INDSEC	Concord Enviro Systems Limited IPO Note	Price Band Rs. 665-701	Recommend SUBSCRIBE

The Issue	
Type of Issue	**Issue size Rs. Mn**
Fresh Issue	1,750
Offer for sale	3,253
Total	**5,003**
Post issue mkt cap*	**14,508**
Lot size	21 shares

***At Upper Price Band**

Issue Break-Up	
Reservation for	**% of Issue**
QIB	50%
NII	15%
Retail	35%
Total	**100%**

Indicative Offer Timeline	Indicative Date
Bid/Offer Opening Date	19 Dec, 2024
Bid/Offer Closing Date	23 Dec, 2024
Finalization of the Basis of Allotment	24 Dec, 2024
Credit of shares	26 Dec, 2024
Listing Date	27 Dec, 2024

Use of Proceeds	Rs. Mn
Payment of borrowings for CFE	500
Capex in CFE	250
Investment in technology	235
Working capital requirement	200
Capex in RSSPL	105
Investment in Roserve Enviro Pvt Ltd	100
Capex requirement	32
General Corporate Purpose	

BRLM & Registrar	
Manager	Motilal Oswal Investment Advisors, Equirus Capital
Registrar	Link Intime India

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Industrial demand for wastewater treatment to drive growth; SUBSCRIBE

Company Overview:

- Concord Enviro Systems is engaged in the business of industrial water and wastewater treatment along with providing zero liquid discharge (ZLD) solutions.
- As of Fiscal 2024, the company was among the top six largest companies in Indian industrial water recycle and reuse systems in terms of revenue, with a market share of 14.50%.
- They have in-house capabilities for designing, manufacturing, installation and commissioning, O&M, and IoT technology for industrial water and wastewater treatment plants. The company has 4 patents and has filed for additional 9 patents.
- The company also provides integrated solutions which includes custom designs, anaerobic digestors, membrane bio-reactors, sewage treatment plants, ultra-filtration, nano-filtration, reverse osmosis, desalination systems and waste heat evaporators.
- As of 31st August 2024, the company's order book stood at Rs. 5,017mn of which 74.5% comprises system and plant orders and 25.5% comprises O&M services.
- Concord operates with two manufacturing plants, one each in Vasai (India) and Sharjah (UAE) catering to customers across the globe.
- As of 31st August 2024, they have serviced 289 domestic and 21 international customers across various industries like pharmaceuticals, defense, chemical, food and beverage, energy, automotive, steel and textiles.

Valuation and Outlook: At an upper price band of Rs 701, Concord Enviro is valued at an EV/EBITDA of 22.3x on FY24 basis, which is in line with the average valuation of 23.7x of peers. The company specializes in offering water and wastewater treatment, and ZLD solutions to industrial clients. They cater to diverse base of 289 domestic and 21 international clients providing solution across sector and geographies. Over FY22-24, the company reported Rev/EBITDA/APAT CAGR of 22.8%/13.6%/58.6% respectively. As of 31st Aug, 24, their order backlog was worth Rs 5,018mn offering revenue visibility of ~12 months on FY24 revenue basis. The wastewater recycling market globally is poised to grow significantly driven by industrial demand on back of stringent regulations. Industry growth tailwinds and reasonable valuation offers opportunities to capture the upside. We thereby assign "**Subscribe**" rating to the IPO.

Source: RHP

Concord Enviro Systems Ltd.

Shareholding Pattern	Holding (%)	
	Pre Issue	Post Issue*
Promoters & Promoter Group	60.9	51.4
Others/Public	39.1	48.6
Total	100.0	100.0

* At upper price band

Issue Structure (Rs. Mn)	Floor	Cap
Net Offer	4,836	5,003
QIB Portion (50% of Offer)	2,418	2,502
Non Institutional portion (15% of Offer)	725	750
Retail portion (35% of Offer)	1,693	1,751

Selling Shareholders	Type	% of Total Shareholding	
		Pre Issue	Post Issue
AF Holdings	Investor	39.1%	14.1%
Prayas Goel	Promoter	28.0%	23.9%
Prerak Goel	Promoter	17.6%	14.8%
Pushpa Goel	Promoter Group	9.1%	7.6%
Nidhi Goel	Promoter Group	3.1%	2.6%
Namrata Goel	Promoter Group	2.9%	2.4%

Key Financial Summary (Rs. Mn)	FY22	FY23	FY24
Revenue	3,294	3,432	4,969
EBITDA	535	430	690
EBITDA margin (%)	*16.2*	*12.5*	*13.9*
Adj. PAT	165	55	414
Adj. PAT margin (%)	*5.0*	*1.6*	*8.3*
EPS (Adj for issue)	8.0	2.7	20.0

