Rating Rationale

Brickwork Ratings reaffirms 'BWR BBB-' & 'BWR A3' rating for Bank Credit Facilities aggregating ₹ 60 Cr of Ecofil Technologies India Pvt Ltd. ("ETIPL" or "the Company")[1]

Brickwork Ratings (BWR) has reaffirmed the **Rating**[1] of **BWR BBB-** (Pronounced BWR Triple B minus) with a stable outlook for the long term Bank credit facilities of Rs. 20 Cr and **'BWR A3'** (Pronounced BWR A Three) for the Short term Bank credit facilities of Rs. 40 Cr of **Ecofil Technologies India Pvt Ltd.** ("ETIPL" or "the Company")[1], availed through Axis banks.

Facility	Limits (Amt in Cr.)	Tenure	Rating
Cash Credit (Sub Limit of LC)	(5.00)	**Long Term**	**BWR BBB-** (Pronounced Triple B minus) **Outlook- Stable**
OCC	20.00		
Bank Guarantee	35.00	**Short Term**	**BWR A3** (Pronounced A Three)
Letter of Credit	5.00		
ILC/FLC (Sub Limit of OCC)	(10.00)		
Total	**60.00**	**(INR Sixty Crores only)**	

The rating reflects promoters experience and expertise in environment business, long standing relations with reputed customer's base, strong order book reflecting healthy revenue visibility, capital infusion by promoters to support future growth plans, favourable long term demand prospects for the water/waste water treatment projects, conservative capital structure with low leverage and comfortable coverage indicators, and promoters ability to infuse further equity as per business requirement

The rating is however constrained by vulnerability of the profitability to competitive pressures, fluctuations in the prices of raw materials particularly in case of fixed price based contracts as well as high working capital inherent in the EPC business, on-going weak macroeconomic conditions & difficult operating environment with increasing competitive pressures could affect the order inflows in the near to medium term and relatively modest scale of business limiting economics of scale.

[1] ***Please refer to www.brickworkratings.com for definition of the Ratings***

Background

Ecofil is a company with primary focus on water infrastructure, water and waste water management business in the municipal segment. The majority share of the Company (~94%) is held by M/s Clearwater Capital Partners (CCP), a private equity fund with focus on Asia. Ecofil has multi-disciplinary process/design team capable of providing appropriate solutions based on conventional technologies in water/waste water treatment. For any specific patented technology to be adopted in a particular situation, Ecofil enters into MOU/JV for utilizing/incorporating the patented technology as part of the process design requirement. Ecofil is led and managed by professionals who are experienced in planning and execution of mega projects. Professionals who have relevant experience in water infrastructure, water& waste water management and infrastructure business in industrial as well as municipal segments, have been selected for driving Ecofil growth in building a robust and profitable portfolio of MSW projects.

Financial performance

The sales of the company have increased from 44.7Cr in FY13 to 57Cr in FY14. The revenue growth has been modest in 2015 but as the pace of project has ramped up & the company expect to achieve sales of 75Cr for FY16. EBITDA margin has declined marginally in FY14 to 5.97% compared to 8.21% in FY13 due to more excavation work in overseas project resulting higher operating expenses. Going head the EBITDA levels are expected to improve significantly on account of increase in volumes & better realization. The company has strong order book of approx. Rs. 740 crores spread over 5 years, which majority of overseas project having better profitability. The company is expected to generate better revenues going ahead on account of better execution of projects.

Debt levels mainly consist of non-fund based working capital limits which is generally required in such kind of business. Debt levels are expected to increase marginally going ahead due to increase in working capital requirement. Debt equity of the company is very low on account of non-fund based debt requirements, high networth of the company. Net worth of the company has been on upward trend on account of better profitability which is again ploughed back into the business and equity infusion by promoters. In current year promoters has infused approx. Rs. 51.5 crores in the company which has resulted in significant improvement in networth. Coverage indicators improved in FY14 backed by better operating performance, going ahead expected to remain at comfortable levels on account of modest debt levels and improvement in operating performance.

Outlook

Going forward, the Company's ability to execute the orders in timely manner without any cost escalation, while maintaining favourable capital structure and effectively manage its working capital along with the substantial improvement in revenues & profitability would be key rating sensitivities for the firm. The outlook is expected to be stable over the coming year and the performance is estimated to be steady and in line with past performance.

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