

Type of Issue	Issue size Rs. Mn
Fresh Issue	5,725
Offer for Sale	780
Total	6,504
Post issue mkt cap*	25,978
Lot size	101 shares

***At Upper Price Band**

Issue Break-Up	
Reservation for	% of Issue
QIB	50%
NIB	15%
Retail	35%
Total	100%
Indicative Offer Timeline	
Indicative Offer Timeline	Indicative Date
Bid/Offer Opening Date	Nov 22, 2024
Bid/Offer Closing Date	Nov 26, 2024
Finalization of the Basis of Allotment	Nov 27, 2024
Credit of shares	Nov 28, 2024
Initiation of refunds	Nov 27, 2024
Listing Date	Nov 29, 2024
Use Of Proceeds	
Use Of Proceeds	Rs. In mn
Working Capital Requirements	1,810
Payment of outstanding borrowings	1,200
Infusion of fund in EIEL Mathura	300
General Corporate Purpose	
Lead Bankers	
Manager	Hem Securities
Registrar	Bigshare Services

Onkar Kelji
Research Analyst
onkark@indsec.co.in
 +91 22 61146103

Kartikey Kashyape
Research Associate
kartikeyk@indsec.co.in
 +91 22 61146111

Capitalizing on Govt strategies on water conservation

Company Overview

- Enviro Infra Engineers (EiE) is involved in the business of designing, construction, operation and maintenance of Water and Wastewater Treatment Plants (WWTPs) and Water Supply Scheme Projects (WSSPs).
- The company's WWTPs projects include Sewage Treatment Plants (STPs), Sewerage Schemes (SS) and Common Effluent Treatment Plants (CETPs) while WSSPs projects include Water Treatment Plants (WTPs) along with pumping stations and laying of pipelines for supply of water.
- In the last seven years, they have developed 28 WWTPs and WSSPs across India with 22 projects having a capacity of 10 million liter per day (MLD) and above.
- As on 30th June 2024, the company's aggregate order book stands at Rs. 19,063mn having 21 WWTPs and WSSPs projects. Execution time per project is 1.5-2.5 years depending upon the size of the project.
- The company bids for projects on EPC or HAM basis. Furthermore, they may also form a joint venture (JV) to pre-qualify for the bidding process. As on 30th June 2024, 5 projects are being executed in JV.
- All government projects are partly or fully funded under various central and state government schemes like Atal Mission for Rejuvenation and Urban Transformation, National Mission for Clean Ganga, and Jal Jeevan Mission.
- Under the initiative like "Waste to Energy", the company with help from government, is installing Compressed Bio Gas (CBG) plant to produce CBG from STP which will be sold to OMCs after purification. Furthermore, the company has also installed solar power plants to some of its projects which can be used for captive utilization or supplied to power grid.

Valuation & View: At an upper price band of Rs 148, the IPO is valued at an FY24 EV/EBITDA of 16.7x vs average of 14.6x for their listed peers. Over FY22-24, the company's Revenue/Ebitda/PAT has grown at a CAGR of 115.6%/107.3%/101.1% respectively. The order bid to conversion ratio stands at 39% on an average over the last three FYs. The growth for the company is tied to timely rollout of tenders from government schemes pertaining to wastewater treatment and water supply. However, in H1FY25, the tendering activity was subdued due to general election and is expected to pick up in H2FY25. Despite that, their order book position as on June 30, 2024, remains strong at Rs 19,063mn, offering revenue visibility of over 30 months on FY24 revenue basis. Project execution timeline for the current order book is 18-30 months. As highlighted above, the issue is valued higher than its listed peers on FY24 EV/EBITDA. This combined with sluggish tendering activity limits the upside potential. We thereby assign **"Subscribe for Long term"** rating to the IPO.

Enviro Infra Engineers Ltd

Shareholding Structure

Particulars	No. of Shares (in Mn)	% of Total Equity Capital	No. of shares (in Bn)	% of Total Equity Capital
	Pre-IPO		Post-IPO	
Promoter	128	93.7	128	72.7
Public	9	6.3	48	27.3
Total	137	100.0	176	100.0

*At upper price band

Selling Shareholders

Shareholders	Pre Offer	% of Total Shareholding	Offered	Post Offer	% of Total Shareholding
Sanjay Jain	50,925,000	37.2%	213,400	5,07,11,600	28.9%
Manish Jain	50,925,000	37.2%	213,400	5,07,11,600	28.9%
Ritu Jain	13,124,000	9.6%	50,000	1,30,74,000	7.4%
Shachi Jain	13,124,000	9.6%	50,000	1,30,74,000	7.4%

Issue Structure

(Rs. Mn)	Floor	Cap
Net Offer	6,153	6,504
QIB Portion (50% of Offer)	3,076	3,252
Non Institutional portion (15% of Offer)	923	976
Retail portion (35% of Offer)	2,153	2,277