Source: RHP

Financials vs Peers

Particulars	Market Cap (Rs Bn)	FY22-24			FY24			
		Revenue CAGR	EBITDA CAGR	PAT CAGR	ROE	ROCE	EV/EBITDA (x)	PE (x)
Concord Enviro Systems Limited	145	22.8%	13.6%	64.2%	12.8%	9.6%	22.3	35.0
Listed Peers								
Praj Industries Limited	148	21.6%	38.5%	37.2%	22.2%	27.0%	23.2	35.0
ION Exchange (India) Limited	104	22.0%	12.8%	9.7%	19.3%	23.5%	21.8	36.5
Triveni Engineering & Industries Limited	103	10.3%	-0.7%	-4.2%	13.6%	17.6%	9.6	16.0
Va Tech Wabag Limited	104	-2.1%	25.1%	36.3%	14.0%	17.0%	11.6	15.7
Thermax Limited	564	23.3%	38.7%	38.6%	12.9%	16.2%	52.2	91.6
Average							**23.7**	**39.0**

Industry Application

Industry	Application	Applicable Solutions				
		UF/ MBR	RO	NF	WHE	ZLD
Pharmaceuticals and Chemicals	Reuse of combined effluent and ZLD	✓	✓	✓	✓	✓
Distilleries	Anaerobic digestion and reuse of spent wash	✓	✓	✓	✓	✓
Desalination	Sea water desalination for onshore and offshore applications		✓		✓	
Textile	Effluent treatment, recycle and salt brine recovery		✓	✓	✓	✓
Food and Beverage	Reuse of combined effluents and ZLD	✓	✓			
Defence	Seawater desalination and mobile systems for water purification	✓	✓			
Leachate	Leachate concentration		✓			

Source: RHP

Strengths:

- **Expertise in ZLD technology in India and well placed to harness global industry opportunities:** They are present across the value chain be it design, components manufacturing, installation and commissioning, O&M including digitalization solution including IoT technology for analysis of customer data. They are also one of the major Indian manufacturers of offshore desalination systems. As an integrated water treatment systems and plant provider coupled with O&M service offerings, they are well positioned to capitalize on opportunities in water reuse and ZLD markets in India and globally.
- **Integrated solutions provider supported by backward integrated manufacturing facilities:** They design, manufacture, install, operate and maintain industrial wastewater reuse and ZLD solutions. They have inhouse membrane manufacturing capabilities which not only reduces their costs through backward integration but also enables them to develop and manufacture specific membranes as per customers and their particular industry's needs.
- **Established presence in international markets:** They have established presence in international market which contributed 23% of their consolidated revenue in FY22. As on August 31, 2024, their reach has grown across diverse regions, with exports extending to countries in North America, Latin America, Africa, and Southeast Asia. This is reflected in Export revenue which has grown at a CAGR of 67.41% over FY22-24 with contribution now expanding to 44% as on 31st August 2024 from 23% in FY22. Their major international customers are Diageo Mexico Operaciones, S.A. De C.V. and AB Mauri.
- **Focus on innovation supported by R&D and design capabilities:** R&D is critical for the company to be in line with changing trends in environmental compliance, sustainability, and industry developments. Accordingly, the company engages in R&D activities to develop new membranes for use in particular industries, improve module design and new technology and systems. As of August 31, 2024, they had been awarded four patents in India and had filed nine additional patent applications.

Source: RHP

Strategies:

⇒ **Add new capacity for the manufacture of membrane modules, WHE modules and containerised plants:** The global industrial wastewater recycling and reuse market is projected to grow at a CAGR of 8.3% to reach $120bn by CY28. To capitalize on this growth the company intends to add new capacity/assembly unit near its Sharjah, UAE facility to manufacture membrane modules, WHE modules and containerized plants.

The product-wise capacity for the proposed facility is as under:

Type of Product	Capacity
Membrane Modules	2,000 nos. per month
WHE Modules	50,000 sq. mtrs. per year
Containerized Plants	36 Units per year

⇒ **Expand into new sectors for wastewater reuse and zero liquid discharge:** They aim to grow their industrial wastewater reuse business by adding new sectors with high water consumption such as paper mills, refineries, common effluent treatment plants ("CETPs"), power plants solar panel manufacturing and cleaning and treated sewage plants. They also plan to increase the penetration of their ZLD solutions across sectors and regions.

⇒ **Expand presence in existing geographies and enter new markets:** The company intend to expand further in Latin America, Africa, Europe and Asia. Africa, EU and the Middle East have relative less water availability, wastewater treatment opens up a huge opportunity for recycling and reuse of water.

⇒ **Growing its new business initiatives of design and installation of Compressed Biogas (CBG) plants:** India's Compressed Biogas (CBG) sector is poised for significant growth as the government intensifies efforts to reduce reliance on imported fuels and enhance energy security. The company by leveraging its expertise in anaerobic digestion technology has entered into agreement to design and Install CBG plant. They intend to continue to leverage its technology, and partner with project consultants to grow this business initiatives.

