

26 November 2024

Enviro Infra Engineers – SUBSCRIBE

Investment Thesis

Enviro Infra Engineers Ltd. (EIEL) is coming out with an initial public offering (IPO) on November 22, 2024. The issue comprises of fresh issue of 38,680,000 equity shares worth Rs.5,724.60mn at highest price band and offer for sale of 5,268,000 equity share worth Rs.779.70mn. Objective of the issue is to fund its subsidiary, EIEL Mathura Infra Engineers Pvt. Ltd. (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.

EIEL 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. WWTPs include Sewage Treatment Plants, Sewerage Schemes and Common Effluent Treatment Plants while WSSPs include Water Treatment Plants (WTPs) along with pumping stations and the laying of pipelines for water supply. It participates in tenders floated by state governments and ULBs for developing WWTPs and WSSPs on an EPC or HAM basis. Upto June 30, 2024, EIEL has successfully developed 28 WWTPs and WSSPs across India in the last 7 years, including 22 projects of 10 mn liters per day (MLD) capacity and above.

EIEL aligns its strategy with government programs like Namami Gange and Jal Jeevan Mission, which focus on cleaning the Ganga River and providing clean drinking water to rural households. Leveraging its expertise in municipal projects, EIEL supports government objectives of improving water access and reducing pollution. With a proven track record in public sector projects, the company is a preferred partner for government-backed initiatives. These programs, particularly the Jal Jeevan Mission, present multi-billion-dollar opportunities with extensive project pipelines. EIEL's alignment ensures a steady flow of high-value projects, driving its growth and strengthening its national reputation. This strategic positioning enables the company to capitalize on opportunities, contributing to significant socio-environmental goals while enhancing its market presence.

EIEL is expanding across underdeveloped tier II and III cities through its subsidiaries. These localized operations enhance project delivery and client engagement. Urbanization and population growth drive infrastructure demand, with programs like AMRUT and Smart Cities Mission offering significant opportunities to improve urban water systems. By targeting regions with high infrastructure needs, EIEL secures consistent project opportunities, strengthens its operational base, and positions itself for long-term growth in India's evolving infrastructure landscape.

Revenue from business Verticals

- EIEL's revenue grew at a CAGR of 80.4% during FY21-24 while PAT grew by a CAGR of 132.7% during the same period.

Consol. (Rs.Mn.)	FY22	FY23	FY24	Q1FY25
Revenue	2,235	3,381	7,289	2,075
EBITDA	500	817	1,665	513
EBITDA Margin (%)	22.4%	24.2%	22.8%	24.7%
PAT	346	550	1,084	308
EPS (Rs.) #	2.0	3.1	6.2	1.8
P/E (x) *#	75.2	47.3	24.0	
RoE (%) #	14.1%	19.9%	32.8%	

* At highest price band # Post listing

IPO Details

Issue Open Date	22 November 2024
Issue Close Date	26 November 2024
Price Band (Rs.)	Rs.140 – Rs.148
Issue Size*	Rs. 6,504.30Mn
Issue Size (Shares)	43,948,000
Market Lot	101 Shares
Listing Exchanges	BSE and NSE
Face Value (Rs.)	Rs. 10/-

* At highest price band

Key Details

Fresh Issue*	Rs.5,724.60Mn
Issue Type	Book Building
Book Running Lead Manager	Hem Securities
Issue structure	QIB: 20.0% Non Institutional: 15.0% Retail: 35.0% Anchor Investors: 30.0%
Credit of Shares to Demat Account	28 November 2024
Issue Listing Date	29 November 2024

* At highest price band

Key Business Highlights

- EIEL specializes in designing, constructing, operating, and maintaining water and wastewater treatment plants (WWTPs) and water supply projects (WSSPs) for government entities. Its projects include sewage treatment, effluent treatment, water treatment plants, and pipeline systems. The company's role in infrastructure development aligns with growing urbanization, industrialization, and regulatory demands for environmental sustainability.
- EIEL thrives in the expanding water and wastewater treatment market driven by urbanization, industrialization, and regulations. It supports government programs like the Smart Cities and Jal Jeevan Missions, securing long-term EPC and O&M contracts for stability.