Key Financial Summary

(Rs. Mn)	FY22	FY23	FY24
Revenue	2,235	3,381	7,289
EBITDA	500	817	1,693
EBITDA margin	22.4%	24.2%	23.2%
Adj. PAT	346	550	1105
Adj. PAT margin	15.5%	16.3%	15.2%

Peers' Financial Analysis

Particulars	Market Cap (Rs Mn)	FY22-24			FY24				
		Revenue CAGR	EBITDA CAGR	PAT CAGR	Revenue (Rs Mn)	ROE	ROCE	EV/EBITDA (x)	PE (x)
Enviro Infra Engineers Limited	25,978	115.6%	107.3%	101.1%	7,289	37.8%	41.2%	16.7	23.5
Listed Peers									
EMS Limited	413	48.4%	34.4%	37.7%	79	19.1%	23.9%	13.4	5.4
ION Exchange Limited	918	22.0%	12.8%	9.7%	235	19.1%	23.5%	21.8	36.5
Va Tech Wabag Limited	1,051	-2.1%	25.1%	36.3%	286	14.0%	17.0%	11.6	15.7
Vishnu Prakash R Punglia Limited	333	36.9%	55.4%	64.7%	147	16.9%	27.6%	11.5	16.4
Average								14.6	18.5

Key Risks

- **Tendering Risk:** The company is dependent on Central & State government and Local Urban bodies for projects pertaining to WWTPs and WSSPs. Any reduction in the budgetary allocation or support by the Central and/or the State Governments would lead to lower number of contracts for bidding. Further increase in the time gap between invitation for bids and award of the contract will also lower tendering opportunities. Projects where bids have been successful, there may be delays in award of the projects and/or notification of appointed dates. This could affect business prospects and financial performance of the company.
- **Pre-qualification risk:** Bidding in the tender requires meeting prescribed qualification criteria individually or along with JV partner. Inability to meet the qualification criteria or modification in qualification criteria such that the company is unable to qualify could materially affect results of operations and financial conditions.
- **Working Capital Risk:** The nature of the business is working capital intensive. The working capital requirement involves providing of performance bank guarantees for the work awarded to the Company for which cash margin has to be provided. It is also required to finance the purchase of raw materials, equipment, mobilization of resources and other work on projects before payment is received from clients. Adversities in the business could lead to cost overruns, stretch in working capital days and increase in debt to satisfy cash needs. This could materially impact business operations, financial performance and cash flow.
- **Joint Venture Partner Risk:** They enter into joint ventures to bid for projects where individually they are not qualified and depends significantly on the capability of the JV partner to carry out business. If the partner fails to perform or goes out of business, the company may be required to make additional investments and/ or provide additional services to ensure the adequate performance and delivery of the contracted services. This could adversely affect the financial performance, profitability and cash flow generation of the company.
- **Raw Material Risk:** EPC projects involves procurement of raw materials required for the project completion. This subjects the company to risk of rising and fluctuating raw materials prices, steel and cement. Any unexpected price fluctuations after placement of orders, shortage, delay in delivery, quality defects, or any factors beyond their control may result in an interruption in the supply of such materials and adversely affect their business, financial performance and cash flows.

Strengths:

- **In house designing, engineering and execution team:** The company carries out designing, engineering and execution of complex and critical projects in-house. This enables them to correctly bid with project specifications and provide quality services in a timely and cost-effective manner. This also reduces their dependence on outsourcing engineering and design work to third party consultants. The in-house team also offer tailor made solutions for WWTPs and WSSPs.
- **Diversified Order Book of projects across India:** The company engages in execution of diverse projects like WWTPs including CETPs, STPs and SS and WSSPs both on Engineering, Procurement and Construction (EPC) and Hybrid Annuity Mode (HAM) basis. The current order book comprises of 21 WWTPs and WSSPs aggregating to Rs 19,062.8mn. Apart from this, they also have 40 O&M contracts, which ensures steady cash flow to the company as well as adds to their margins.
- **Eligibility and Capability to bid for high value projects:** As on June 30, 2024, they have executed 22 projects with 10 MLD capacity and above. Further its integrated in-house team of project management, designing and engineering teams built on its ability to participate for large size and high value project in future.
- **Constantly adopting advanced technologies in the construction and installation of WWTPs or WSSPs:** Enviro has utilized technologies like Sequential Batch Reactors (SBR) and High Rate Anaerobic Digester (HRAD) for Biological Nutrient Removal (BNR). Further, they have offered Moving Bed Biological Reactor (MBBR) in various combinations like Integrated Fixed Film Activated Sludge (IFAS) in already existing/ partly build systems. Over the years they have deployed several tertiary treatment technologies such as dual media filters, activated carbon filters, rapid sand gravity filters, chlorination, UV treatment. They are also providing disc filters, ultra-filtration in their ongoing projects.

