

SFC Environmental Technologies Limited

April 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	49.99	CARE A; Positive	Reaffirmed; Outlook revised from Stable
Long-term / Short-term bank facilities	250.01	CARE A; Positive / CARE A1+	Reaffirmed; Outlook revised from Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities of SFC Environmental Technologies Limited (SFC) continue to factor in its established presence as a technology provider in the wastewater treatment segment, resulting in repeat orders and healthy order book position providing medium term revenue visibility. The company's plan to diversify in the solid waste treatment segment and expected orders from this segment, is further expected to benefit the company in the medium term. Increasing revenue and gradual pick up in backward integration has benefitted the company in maintaining healthy operating margin at over 20% in the last three years and is expected to continue in the coming years. Despite growing business, the company's debt level continues to remain low translating to a comfortable capital structure. Ratings continue to benefit from SFC's strong liquidity position as reflected by expected healthy gross cash accruals (GCA) and sizeable free liquidity as fixed deposits.

However, strengths are offset by elongated working capital cycle at year-end due to major revenue booking at year-end, considering the nature of business. The company is also exposed to competition in solid waste treatment division, due to government initiatives resulting in ample opportunities in the industry. The company's plan to diversify into solid waste treatment project exposes it to execution risk, mitigated to some extent by its track record.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant improvement in total operating income (TOI) above ₹800.00 crore and its sustainability.
- Maintaining profitability over 22% on a sustained basis.

Negative factors

- Deterioration in profit before interest, lease rentals, depreciation and taxation (PBILDT) margin below 15%, on a sustained basis.
- Adjusted overall gearing above 0.75x, on a sustained basis.
- Deterioration in the company's liquidity profile.

Analytical approach: Consolidated

Consolidated approach has been adopted as subsidiaries are in the same line of business. Subsidiaries are listed under Annexure-6.

Outlook: Positive

Revision in the outlook from stable to positive factors in expectation of significant improvement in TOI backed by healthy order book and expectation of new orders from solid waste treatment projects, while maintaining strong operating profitability. The outlook may be revised to 'Stable' in case of lower-than-envisaged performance.

Detailed description of key rating drivers:

Key strengths

Stable performance in FY25; expected to improve in the near-to-medium term

Increasing thrust by government in form of initiatives and missions to address the issue of water pollution and water scarcity, is expected to continue creating opportunities in wastewater treatment industry. The wastewater treatment segment continues to remain major revenue contributor at 80% in FY24 (FY23: 73%). SFC provides its technology to wastewater treatment plants and solid waste treatment plants. Considering all these factors, SFC's performance is expected to improve in the medium term. The company has achieved revenue of ₹705 crore per FY25 Provisionals. Given the healthy order book and timely execution, the

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

company's TOI on consolidated basis grew by 25% at ₹649.65 crore in FY24 (FY23: ₹519.16 crore). The company has large order book pipeline in solid waste and sewage treatment segment, which is expected to significantly improve its performance in the medium term. However, the timeline is subjective to shift, basis the approval process and receipt of orders.

Continuance of healthy operating margin

SFC's backward integration into manufacturing products with application in its proprietary technology is expected to benefit the company in the medium-to-long term. The in-house manufacturing via its subsidiaries and associates is expected to improve the company's operating efficiency with better control on cost. Strengthening of this value chain is expected to improve its operating margin in the medium-to-long term. Operating margin though continued to remain healthy, declined in 9MFY25 at 14% (9MFY24: 23.75%) due to increase in personnel cost backed by increasing hiring expense for upcoming solid waste project amidst low revenue booking in 9MFY25. In FY24, consolidated operating margin stood healthy at 28.53% (FY23: 24.00%)

Healthy order book and reputed clientele

The company's order book, on a standalone basis, stood at ₹812.85 crore as on March 07, 2025, (As on March 04, 2024: ₹706.10 crore). This is expected to improve, considering the order flow expected from orders in wastewater treatment and solid waste treatment projects. With material order in advanced stage of discussion and pending approvals, which is expected to be awarded in the upcoming financial year. The clientele includes reputed and credit worthy infra companies.

Comfortable capital structure and debt coverage metrics

Debt structure is expected to be remain comfortable owing to the company's low leverage position and sizeable accruals strengthening net worth. Consolidated net worth stood at ₹545.62 crore as on March 31, 2024 (as on March 31, 2023: 403.47 crore). Despite the company's plan of investment and capex in the medium term, leverage is expected to remain comfortable as sizeable portion will be funded by internal accruals. With expected increase in orders, the working capital facility is expected to increase but remain comfortable. The company's consolidated debt profile majorly comprises term loan, working capital facility, and loan in subsidiary extended by directors. Overall gearing continues to remain below unity to 0.42x as on March 31, 2024 (as on March 31, 2024: 0.26x). Interest coverage stood healthy at 17.79x in FY24 (FY23: 29.76x).