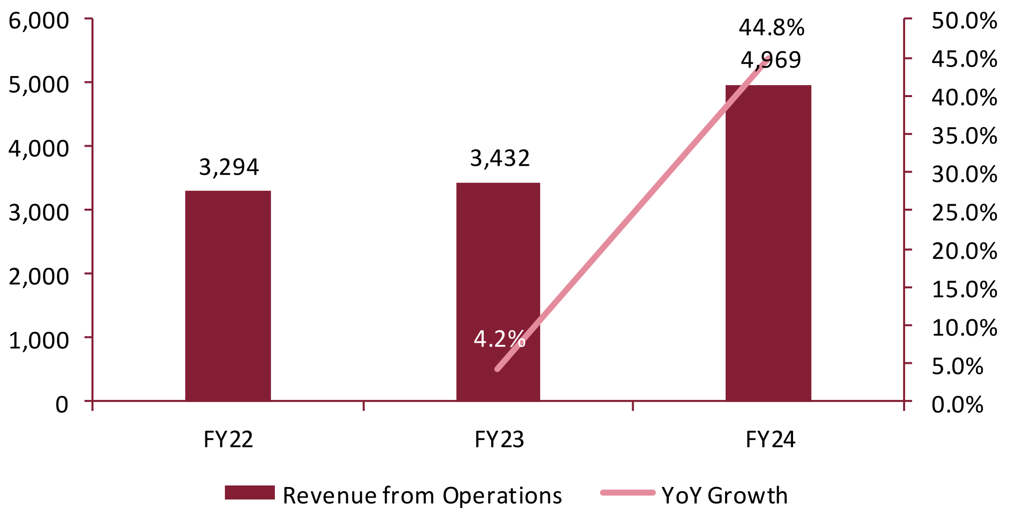
Source: RHP

Key Risks:

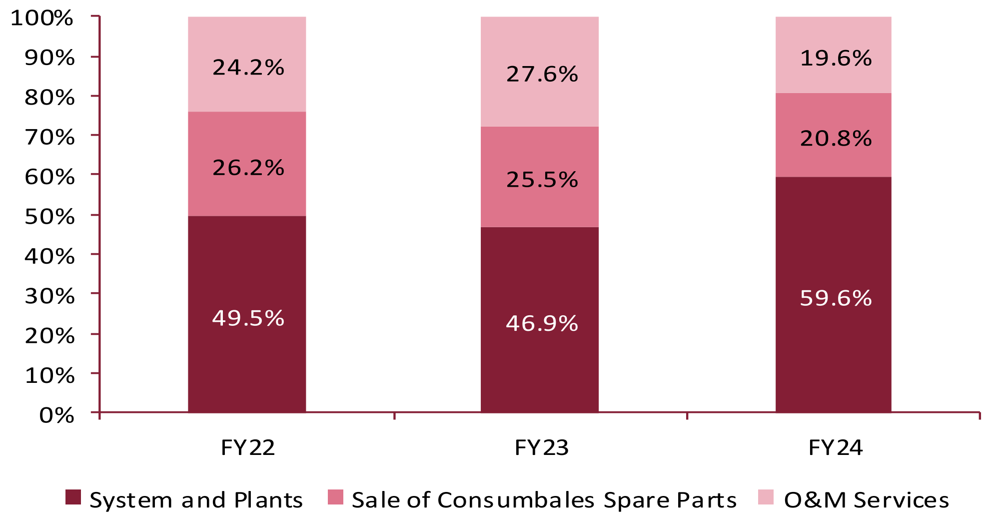
- **Capacity Utilization:** The company's capacity utilization (over FY22/23/24) at its Vasai facility (25.1%/38.0%/40.0%) and Sharjah facility (37.1%/11.4%/30.8%) was low, exposing the company to high production cost, low profitability and reduced cashflows.
- **Technological development:** If the company fails to develop or adopt new technologies for water use and zero liquid discharge, it may affect demand for company's products.
- **Commodity Inflation:** Raw material purchased from overseas accounted for 56.7%/57.2%/53.3% of total raw material purchased in FY22/23/24 respectively. Disruption in global supply chain could impact the operations of the company. Furthermore, the company is also exposed to currency rate fluctuation risk.
- **Legal Risks:** There are 21 outstanding litigations against the company, its promoters, subsidiaries, and certain directors amounting to **~Rs. 1,902mn (~34.0% of Net Worth)**. Settlement of cases not in favor of the company could result in reputational damage and affect the financials of the company.
- **Working Hazards:** The company's operations expose its workers to various health and safety hazard like dangerous gases, chemicals, asphyxiation, poisoning, etc. Failure to provide adequately safety equipment could result in reputational damage and affect operations of the company.
- **International orders:** The company derived 41.8% of its revenue from international orders exposing it to currency rate fluctuation risk.

Concord Enviro Systems Ltd.