Strategies:

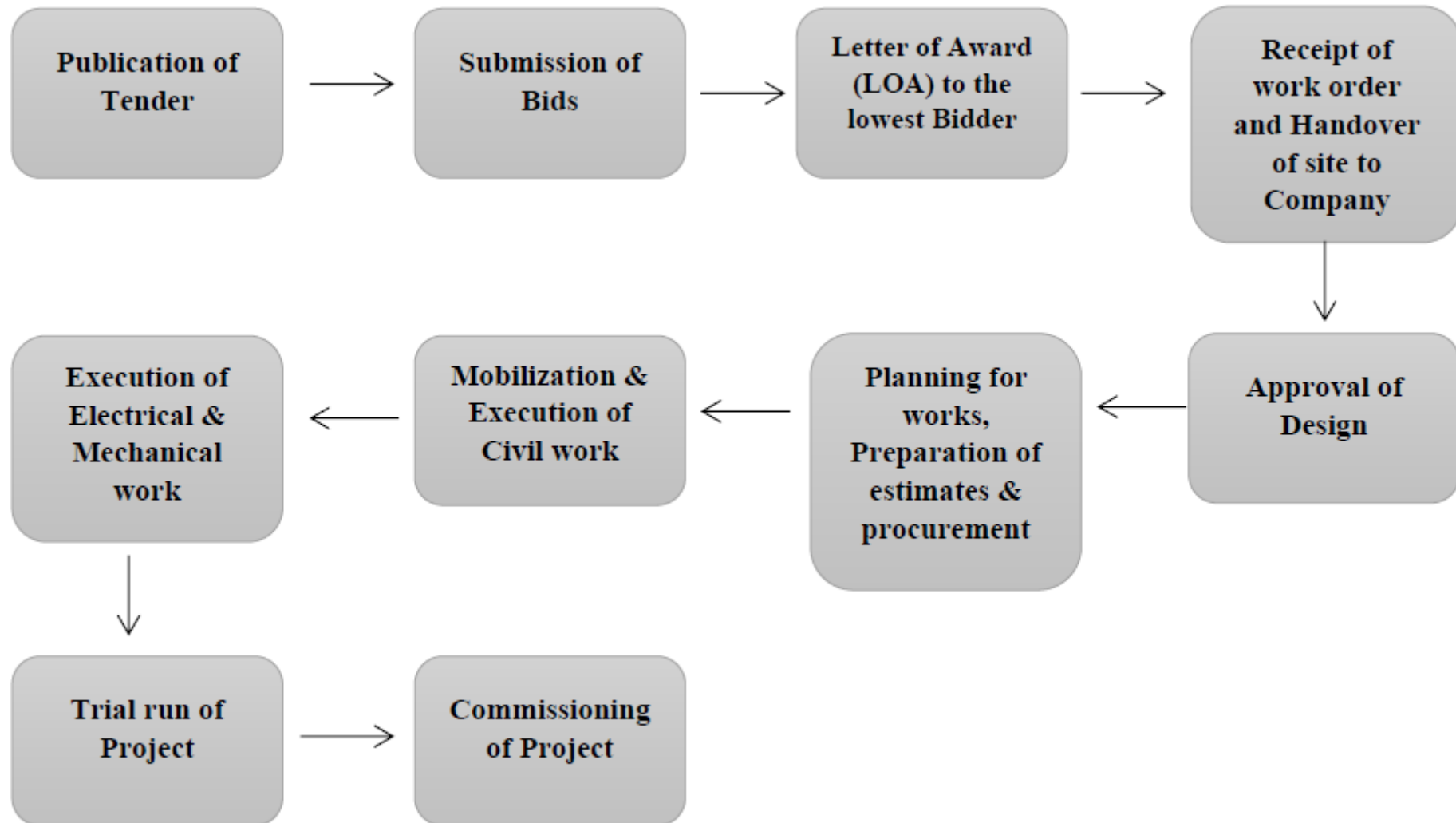
- **Aim for Larger Project Size:** The company aims to increase the size of its STP projects from 50 to 200 MLD and its CETP projects from 20 to 50 MLD. They will intentionally pursue such big projects independently as well as in partnership. Large projects typically have less competition and help the company negotiate favorable terms. Furthermore, this will enable the company to command better margins, efficiently utilize resources, and achieve economies of scale.
- **Geographical expansion:** As on 30th June 2024, the company has projects in seven states in north, west and central India. They plan to further expand their operations in east and southern India. The company has been awarded projects in Jharkhand and Karnataka and has bid for projects in Odisha, West Bengal, and Goa. This will reduce any risk arising out of a particular geography. The company will also be able to take advantage of schemes of various states.
- **Leverage “Waste to Energy” initiative as part of projects:** The company through its “Waste to Energy” initiative has installed Compressed Biogas (CBG) plants and Solar power plants at some of the project sites. The CBG plants help to produce CBG from STPs which is then purified and sold to oil marketing companies. Furthermore, using the solar power plants they can use the power generated for captive use or supplied to the grid. This reduces the carbon footprint and provides additional revenue streams.
- **Increasing mix of HAM projects:** The company aims to increase its HAM portfolio as in these projects the government funds for 40% of the project cost, while the contracting company needs to arrange funds for the remaining 60%. This reduces the burden on the company to raise funds for entire projects like in the case of EPC. Further payments in EPC are milestone based, which increases the risk of more leverage. Thus, HAM projects provide better liquidity and reduce the liability for the company. EiE is currently working on two HAM projects and has received a Letter of Award for one project.

