

SFC Environmental Technologies Limited

April 09, 2026

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	186.30 (Enhanced from 49.99)	CARE A+; Stable	Upgraded from CARE A; Positive
Long-term / Short-term bank facilities	113.70 (Reduced from 250.01)	CARE A+; Stable / CARE A1+	LT rating upgraded from CARE A; Outlook revised from Positive and ST rating reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The upgrade in the long-term rating and reaffirmation of the short-term rating reflect the sustained growth in SFC Environmental Technologies Limited's (SETL's) scale of operations, growth in order book providing revenue visibility and healthy profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin above 22% translating into comfortable debt coverage metrics. While the company's revenue grew by ~6% year-on-year (YoY) to ₹698 crore in FY26, its outstanding order book has risen sharply to ~₹1,900 crore as on December 31, 2025 and a healthy order pipeline, against an order book of ~₹800 crore as on March 07, 2025, which is expected to support revenue growth of 20-25% p.a. over the near term. The company's performance is supported by its long-standing and established presence in the wastewater treatment segment, backed by its in-house technology and demonstrated performance, which has enabled it to secure repeat orders and gradually diversification of its order book across treatment of municipal solid waste and wastewater recycling, reducing dependence on a single end-use segment. CARE Ratings Limited (CareEdge Ratings) also notes the company's planned venture into co-development of compressed biogas (CBG) plants, in joint venture (JV) with oil marketing companies, with SETL as the technology partner. This venture entails sizeable equity commitments from SETL, which is likely to be funded through its internal accruals, and exposes it to project execution risks associated with plant operations and the associated liabilities for cost overruns and/or non-achievement of committed operating parameters, which remain key credit monitorable.

Ratings continue to remain supported by the company's comfortable capital structure with healthy debt coverage metrics and favourable industry growth prospects supported by government initiatives.

However, the rating strengths are tempered by a high working capital intensity of business with sizeable receivables at year-end and competition from other players in the waste treatment division. Moreover, the company's planned diversification into solid waste treatment and waste-to-energy projects entails sizeable equity commitment and project execution risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in total operating income (TOI) above ₹1,500 crore while maintaining PBILDT margin above 25% and strong debt coverage metrics on sustained basis.
- Improvement in diversification of business across C-Tech, sewage treatment, and wastewater recycling.

Negative factors

- Substantial decline in scale of operations or deterioration in PBILDT margin below 20% on a sustained basis putting pressure on cash accruals.
- Adjusted overall gearing above 0.75x and/or net debt/PBILDT above 1.25x.
- Significant stretch in receivable cycle leading to deterioration in the company's liquidity profile.

Analytical approach: Consolidated

CareEdge Ratings has assessed the consolidated financial statements of SETL and its subsidiaries, JVs and associates, as detailed in Annexure-6, owing to managerial, operational, and financial linkages between them.

Outlook: Stable

The stable outlook reflects CareEdge Ratings' expectations of sustained performance by SETL supported by its established presence in waste management sector and medium-term revenue visibility driven by its healthy order book.

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

Detailed description of key rating drivers:

Key strengths

Growing scale of operations and healthy profitability

SETL's TOI grew by 6% YoY to ₹698.27 crore, on a consolidated basis, in FY25 (FY24: ₹658.22 crore) supported by stable demand across its key segments. The wastewater treatment segment continues to be the largest contributor, accounting for ~67% of revenue in FY25, followed by solid waste treatment segment at 17% and the automation segment at 16%. With SETL's focus on expanding its presence in the solid waste treatment segment, this composition is expected to gradually evolve over the medium term. Moreover, the sizeable order book provides revenue visibility for the next two years. The company has maintained healthy profitability, as evidenced by its PBILDT margin remaining consistently above 22% in the last four years. The PBILDT margin stood at 29.91% in FY25 (FY24: 29.55%) supported by the company's in-house technology, increasing backward integration through in-house manufacturing of key equipment, and operational efficiencies gained over time and a stable revenue base. With company's plan to expand in solid waste treatment project, the PBILDT margin is expected to moderate but remain comfortably above 22%, translating into healthy cash accruals.

Significant increase in order book and reputed clientele

The company's order book, on a standalone basis, stood at ~₹1,900 crore as on December 31, 2025, translating into an order book-to-operating income ratio of 2.7x, indicating healthy medium-term revenue visibility. The outstanding order book has recorded a significant increase compared to ~₹800 crore as on March 07, 2025. This is further expected to improve with the company's plan to enter waste-to-energy projects, driven by government's initiative of blending CBG with fuels. Though the top customers contribute sizeable amount towards total revenue, the clienteles are reputed and credit worthy infrastructure companies, which mitigates counterparty credit risk to a large extent.

Comfortable capital structure and debt coverage metrics

The company continues to maintain a comfortable capital structure, supported by low reliance on external borrowings and healthy net worth base. The healthy accruals continue to strengthen its net worth base, which stood at ₹652.69 crore as on March 31, 2025 (As on March 31, 2024: ₹545.62 crore). Moreover, the company's debt indicators remain strong, characterised by low overall gearing and favourable interest coverage and debt-protection metrics. Overall gearing and total outside liabilities to tangible net worth (TOL/TNW) stood at 0.29x and 0.50x, respectively, as on March 31, 2025 (PY: 0.46x and 0.61x, respectively) and PBILDT interest coverage stood healthy at 15.40x in FY25 (FY24: 21.03x). Due to healthy accruals, the total debt to gross cash accruals (GCA) stood comfortable at 1.12x in FY25 (FY24: 1.59x). Going forward, the company is expected to maintain a comfortable financial risk profile backed by low reliance on borrowings and healthy accruals.

