ENVIRO INFRA ENGINEERS LIMITED

November 21, 2024

SMC Ranking

★★☆☆☆ (2/5)

Issue Highlights

Industry	Infra
Offer for sale (Shares)	5,268,000
Fresh Issue (Shares)	38,680,000
Net Offer to the Public	**43,948,000**
Issue Size (Rs. Cr.)	615-651
Price Band (Rs.)	140-148
Employee Discount	Rs 13 per share
Offer Date	22-Nov-24
Close Date	26-Nov-24
Face Value	10
Lot Size	101 Shares

Issue Composition

	In shares
Total Issue for Sale	43,948,000
QIB	21,974,000
NIB	6,592,200
Retail	15,381,800

Shareholding Pattern (%)

Particulars	Pre-issue	Post -issue
Promoters & promoters group	93.66%	70.02%
QIB	6.34%	17.46%
NIB	0.00%	3.76%
Retail	0.00%	8.76%
Total	**100.00%**	**100.00%**

*calculated on the upper price band

Objects of the Issue

The Company proposes to utilize the Proceeds from the Fresh Issue towards funding the following objectives:

To meet the Working Capital Requirements;

Infusion of funds in our Subsidiary, EIEL Mathura Infra Engineers Private Limited (EIEL Mathura) to build 60 MLD STP under the project titled 'Mathura Sewerage Scheme" at Mathura in Uttar Pradesh through Hybrid Annuity Based PPP Mode;

Repayment/prepayment in full or in part, of certain of our outstanding borrowings; and

Funding inorganic growth through unidentified acquisitions and general corporate purposes.

Book Running Lead Manager

- Hem Securities Limited

Name of the registrar

- Bigshare Services Private Limited

About the company

Enviro Infra Engineers Limited was established in 2009 and is engaged in the design, construction, operation, and maintenance of water and Waste-Water Treatment Plants (WWTPs) and water supply projects (WSSPs) for government agencies/entities. 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 the laying of pipelines for water supply. The company participates in tenders floated by state governments and ULBs for developing WWTPs and WSSPs on an EPC or HAM basis. Till June 30, 2024, the Company has successfully developed 28 WWTPs and WSSPs across India in the last seven (7) years, including 22 projects of 10 MLD capacity and above.

Strength

In house designing, engineering and execution team: The company's in-house design, engineering, and execution team specializes in delivering high-quality, cost-effective solutions for complex and critical projects. Their expertise encompasses a wide range of design capabilities, including process descriptions, hydraulic and mass balance calculations, adherence to design codes and standards, master drawing schedules, drainage designs, layouts for STP facilities, process and hydraulic flow diagrams, process and instrumentation diagrams, tentative single-line diagrams, and electrical load lists. This robust design capability ensures accurate bidding aligned with project specifications and enables timely, efficient service delivery. The company leverages advanced engineering expertise and technology-driven processes to successfully execute projects such as WWTPs and WSSPs, adhering to precise design and operational requirements. Its design capabilities include specialized technologies for STPs, such as Upflow Anaerobic Sludge Blanket Reactor (UASB), Activated Sludge Process (ASP), and Moving Bed Biological Reactor (MBBR), along with Biological Nutrient Removal (BNR). For CETPs, the company provides tailored solutions to address challenges posed by varying influent characteristics across industries, incorporating tertiary treatment systems designed for water reuse. With an in-house team of 180 skilled engineers, the company offers comprehensive architectural and structural designs based on clients' conceptual requirements, significantly reducing reliance on third-party consultants. To ensure quality, dedicated quality control managers conduct regular inspections and testing at project sites, ensuring stringent monitoring and adherence to standards.