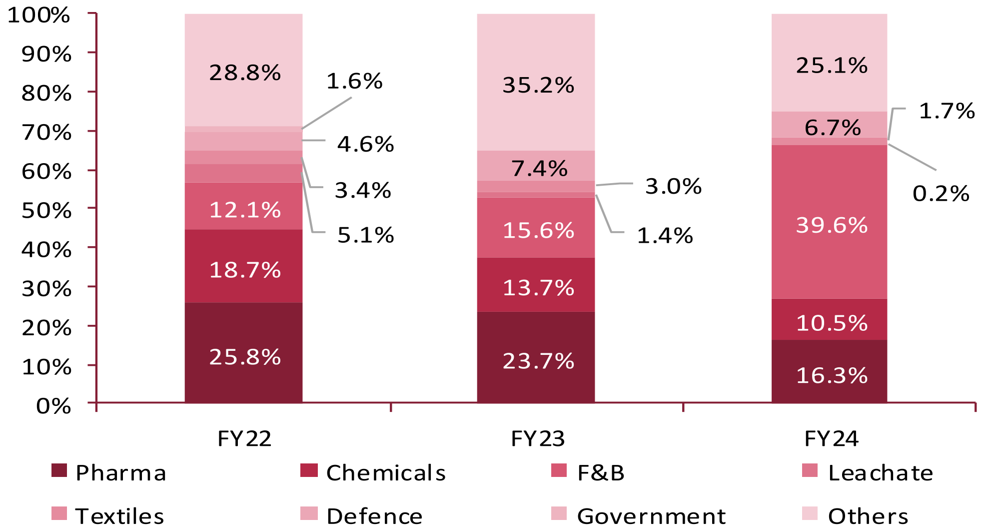
Revenue from Operations (Rs. Mn)