Key weaknesses

Elongated working capital cycle

The working capital cycle continues to be elongated at year-end as major (over 50%) revenue is booked in the last quarter of the financial year. Generally, the collection period of 60-90 days is extended by the company to its customers. The average collection period in FY24, on consolidated basis, stood at 176 days (FY23: 145 days). Clients are mainly private sector companies that have long-standing relationships with SFC. While the working capital cycle remains elongated, they are largely backed by letter of credit (LC), mitigating losses.

Exposed to regulatory risks and competition from industry players

The waste-water treatment industry depends on government regulations and policies as major clientele are urban local bodies. Changes in government regime or shift in focus of public spending away from wastewater treatment could have adverse implications for the company. While SFC has private entities (engineering, procurement, and construction [EPC] players) as its clients, the ultimate project funding depends on government spending, which exposes receivables to risk of delays due to fiscal constraints at urban local bodies. The company is also exposed to competition from other industry players in wastewater and municipal solid waste management segments. However, the company's long track record and sizeable market share mitigate the risk to an extent.

Liquidity: Strong

The company's liquidity is strong with projected GCAs in the range of ₹120-150 crore per annum in the next 1-2 years against scheduled debt repayment obligations of ~₹10 crore per annum. The strong liquidity is also reflected by free fixed deposits (FDs) of ₹92.00 crore available with the company as on December 31, 2024. Moreover, the maximum utilisation of non-fund-based limit is 49% and that of fund based is ~6% for 12 months ended January 2025. The company's liquidity factors in the company's plan of investment and capex in the medium term.

Applicable criteria

[Consolidation](#)
[Definition of Default](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Financial Ratios – Non financial Sector](#)
[Service Sector Companies](#)
[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Utilities	Other utilities	Waste management

Based in India, SFC is a global water and waste-water group of companies having its offices in India, Austria, Poland, Vietnam, Czech Republic, Egypt and China and has a worldwide sales representative network. Indian operations are handled by SFC Environmental Technologies Private Limited (SFC) that commenced its operations in 2005. SFC has a track record of over 18 years and is promoted by Sandeep S Asolkar. The company designs and supplies core equipment for sewage treatment plants. SFC supplies Cyclic Activated Sludge Technology (C Tech) –that is an advanced sequential batch reactor technology that is extensively used for treating domestic sewage and industrial effluents. A high degree of wastewater treatment is achieved at a low cost that makes it suitable to recycle and reuse for industrial applications, gardening and agriculture, among others.

Brief Financials (₹ crore) Consolidated	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (P)
Total operating income	520.61	649.65	705.00
PBILDT	126.05	185.32	NA
PAT	94.81	144.17	152.00
Overall gearing (times)	0.28	0.43	NA
Interest coverage (times)	29.76	17.79	NA

A: Audited UA: Unaudited; P: Provisional; NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term loan / Working Capital Facility		-	-	-	27.74	CARE A; Positive
Fund-based - LT-Term loan / Working Capital Facility		-	-	August 2030	22.25	CARE A; Positive
Fund-based/Non-fund-based-LT/ST		-	-	-	250.01	CARE A; Positive / CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Term loan / Working Capital Facility	LT	27.74	CARE A; Positive	-	1)CARE A; Stable (02-Apr-24)	1)CARE A-; Stable (27-Apr-23)	1)CARE A-; Stable (31-Mar-23) 2)CARE A-; Stable (06-Apr-22)
2	Fund-based/Non-fund-based-LT/ST	LT/ST	250.01	CARE A; Positive / CARE A1+	-	1)CARE A; Stable / CARE A1+ (02-Apr-24)	1)CARE A-; Stable / CARE A1 (27-Apr-23)	1)CARE A-; Stable / CARE A1 (31-Mar-23) 2)CARE A-; Stable / CARE A1 (06-Apr-22)
3	Fund-based - LT-Term loan / Working Capital Facility	LT	22.25	CARE A; Positive	-	1)CARE A; Stable (02-Apr-24)	1)CARE A-; Stable (27-Apr-23)	1)CARE A-; Stable (31-Mar-23) 2)CARE A-; Stable (06-Apr-22)

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term loan / Working Capital Facility	Simple
2	Fund-based/Non-fund-based-LT/ST	Simple

Annexure-5: Lender detailsTo view lender-wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Chavare Engineering Private Limited	Full	Subsidiary
2	Navitas Waste Treatment Private Limited	Full	Wholly owned subsidiary
3	Vasudha Waste Treatment Private Limited	Full	Subsidiary
4	SFC Umwelttechnik GmbH#	Full	Subsidiary
5	SFC Ekotechnika S.r.o	Full	Subsidiary
6	Fine Aeration Systems Private Limited	Full	Subsidiary
7	Hindustan Waste Water Treatment Private Limited	Full	Subsidiary
8	Pentagen Biofuels Private Limited	Full	Subsidiary
9	Turbomax India Private Limited	Moderate	Associate
10	Chavare Engineering Private Limited & Endress Plus hauser JV	Moderate	Joint venture

Note: As on March 31, 2024

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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