Expanding Presence in Existing Geographies with New Projects: Over the past seven years, the company has significantly expanded its footprint in states where it initially secured projects, including Gujarat, Rajasthan, Punjab, Haryana, Uttar Pradesh, Uttarakhand, and Chhattisgarh. By strategically focusing on bidding for additional projects in these regions, the company has successfully increased its portfolio and enhanced its execution capabilities. This approach has also fostered strong relationships with local authorities across these states. Currently, the company is executing projects in eight states: Gujarat, Rajasthan, Delhi, Jharkhand, Karnataka, Uttar Pradesh, Chhattisgarh, and Madhya Pradesh. Its extensive experience and deep understanding of these regions provide a competitive edge, enabling it to explore opportunities in new areas and districts within these states where WWTP and WSSP projects are emerging. The company aims to leverage its strong reputation, proven expertise, and regional knowledge to expand its presence and secure additional projects in areas where it is not yet active, further strengthening its position in the industry.

Diversified Order Book of projects across India: The company has established expertise and capabilities in executing a variety of projects, including Wastewater

Treatment Plants (WWTPs) such as Common Effluent Treatment Plants (CETPs), Sewage Treatment Plants (STPs), Sewerage Systems (SS), and Water Supply and Sanitation Projects (WSSPs). These projects, undertaken on both EPC and HAM bases, collectively constitute an order book of 21 WWTPs and WSSPs with a total value of Rs. 1906.28 crore. As on June 30, 2024, the company is executing the following projects:

Nature of Project	Number of Projects	Execution Model
WWTP:		
CETP	1	EPC
STP	9	EPC
	1	HAM
SS	5	EPC
WSSP	5	EPC
Total	21	EPC

The company attributes its consistent growth in its order book to its strategic focus on projects and its proven ability to bid for and secure new contracts successfully. Its expertise in designing, engineering, construction, and operations and maintenance, coupled with technical proficiency, timely execution, reputation for quality, financial stability, and competitive pricing, has been instrumental in winning projects. As an established industry player, the company leverages its capabilities to target projects with EPC, HAM, and O&M components. The operations and maintenance phase following project commissioning ensures steady cash flows and contributes positively to the company's margins.

In-House Execution Capabilities with a Proven Track Record: The company's ability to execute projects efficiently and on time has established it as a reliable partner for high-value project tenders. As of June 30, 2024, it has successfully developed 28 WWTPs and WSSPs across India in the past seven years, including 22 projects with capacities of 10 MLD or more. This consistent performance reflects the company's strong in-house design and execution capabilities, which ensure timely project completion without compromising on engineering quality or construction standards. Its project management teams work closely with the design and engineering departments, ensuring seamless coordination and operational efficiency throughout the manufacturing and execution phases. This approach has enabled the company to deliver complex projects successfully, driving its business growth over the years. The company attributes its success to three critical factors essential in the industry: a robust in-house design and engineering team, skilled manpower for timely execution, and a dedicated post-completion team for operations and maintenance. These capabilities position the company as a leader in delivering high-quality projects consistently and efficiently.

Leveraging Advanced Technologies in WWTP and WSSP Projects: Designing and engineering wastewater treatment projects is a technically demanding, resource-intensive, and time-consuming process due to their unique requirements. To address these challenges, the company consistently upgrades its technological capabilities, ensuring a comprehensive range of services that are cost-effective without compromising quality. For instance, the company employs Sequential Batch Reactors (SBR) to meet stringent norms set by the National Green Tribunal (NGT). SBR offers distinct advantages, including integrated Biological Nutrient Removal (BNR), compact footprint, and full system automation. A recent advancement includes integrating High Rate Anaerobic Digestors (HRAD) with SBR, which enables efficient BNR removal even at low BOD concentrations. Additionally, the company optimizes Moving Bed Biological Reactor (MBBR) technology in various configurations, such as combining MBBR with Integrated Fixed Film Activated Sludge (IFAS) in existing or partially built systems. This approach maximizes existing infrastructure utilization, minimizes civil work, and provides cost-effective, viable solutions while adhering to effluent norms. Over the years, the company has implemented a range of tertiary treatment technologies, including dual media filters, activated carbon filters, rapid sand gravity filters, chlorination, UV treatment, disc filters, and ultra-filtration systems. Notably, most of the STPs and CETPs designed by the company are Zero Liquid Discharge (ZLD) compliant, ensuring treated water is reusable for horticulture, washing, refrigeration, and other industrial applications.