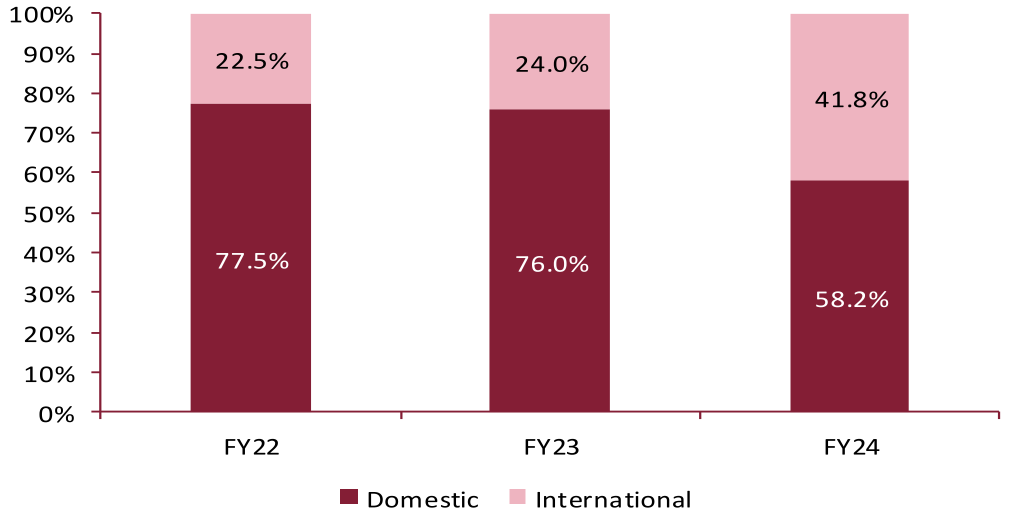
Revenue by Segment



Revenue by Industry



Revenue by Geography

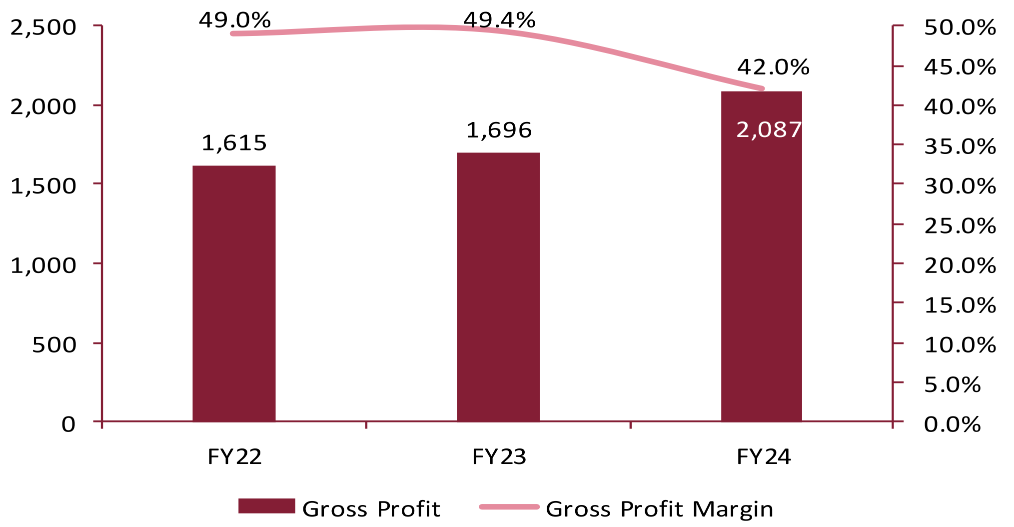


Source: RHP

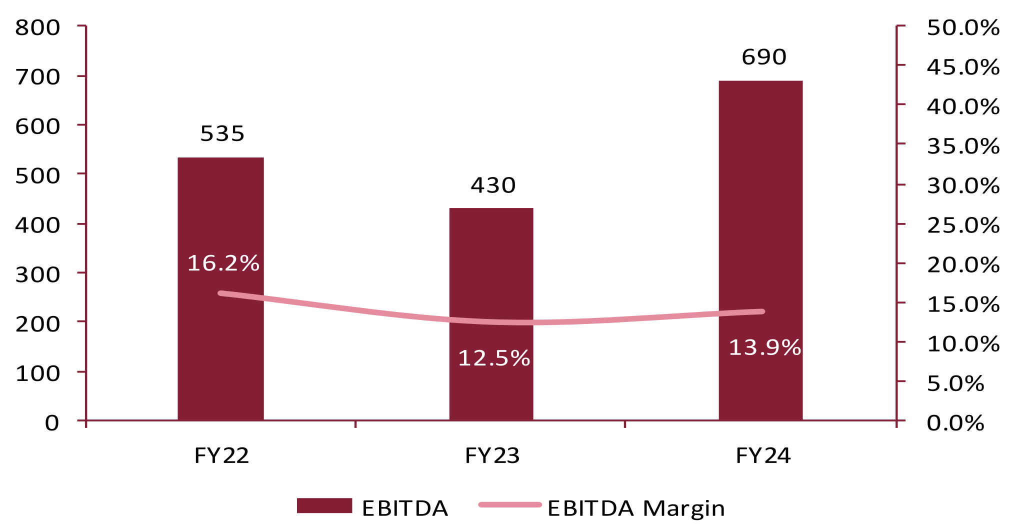
INDSEC

Concord Enviro Systems Ltd.

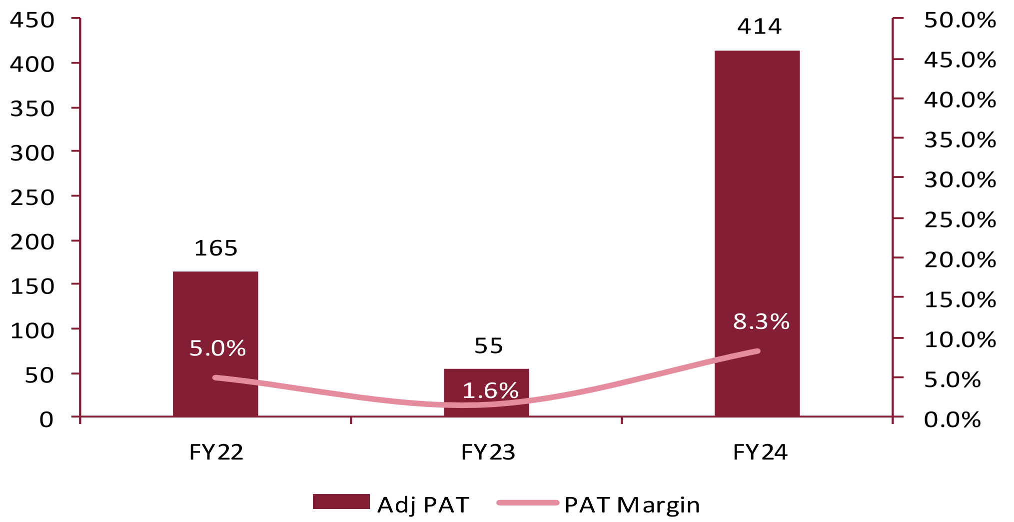
Gross Profit (Rs. Mn) & Gross Profit Margin (%)



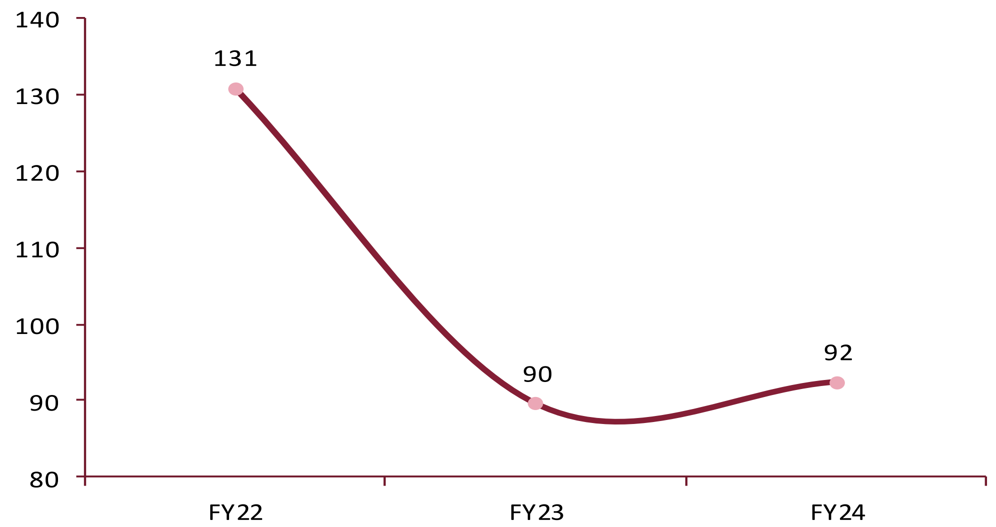
EBITDA (Rs. Mn) & EBITDA Margin (%)



