

APRIL 21, 2016

## CARE ASSIGNS 'CARE A-' AND 'CARE A1' RATINGS TO THE BANK FACILITIES OF SFC ENVIRONMENTAL TECHNOLOGIES PRIVATE LIMITED

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities (Fund-based)	10	<b>CARE A- [Single A Minus]</b>	Assigned
Short-term Bank Facilities (Non-fund-based)	40	<b>CARE A1 [A One]</b>	Assigned
Long/Short-term Bank Facilities (Non-fund-based)	10	<b>CARE A-/CARE A1 [Single A Minus/A One]</b>	Assigned
<b>Total Facilities</b>	<b>60 (Rupees Sixty crore only)</b>		

### Rating Rationale

The ratings assigned to the bank facilities of SFC Environmental Technologies Private Limited (SFC) factors in the technical expertise, competence and competitive advantage developed over advanced sequential batch reactor technology for sewage treatment plant by the company. Also, the ratings favourably factor experienced promoters, strong liquidity position, moderate order book position, comfortable debt coverage indicators and robust operating margins of the company. Besides, adequate credit risk protection measures undertaken including majority of the sales being backed by letter of credit adds further to the rating comfort.

However, the rating strengths are tempered by support provided by SFC to its group entities for foraying into solid waste management business and extended credit period being required to be offered to the customers resulting in elongated working capital cycle. Additionally, the risk of technology obsolescence and vulnerability to the economic cycle are inherent risks to the nature of the sewage treatment business.

The company's ability to effectively improve the working capital cycle whilst scaling up operations and pertinently maintaining operating margins, and any significant support to group entities other than envisaged are the key rating sensitivities.

### Background

SFC Environmental Technologies Private Limited (SFC) has a track record of more than 10 years and is promoted by Mr Sandeep S Asolkar, Ms Aparna Kapoor and other associates. The promoter group holds 100% equity stake in the company, wherein 80% equity stake is held by Enviropro Water Tech Private Limited, an investment company of the promoters and balance 20% equity stake is held by the promoters in their personal capacity. The company supplies core equipment required in sewage treatment plants. The company utilises an advanced sequential batch reactor technology for treating of water and holds worldwide patent for Cyclic Activated Sludge Technology (also known as C-Tech), the patent is expiring on June 21, 2016. However, with in-house technical know-how developed on usage and adaption of the technology to suit Indian operations, the same is not expected to significantly impact the business of the company in India. C-Tech technology is utilised extensively for treating domestic sewage and industrial effluents. The company has completed more than 300 projects till date across India.

In FY11 (refers to the period April 1 to March 31), SFC acquired 51% equity stake in Chavare Engineering Private Limited (Chavare) for a consideration of Rs.8.16 crore. Chavare is one of its suppliers, manufacturing programmable logic controllers (PLC) and electric panels. Currently, Chavare is an independently managed company and SFC is not involved in the day-to-day operations of Chavare.

In FY14, the company commenced sale of blowers required in sewage treatment plant for expansion of its product portfolio.

In FY16, the company forayed in solid waste management through a group entity; Hindustan Waste Treatment Private Limited (HWTPL).

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

During FY15, SFC's net profit stood at Rs.15 crore on a total operating income of Rs.97 crore vis-à-vis net profit of Rs.10 crore on a total operating income of Rs.90 crore in FY14.

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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