Consistent Financial Performance: The company has showcased steady financial growth, with significant increases in both revenue and profitability over recent years. Between Fiscal 2022 and Fiscal 2024, the company concentrated on expanding its project portfolio in terms of both number and capacity, driving a robust financial performance. During this period, its revenue from operations surged at a CAGR of 80.58%, growing from Rs. 223.5 crore in Fiscal 2022 to Rs. 728.92 crore in Fiscal 2024. Similarly, profits increased at a CAGR of 78.87%, rising from Rs. 34.55 crore to Rs. 110.54 crore. As of June 30, 2024, the company maintained a healthy debt-equity ratio of 0.95. This consistent growth in revenue and profitability has strengthened the company's ability to fund strategic initiatives and seize new opportunities, paving the way for sustained future expansion.

Strategy

Increasing Project Scale and Pre-Qualification: The company is committed to strengthening its capabilities in executing WWTP and WSSP projects, focusing on larger-scale projects. It aims to increase the size of its projects from the current 50 to 200 MLD for STPs and 20 to 50 MLD for CETPs while continuing to bid for projects on both EPC and HAM bases. The company has successfully executed projects ranging from 5 to 100 MLD for STPs and 3 to 26 MLD for CETPs. Larger projects offer advantages such as reduced competition, higher margins, economies of scale, and optimal resource utilization. By leveraging its extensive experience and expertise, the company plans to selectively pursue larger projects, either independently or through partnerships. Expanding into higher-capacity projects will enhance its eligibility for larger tenders, requiring advanced competencies in design and execution.

Expanding Geographical Footprint: As of June 30, 2024, the company has developed 28 WWTPs and WSSPs, including 22 projects with capacities above 10 MLD, across states such as Gujarat, Rajasthan, Punjab, Haryana, Uttar Pradesh, Uttarakhand, and Chhattisgarh. It is currently executing projects in eight states, including Gujarat, Rajasthan, Delhi, Jharkhand, Karnataka, Uttar Pradesh, Chhattisgarh, and Madhya Pradesh. The company plans to expand its operations into East and South India, having recently secured projects in Jharkhand and Karnataka, with bids submitted in Odisha, West Bengal, and Goa. It takes a strategic approach to entering new regions, ensuring quality services while mitigating potential delays from local challenges. Geographic diversification aims to reduce dependence on specific regions, protect against localized risks, and drive business growth.

Expanding HAM Project Portfolio: The company, along with its joint venture partners, has been awarded two HAM projects under the Namami Gange Programme by Uttar Pradesh Jal Nigam, with contract values of Rs. 233.72 crore and Rs. 240.01 crore. These projects involve designing, constructing, operating, and maintaining STPs in Bareilly and Mathura, Uttar Pradesh. The Bareilly project, comprising three STPs with a total capacity of 63 MLD, was completed more than two months ahead of schedule. The Mathura project involves a single 60 MLD STP, with funding supported through SPVs and sanctioned bank loans. Additionally, the company secured a HAM project in Saharanpur, Uttar Pradesh, for a 135 MLD STP. These projects align with its strategy to build expertise in HAM-based models, enhancing qualifications for larger projects in the future.

Pioneering "Waste to Energy" Initiatives: The company is transitioning towards a circular economy in wastewater management by recognizing wastewater as a resource rather than waste. It incorporates sustainable solutions like biogas production through anaerobic digestion, which provides a renewable energy source for various applications, including CNG, industrial heating, and electricity generation. To further its commitment to sustainability, the company has integrated solar power plants in projects at Kota (1 MW), Bareilly (800 KW), and Bikaner (3 MW). Upcoming projects in Jodhpur, Jaipur, and Varanasi also include solar installations. Additionally, it is incorporating Compressed Bio Gas (CBG) plants in projects such as Jodhpur and Jaipur to produce green energy, which will be sold to OMCs or utilized for power generation. These initiatives reduce power costs, enhance operational revenues, and align with incentives for sustainable development. Currently, 7 of its 21 active projects are classified as "Projects Contributing to Sustainable Development."