Order Characteristics

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	

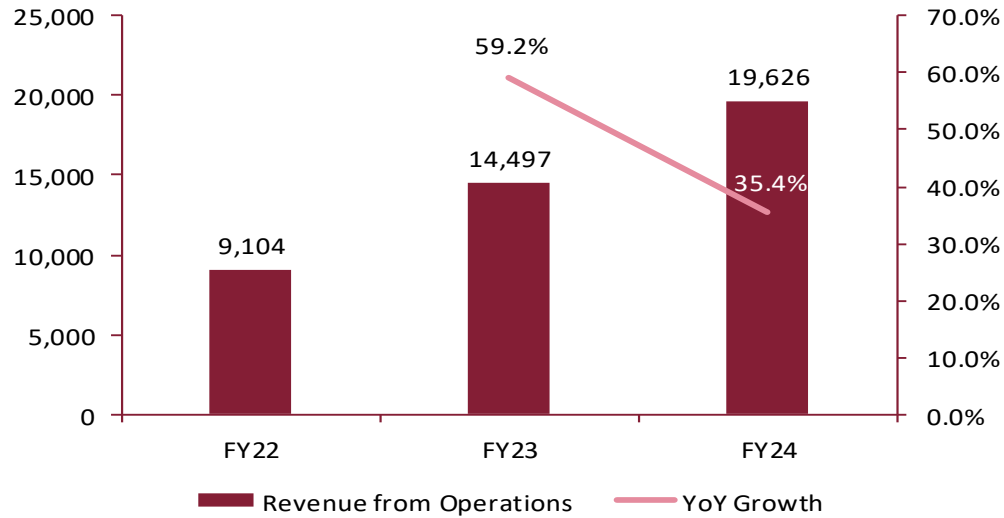
Bids Conversion

Particulars	FY22	FY23	FY24
Bids submitted	29	26	24
Less: Cancelled/ Awaited/ Pending Result	5	4	5
Net bids submitted	24	22	19
Awarded	4	9	11
Successful Conversion of Bids (in %)	16.7%	40.9%	57.9%