Profit after Tax (Rs. Mn) & Net Profit Margin (%)



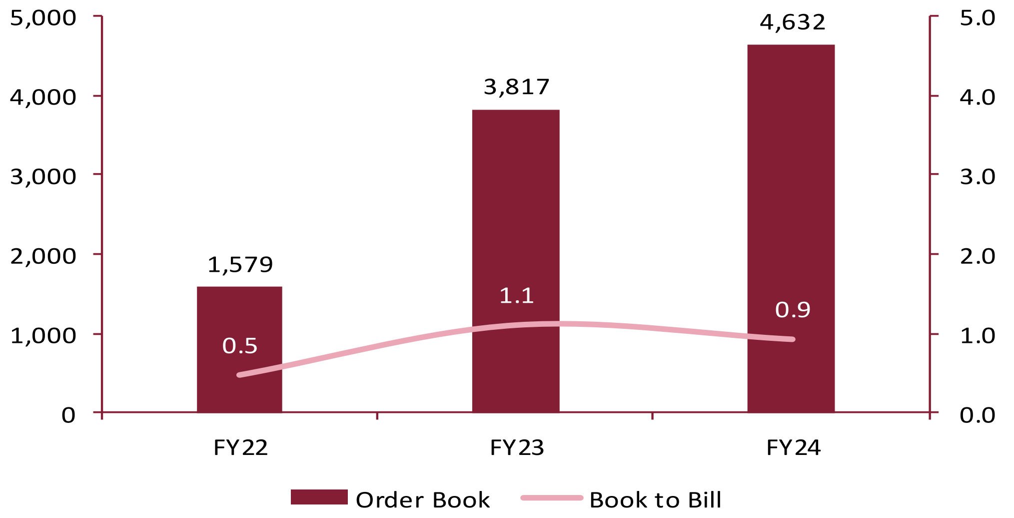
Working Capital Cycle (Days)



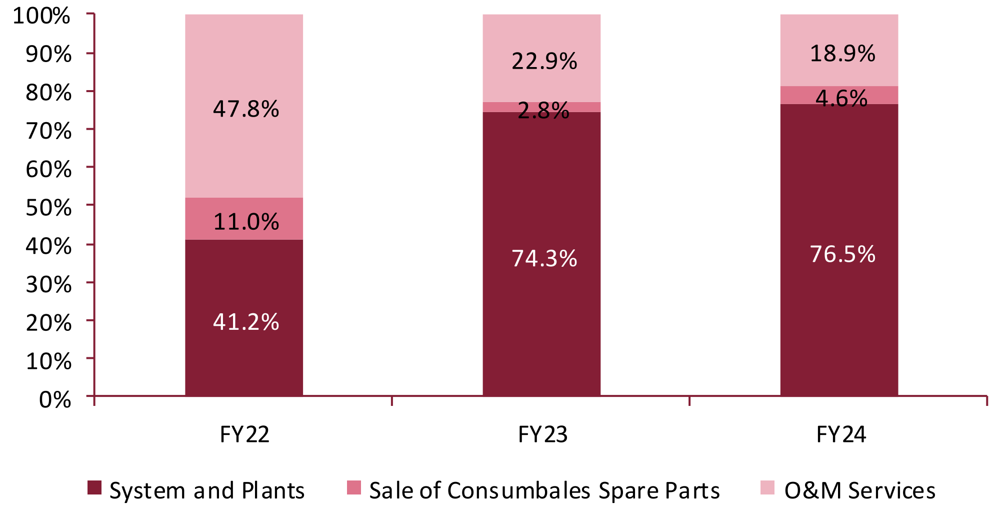
Source: RHP

Concord Enviro Systems Ltd.

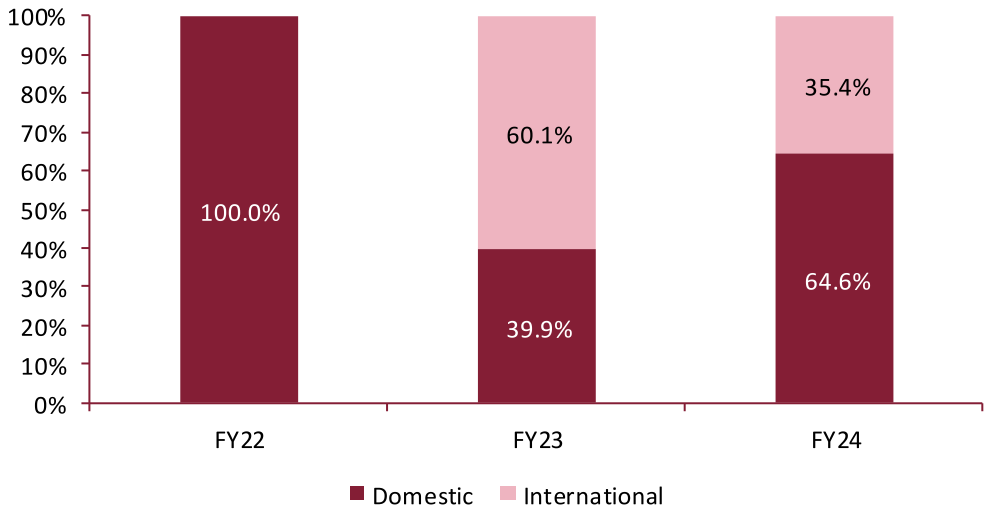
Order Book (Rs. Mn)