Leveraging Government Policy Initiatives: The company is well-positioned to capitalize on several government initiatives in the WWTP and WSSP sectors. Flagship schemes such as Jal Jeevan Mission (Har Ghar Jal) and Atal Mission for Rejuvenation and Urban Transformation 2.0

(AMRUT 2.0) focus on water supply, universal sewerage, and pollution abatement. The Namami Gange Programme targets effective pollution control and river conservation. Additionally, state initiatives like Gujarat's Swarnim Jayanti Mukhya Mantri Shaheri Vikas Yojana (SJMMSVY) support water supply and drainage infrastructure development. Currently, the company is executing five projects under AMRUT, five under Jal Jeevan Mission, two under Namami Gange, and one under the National Mission for Clean Ganga. By aligning its operations with these initiatives, the company is poised to play a significant role in the country's water infrastructure development while contributing to environmental sustainability.

Risk factor

- Its projects are awarded through the competitive bidding process by government authorities/bodies. It may not be able to qualify for, compete and win future projects, which could adversely affect its business and results of operations.
- The company relies on its in-house designing, engineering and construction teams for project execution.
- The business is working capital intensive.
- It relies on various third parties in the civil construction activities for installing its Water and Wastewater Treatment Plants (WWTPs) & Water Supply Scheme Projects (WSSPs) and factors affecting the performance of their obligations could adversely affect its projects.

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
ION Exchange	2547.70	216.15	14.74	43.35	8.55	74.76	1	639.00	9372.00
Va Tech Wabag	2965.40	260.90	41.95	40.48	5.37	316.26	2	1698.25	10561.49
Vishnu Prakash R	1490.69	122.99	9.87	27.65	4.48	60.93	10	272.90	3401.53
EMS	884.57	171.49	30.88	24.15	4.68	159.34	10	745.90	4142.04
Enviro Infra Engineers Limited	728.92	108.57	6.19	23.93	2.91	50.88	10	148.00	2597.84

***Peer companies financials are TTM based**
****Enviro infra financials are based on Fy24**

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.148, the stock is priced at pre issue P/E of 18.66 x on FY24 EPS of Rs.7.93. Post issue, the stock is priced at a P/E of 23.93x on its EPS of Rs. 6.19. Looking at the P/B ratio at Rs.148 pre issue, book value of Rs. 23.42 of P/Bvx 6.32x. Post issue, book value of Rs.50.88 of P/Bvx 2.91x.

Considering the P/E valuation, on the lower end of the price band of Rs.140, the stock is priced at pre issue P/E of 17.65x on FY24 EPS of Rs.7.93. Post issue, the stock is priced at a P/E of 22.63x on its EPS of Rs. 6.19. Looking at the P/B ratio at Rs.140 pre issue, book value of Rs. 23.42 of P/Bvx 5.98x. Post issue, book value of Rs. 50.88 of P/Bvx 2.75x.

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.

Outlook

EIEL specializes in designing, building, and maintaining water and wastewater treatment plants and supply systems. Its projects, often funded by central government schemes like AMRUT, NMCG, and JJM, are executed in partnership with state governments and urban local bodies. EIEL secures projects through competitive bidding on an EPC or HAM basis. With a strong track record of 28 completed projects, including 22 with a capacity of 10 MLD or more, EIEL is committed to environmental sustainability. The company is actively pursuing "Waste to Energy" initiatives and has installed solar power plants at several sites. As of June 30, 2024, EIEL had an order book of Rs. 1906.28 crore and a workforce of 939 employees. The company's diverse product offerings and competitive advantage may lead to improved margins. However, its reliance on government tenders and the competitive bidding process pose risks to future business growth.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	22-November-24
BID/ISSUE CLOSES ON	26-November-24
Finalisation of Basis of Allotment with the Designated Stock Exchange	27-November-24
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	27-November-24
Credit of Equity Shares to Demat Accounts of Allottees	28-November-24
Commencement of trading of the Equity Shares on the Stock Exchanges	29-November-24