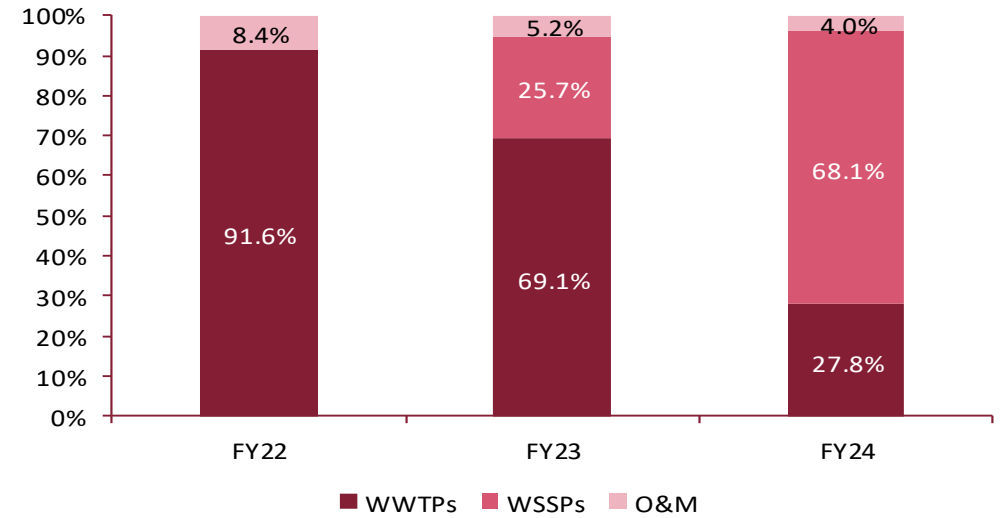
Project Cycle

Enviro Infra Engineers Ltd

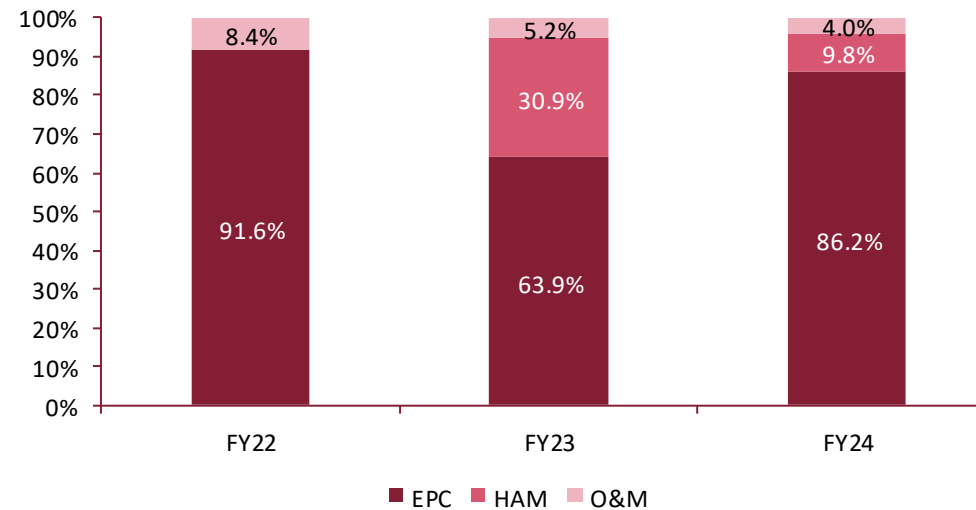
Revenue (Rs. Mn)



