EV/Sales (x)</b>	<b>7.9</b>	<b>3.9</b>	<b>14.2</b>
EV/EBITDA (x)	32.6	16.7	56.6
P/E (x)	46.9	23.9	86.7
P/BV (x)	20.5	8.9	8.1



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