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Jun-24 (9 Months)	Period ended 31-Mar-24 (12 Months)	Period ended 31-Mar-23 (12 Months)
Revenue from operations	205.18	728.92	338.10
Total expenditure	153.90	559.59	256.41
Operating Profit	**51.28**	**169.32**	**81.69**
OPM%	24.99	23.23	24.16
Other Income	2.28	9.09	3.56
PBDIT	**53.56**	**178.41**	**85.25**
Depreciation	1.96	6.08	2.30
PBIT	**51.60**	**172.33**	**82.94**
Interest	8.48	22.52	8.35
Profit BeforeTax	**43.12**	**149.81**	**74.59**
Tax	13.15	41.24	19.25
PAT	**29.97**	**108.57**	**55.34**

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Jun-24	As on 31-Mar-24	As on 31-Mar-22
Non-current assets			
Property, plant and equipment	51.22	46.91	18.31
Capital work-in-progress	0.23	1.38	0.26
Intangible Assets	0.00	0.00	0.03
Financial Assets			
Loans and Advances	0.03	0.05	0.03
Other financial assets	151.46	149.81	95.49
Deferred Tax Assets (Net)	2.15	1.97	1.10
Total Non Current Assets	**205.08**	**200.12**	**115.22**
Current assets			
Inventories	**20.28**	**35.27**	**9.82**
Financial Assets			
Trade Receivables	112.27	104.11	56.52
Cash and cash equivalents	0.22	0.87	2.38
Bank balances other than cash and cash equivalents	120.46	147.65	89.89
Loans and Advances	0.06	0.07	0.05
Other financial assets	315.26	234.22	54.72
Other current assets	37.71	37.42	17.67
Current Tax Asset (Net)	1.54	1.44	1.31
Total current assets	**607.79**	**561.07**	**232.36**
Total Assets	**812.87**	**761.19**	**347.59**
Non-current liabilities			
Financial liabilities			
Borrowings	106.74	90.10	43.81
Other Financial Liabilities	31.03	14.54	9.83
Other Non Current Liabilities	0.00	0.00	5.94
Provisions	1.04	0.98	0.88
Total non-current liabilities	**138.81**	**105.61**	**60.46**
Current liabilities			
Financial liabilities			
Borrowings	198.85	143.50	20.73
Trade payables - MSME	17.02	10.92	32.04
Trade payables - other than MSME	58.82	152.13	65.48
Other financial liabilities	40.96	28.20	9.07
Other current liabilities	6.94	9.99	30.04
Provision	0.29	0.26	0.16
Current Tax Liabilities (Net)	30.57	19.98	2.71
Total current liabilities	**353.44**	**364.99**	**160.24**
Total	**492.25**	**470.60**	**220.70**
Net worth represented by:			
Equity Share Capital	136.85	136.85	25.62
Reserves and surplus	186.15	155.33	100.89
Non-controlling interests	-2.37	-1.59	0.37
Net Worth	**320.62**	**290.59**	**126.89**

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

E-mail: researchfeedback@smcindiaonline.com

Corporate Office:
11/6B, Shanti Chamber,
Pusa Road, New Delhi - 110005
Tel: +91-11-30111000
www.smcindiaonline.com

Mumbai Office:
Lotus Corporate Park , A Wing 401 / 402 ,
4th Floor ,Graham Firth Steel Compound,
Off Western Express Highway, Jay Coach Signal,
Goreagon (East) Mumbai - 400063
Tel: 91-22-67341600, Fax: 91-22-28805606

Kolkata Office:
18, Rabindra Sarani,
Poddar Court,Gate No.- 4, 5th Floor, Kolkata-700001
Tel: 91-33-39847000, Fax: 91-33-39847004

Investments in securities market are subject to market risks, read all the related documents carefully before investing. Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. The securities quoted are for illustration only and are not recommendatory. SMC is a SEBI registered Research Analyst having registration number INH100001849. CIN : L74899DL1994PLC063609.