Segment wise Revenue

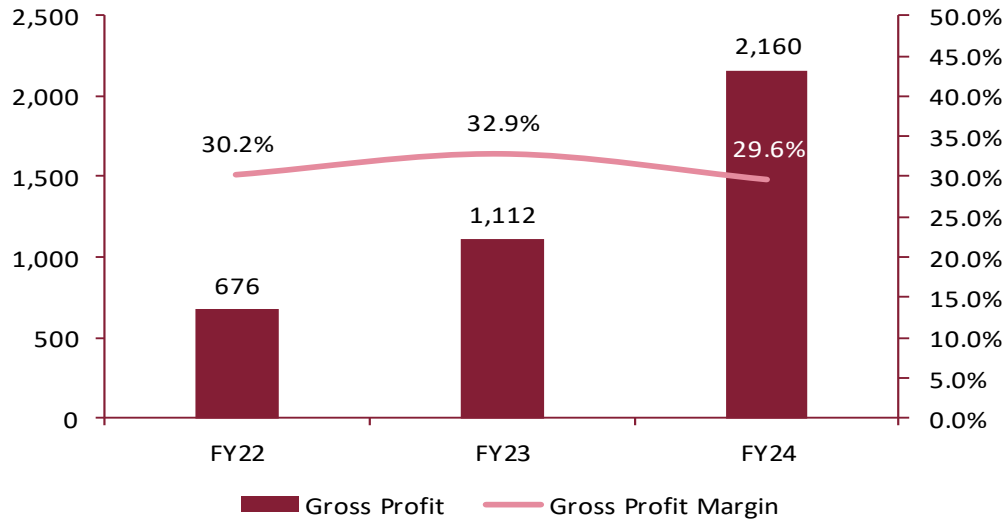


Revenue by Execution Model

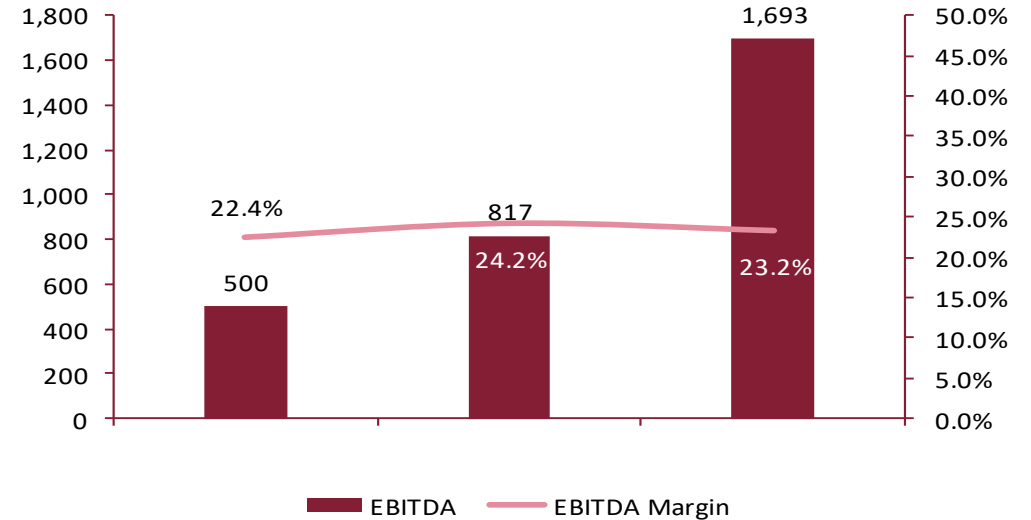


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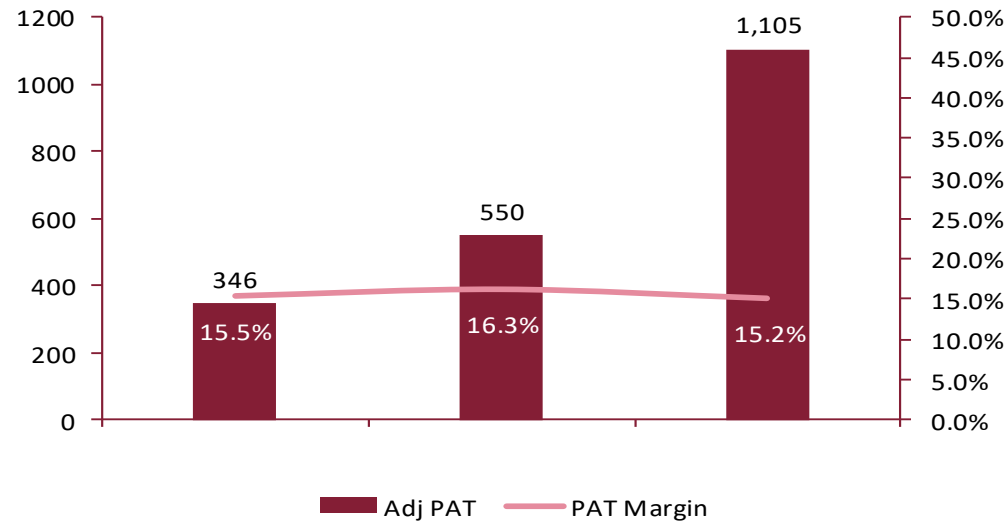
Gross Profit (Rs. Mn)

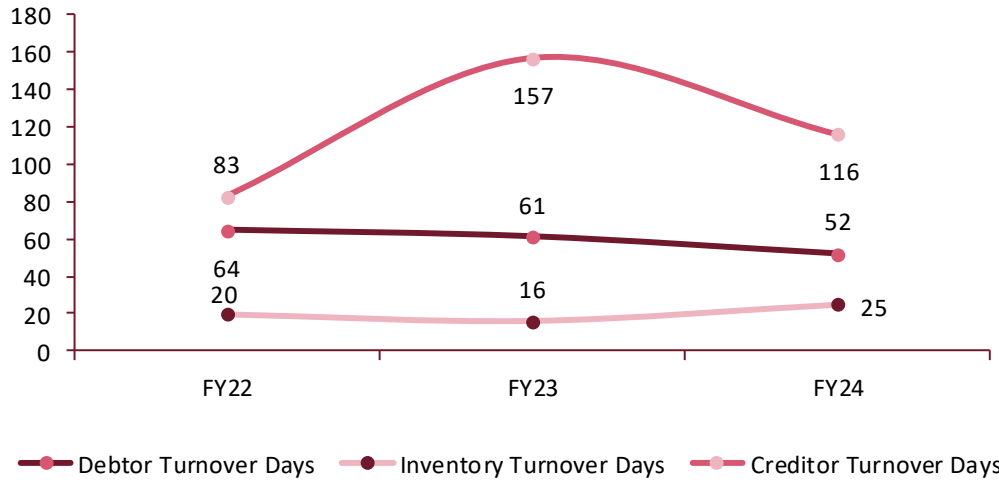
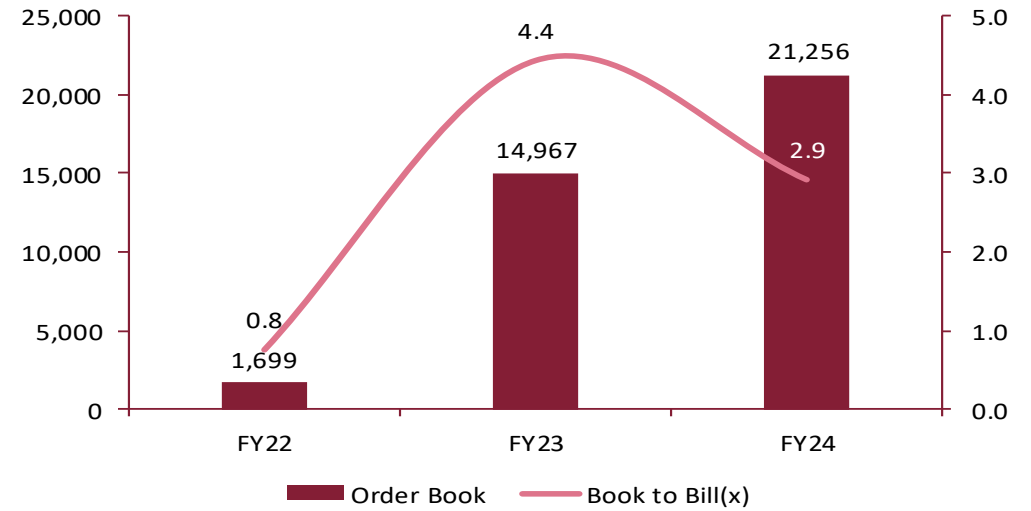
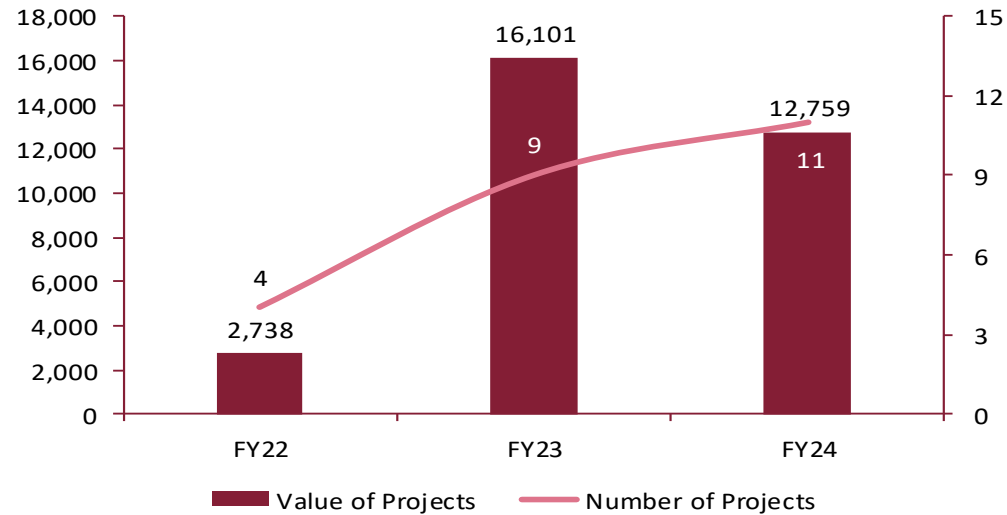