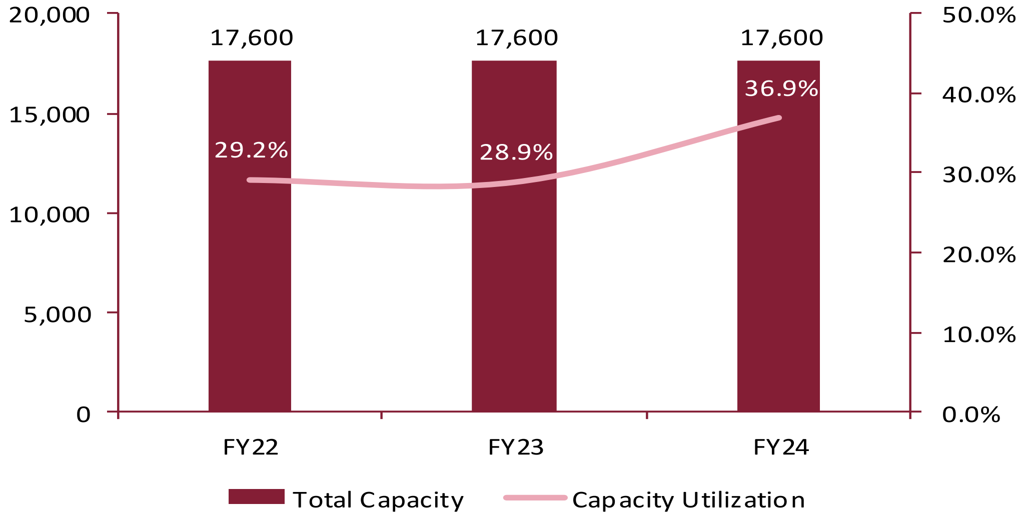
Order Book mix by Segment



Order Book mix by Geography



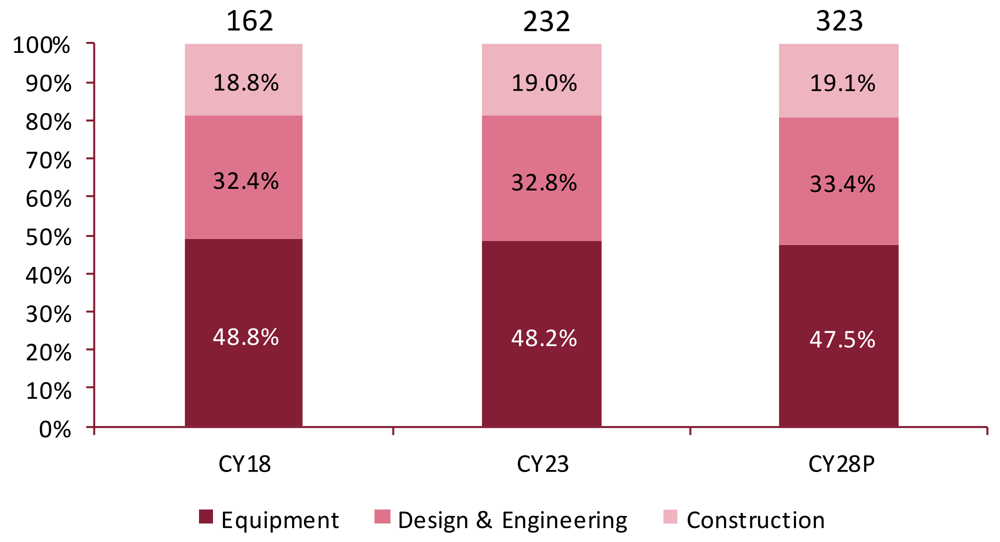
Capacity (No of units) and Capacity Utilisation