Valuation

- EIEL is expanding into the industrial sector, focusing on industries like pharmaceuticals, food processing, textiles and chemicals, which need advanced effluent treatment systems. Growing regulatory scrutiny on water use and pollution drives demand for specialized wastewater solutions. EIEL's expertise in designing custom projects that meet environmental standards positions it as a key player. This move diversifies its revenue streams, reducing reliance on government contracts. As industries increasingly adopt Environmental, Social, and Governance (ESG) frameworks, the demand for sustainable wastewater solutions is rising. EIEL is well-placed to meet this need by delivering innovative, tailored systems to its industrial clients.
- EIEL engages in Public-Private Partnership (PPP) models, enabling collaboration with governments and private stakeholders for large-scale projects. This approach balances risk, reduces capital needs, and ensures access to major contracts. PPPs, especially under initiatives like the Smart Cities Mission, offer EIEL significant growth opportunities through shared expertise and government funding.
- EIEL is expanding into international markets like Southeast Asia, Africa, and the Middle East, addressing challenges such as water scarcity and inadequate infrastructure. Its scalable, cost-effective solutions are ideal for emerging economies, reducing reliance on the domestic market and accessing larger projects. This global diversification positions EIEL as a key player in environmental engineering, capitalizing on the rising global emphasis on water infrastructure and sustainability while strengthening its presence in developing regions.
- With focus on design, construction, operation and maintenance of water and Waste-Water Treatment Plants (WWTPs) and water supply projects, association with government programs like Namami Gange and Jal Jeevan Mission, focusing on industries like pharmaceuticals, food processing, textiles and chemicals and expanding into international markets, we are recommending SUBSCRIBE rating to the IPO of Enviro Infra Engineers Ltd. (EIEL) for medium to long term perspective.

Risk & Concern

- EIEL relies heavily on government projects, however, these projects are vulnerable to delays in approvals, changing political priorities or budget reallocations. Any delay or deferral in key government projects could adversely affect EIEL's revenues and project execution timelines.
- The industry in which EIEL works is rapidly evolving, with new technologies emerging in water and wastewater management. Failure to adopt or integrate these technologies into its offerings could render EIEL's services obsolete or less competitive.

Graphs & Charts

Figure 1: Net Sales Trend

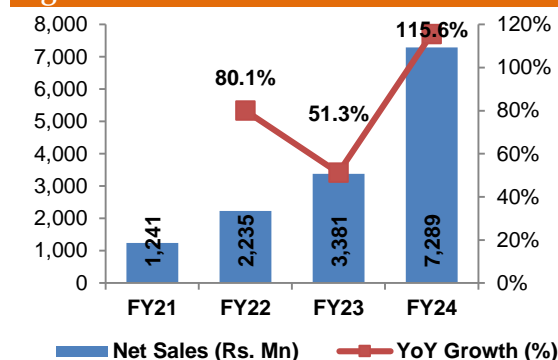


Figure 2: EBITDA & EBITDA Margin Trend

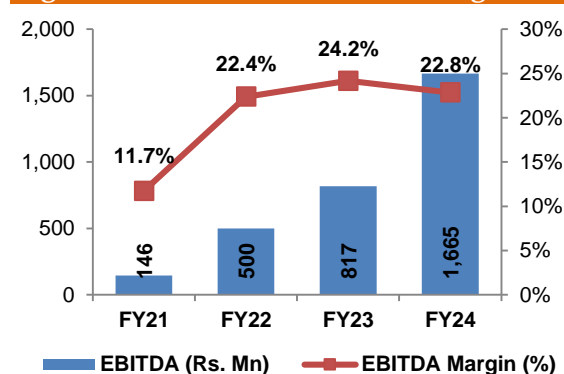
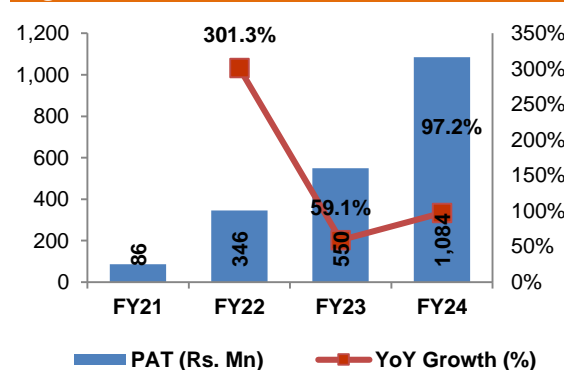


Figure 3: PAT Trend



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