EBITDA (Rs. Mn)



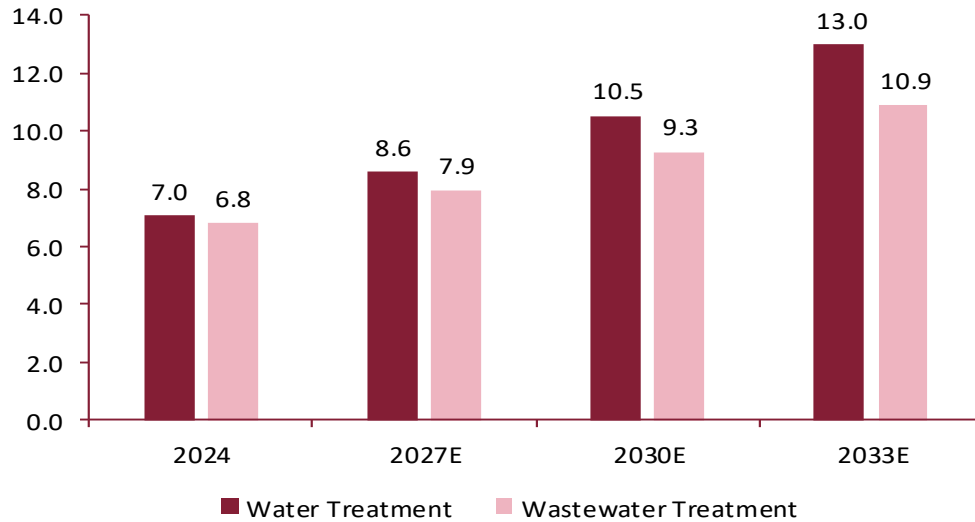
Adj. PAT (Rs. Mn)



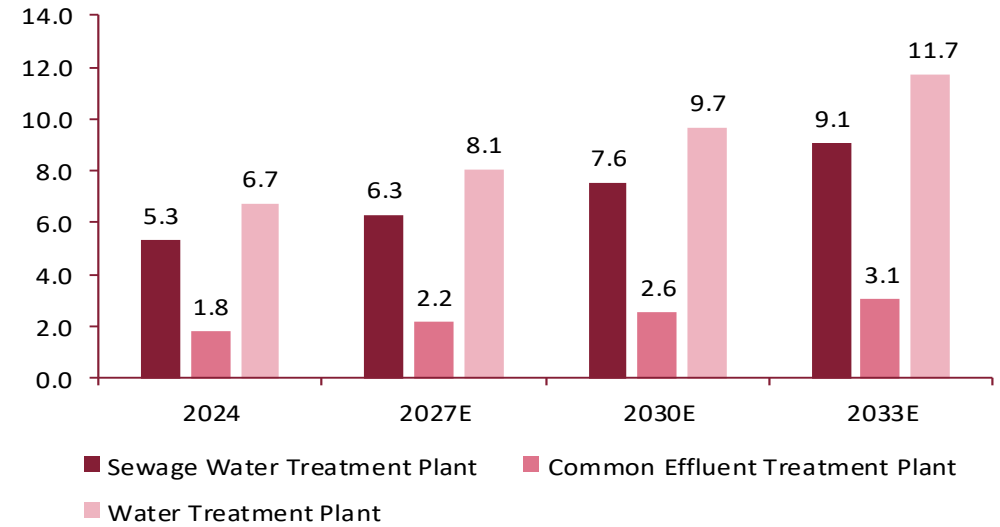
Turnover Days

Order Book (Rs. Mn)