Favourable industry growth prospects

The industry outlook remains favourable, driven by rising industrialisation, rapid urbanisation, stricter environmental regulations, increasing water scarcity, and the government's continued emphasis on wastewater treatment. Given SETL's established track record and strong position in these segments, the company is well-placed to benefit from the anticipated growth in demand. The Government of India's initiatives and policies such as mandated blending of compressed biogas into the total gas production by domestic oil marketing companies in a phased manner are likely to support the establishment of an enabling ecosystem for CBG production by providing assured off-take, facilitating market development, streamlining approvals, and enabling access to multiple incentives for biogas and CBG projects. These policy measures are expected to accelerate the conversion of demand into turnkey projects. Accordingly, revenue visibility from this segment is expected to improve, and SETL is expected to benefit from the same.

Key weaknesses

Elongated working capital cycle at year end

The working capital cycle continues to remain elongated at year-end, as a significant portion (over 50%) of revenue is booked in the last quarter of the financial year. The company typically extends a credit period of 60-90 days to its customers. Consequently, the average collection period on a consolidated basis increased to 232 days as on March 31, 2025 (FY23: 176 days), primarily due to revenue recognition being skewed towards the March quarter. A sizeable portion of receivables is realised in subsequent quarters, which mitigates the collection risk. The customer base largely comprises private sector entities with long-standing relationships with SFC. While the working capital cycle remains stretched, receivables are largely supported by letters of credit (LCs), providing comfort against potential losses.

Exposed to regulatory risks and competition from industry players

The wastewater treatment industry inherently depends on government regulations and policy priorities, as a significant portion of demand originates from urban local bodies (ULBs). Any change in government leadership or a shift in public spending away from wastewater management could adversely impact order inflows and project execution for the company. Although SFC also caters

to private clients, primarily engineering, procurement, and construction (EPC) contractors, the ultimate funding for most projects continues to be driven by government allocations. This exposes the company's receivables to potential delays arising from fiscal constraints at the ULB level. Additionally, the company operates in a competitive landscape, with the presence of several established players in both the wastewater and municipal solid waste management segments. However, SFC's long-standing track record and sizeable market share provide a degree of mitigation against competitive pressures.

Liquidity: Adequate

The company's liquidity position remains adequate with projected net accruals in the range of ₹160-180 crore over the next 1-2 years against scheduled debt repayment obligations (including lease liabilities) of ~₹25 crore p.a. and maintenance capex requirements of ₹15-20 crore p.a. The company is also likely to have equity commitments of ~₹50 crore p.a. towards CBG projects under co-development, which is likely to be funded from cash accruals. The company had free cash and liquid investments of ~₹27 crore as on March 31, 2025 and sizeable lien-marked fixed deposits of ~₹114 crore towards collateral and margin requirements for borrowings. The average utilisation of its sanctioned fund-based limits stood at 21% and non-fund-based limits at 25% over the 12 months ended December 31, 2025. Its current ratio stood at 2.81x as on March 31, 2025.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

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 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, 2024 (A)	March 31, 2025 (A)
Total operating income	658.22	698.27
PBILDT*	194.50	208.85
Profit after tax (PAT)	144.17	152.01
Overall gearing (x)	0.45	0.29
Interest coverage (x)	21.03	15.40

A: Audited; Note: these are latest available financial results

*PBILDT: Profit before interest, lease rentals, depreciation, and tax

Brief Financials (₹ crore)- Standalone	March 31, 2024 (A)	March 31, 2025 (A)	9MFY26 (UA)
Total operating income	522.61	474.80	224.65
PBILDT*	172.93	160.98	45.21

Brief Financials (₹ crore)- Standalone	March 31, 2024 (A)	March 31, 2025 (A)	9MFY26 (UA)
Profit after tax (PAT)	134.68	129.57	31.09
Overall gearing (x)	0.33	0.19	NA
Interest coverage (x)	25.73	22.63	8.04

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

*PBILDT: Profit before interest, lease rentals, depreciation, and tax

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	-	-	-	-	180.00	CARE A+; Stable
Fund-based - LT-Term loan / Working Capital Facility	-	-	-	31-08-2030	6.30	CARE A+; Stable
Fund-based/Non-fund-based-LT/ST	-	-	-	-	113.70	CARE A+; Stable / 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	180.00	CARE A+; Stable	1)CARE A; Positive (08-Apr-25)	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	113.70	CARE A+; Stable / CARE A1+	1)CARE A; Positive / CARE A1+ (08-Apr-25)	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

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
								(06-Apr-22)
3	Fund-based - LT-Term loan / Working Capital Facility	LT	6.30	CARE A+; Stable	1)CARE A; Positive (08-Apr-25)	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 details

To 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	Sustainyx Smart Solution Private Limited (Formerly known as Navitas Waste Treatment Private Limited)	Full	Wholly owned subsidiary
3	Vasudha Waste Treatment Private Limited#	Full	Wholly owned 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 Treatment Private Limited	Full	Wholly owned subsidiary
8	Pentagen Biofuels Private Limited	Full	Wholly owned subsidiary
9	Nanded Biofuels Private Limited	Full	Wholly owned subsidiary
10	Turbomax India Private Limited	Moderate	Associate
11	Chavare Engineering Private Limited & Endress Plus hauser JV	Moderate	Joint venture
12	Endress+Hauser & Chavare Engineering (JV) Private Limited	Moderate	Joint venture

Note on complexity levels of rated instruments: CareEdge 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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