SMC Global Securities Ltd. (hereinafter referred to as "SMC") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. SMC is a registered member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited, MSEI (Metropolitan Stock Exchange of India Ltd) and M/s SMC Comtrade Ltd is a registered member of National Commodity and Derivative Exchange Limited and Multi Commodity Exchanges of India and other commodity exchanges in India. SMC is also registered as a Depository Participant with CDSL and NSDL. SMC's other associates are registered as Merchant Bankers, Portfolio Managers, NBFC with SEBI and Reserve Bank of India. It also has registration with AMFI as a Mutual Fund Distributor.

SMC is a SEBI registered Research Analyst having registration number INH100001849. SMC or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities market. SMC or its associates or its Research Analyst or his relatives do not hold any financial interest in the subject company interest at the time of publication of this Report. SMC or its associates or its Research Analyst or his relatives do not hold any actual/beneficial ownership of more than 1% (one percent) in the subject company, at the end of the month immediately preceding the date of publication of this Report. SMC or its associates its Research Analyst or his relatives does not have any material conflict of interest at the time of publication of this Report.

SMC or its associates/analyst has not received any compensation from the subject company covered by the Research Analyst during the past twelve months. The subject company has not been a client of SMC during the past twelve months. SMC or its associates has not received any compensation or other benefits from the subject company covered by analyst or third party in connection with the present Research Report. The Research Analyst has not served as an officer, director or employee of the subject company covered by him/her and SMC has not been engaged in the market making activity for the subject company covered by the Research Analyst in this report.

The views expressed by the Research Analyst in this Report are based solely on information available publicly available/internal data/ other reliable sources believed to be true. SMC does not represent/ provide any warranty expressly or impliedly to the accuracy, contents or views expressed herein and investors are advised to independently evaluate the market conditions/risks involved before making any investment decision. The research analysts who have prepared this Report hereby certify that the views /opinions expressed in this Report are their personal independent views/opinions in respect of the subject company.

Disclaimer: This Research Report is for the personal information of the authorized recipient and doesn't construe to be any investment, legal or taxation advice to the investor. It is only for private circulation and use. The Research Report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. No action is solicited on the basis of the contents of this Research Report. The Research Report should not be reproduced or redistributed to any other person(s)in any form without prior written permission of the SMC. The contents of this material are general and are neither comprehensive nor inclusive. Neither SMC nor any of its affiliates, associates, representatives, directors or employees shall be responsible for any loss or damage that may arise to any person due to any action taken on the basis of this Research Report. It does not constitute personal recommendations or take into account the particular investment objectives, financial situations or needs of an individual client or a corporate/s or any entity/s. All investments involve risk and past performance doesn't guarantee future results. The value of, and income from investments may vary because of the changes in the macro and micro factors given at a certain period of time. The person should use his/her own judgment while taking investment decisions. Please note that SMC its affiliates, Research Analyst, officers, directors, and employees, including persons involved in the preparation or issuance if this Research Report: (a) from time to time, may have long or short positions in, and buy or sell the securities thereof, of the subject company(ies) mentioned here in; or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company(ies) discussed herein or may perform or seek to perform investment banking services for such company(ies) or act as advisor or lender/borrower to such subject company(ies); or (c) may have any other potential conflict of interest with respect to any recommendation and related information and opinions. All disputes shall be subject to the exclusive jurisdiction of Delhi High court.