Value of Projects (Rs. Mn)


Industry Overview

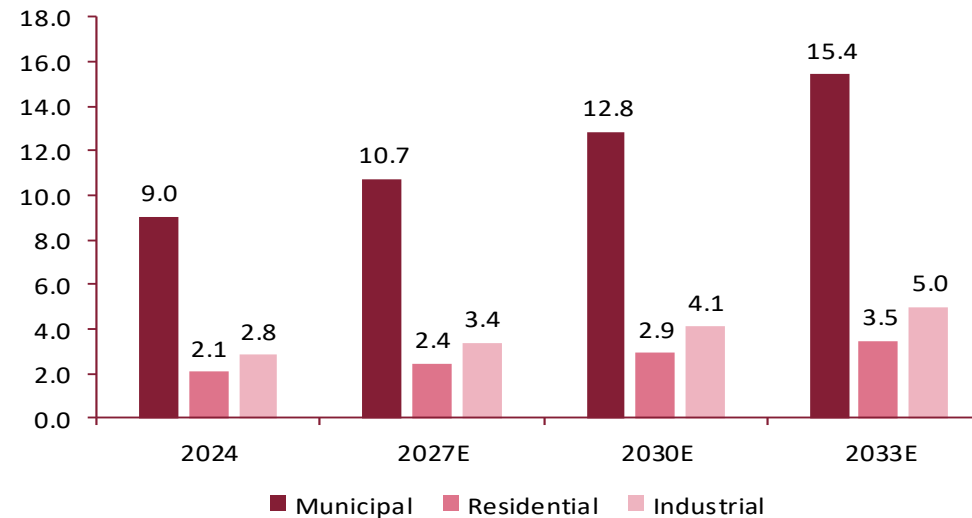
India Water & Wastewater Treatment Market Revenue By Type (\$ Bn)



India Water & Wastewater Treatment Market Revenue By Application (\$ Bn)

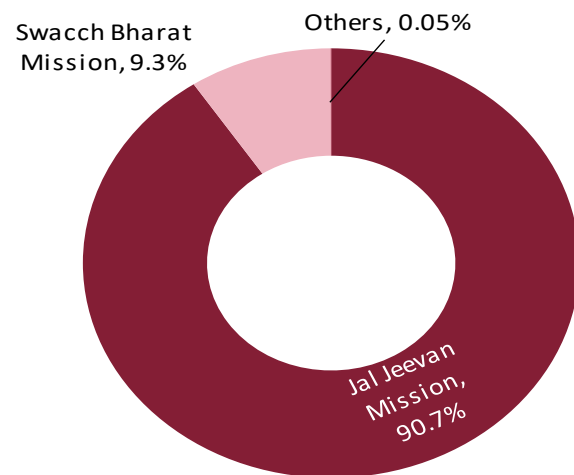


India Water & Wastewater Treatment Market Revenue By End-Use (\$ Bn)

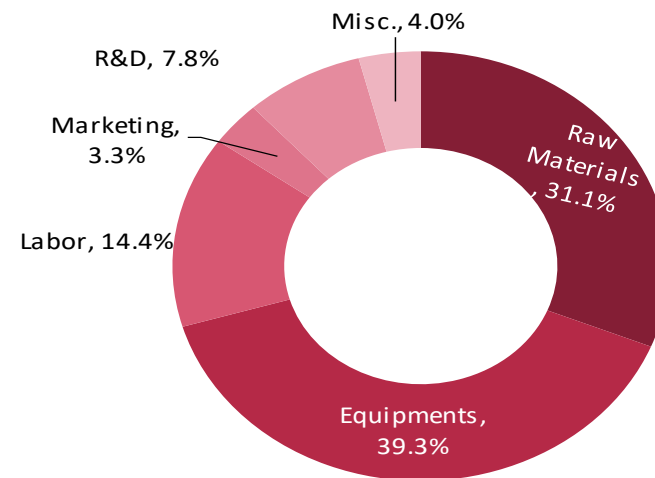


Industry Overview

BE Allocation for Department of Drinking Water and Sanitation for FY2024-25



Water and Wastewater Treatment Market Cost Structure Analysis



INDSEC Rating Distribution

BUY : Expected total return of over 15% within the next 12-18 months.

HOLD : Expected total return between 0% to 15% within the next 12-18 months.

SELL : Expected total return is negative within the next 12-18 months.

NEUTRAL: No investment opinion, stock under review.

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