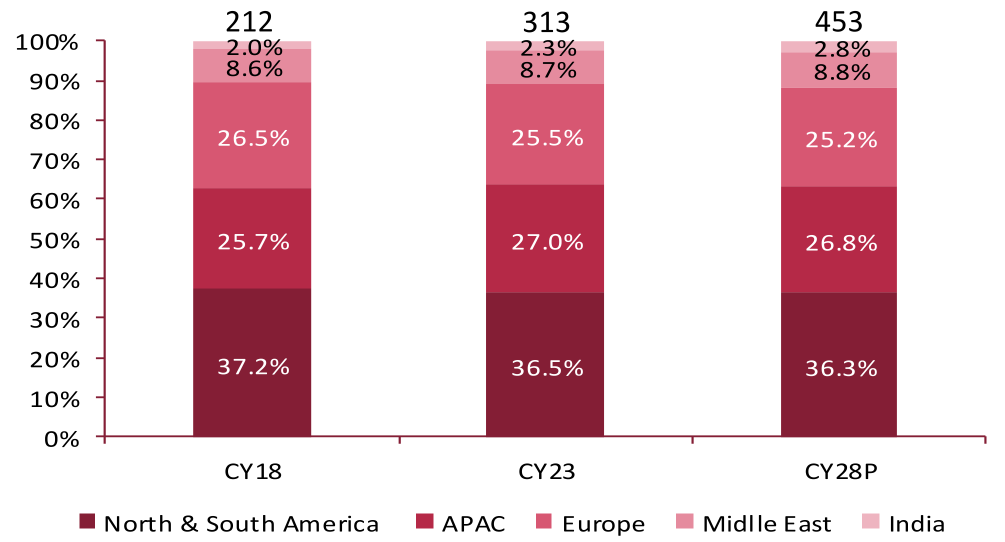
Source: RHP

Concord Enviro Systems Ltd.

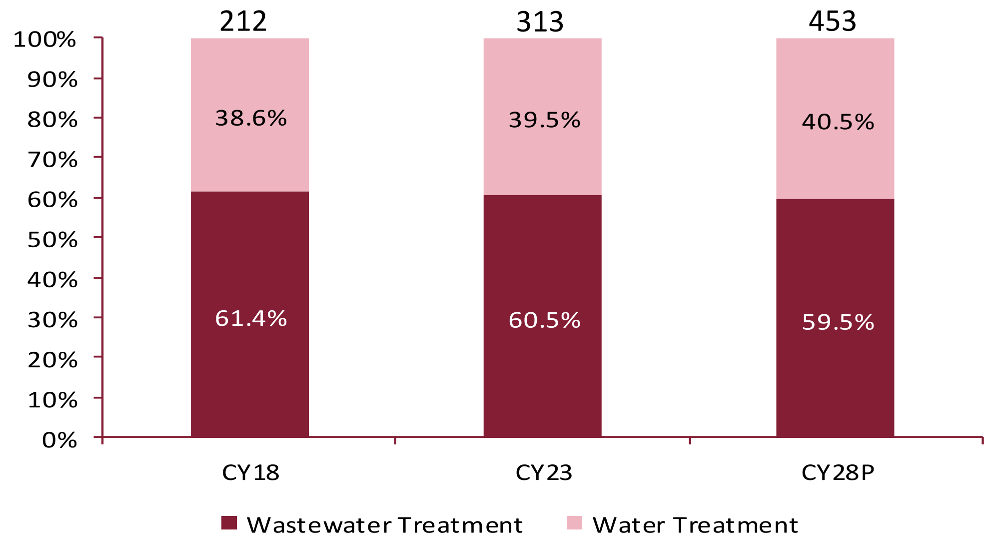
Global water and wastewater treatment solution market by CapEx ($Bn)



Global water and wastewater treatment solutions market basis key regions ($Bn)

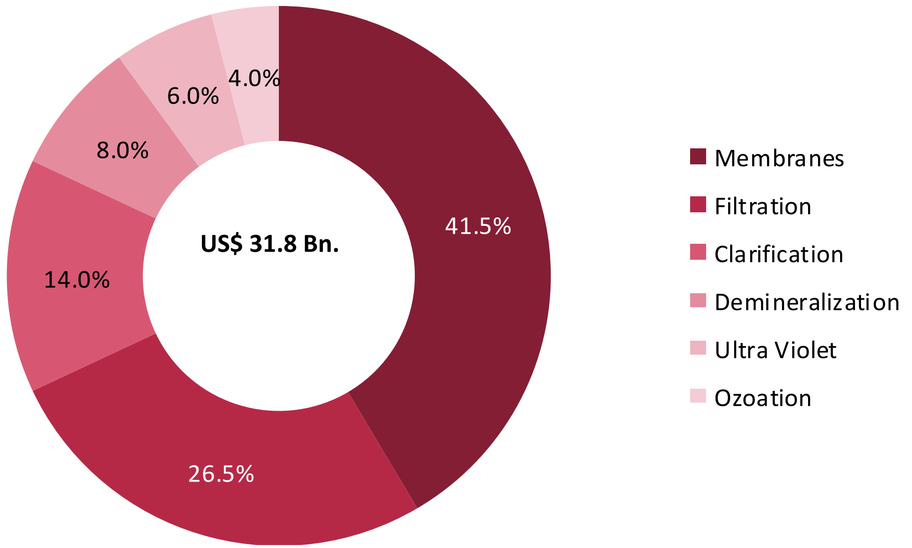


Global industrial water & wastewater treatment solutions by application ($Bn)

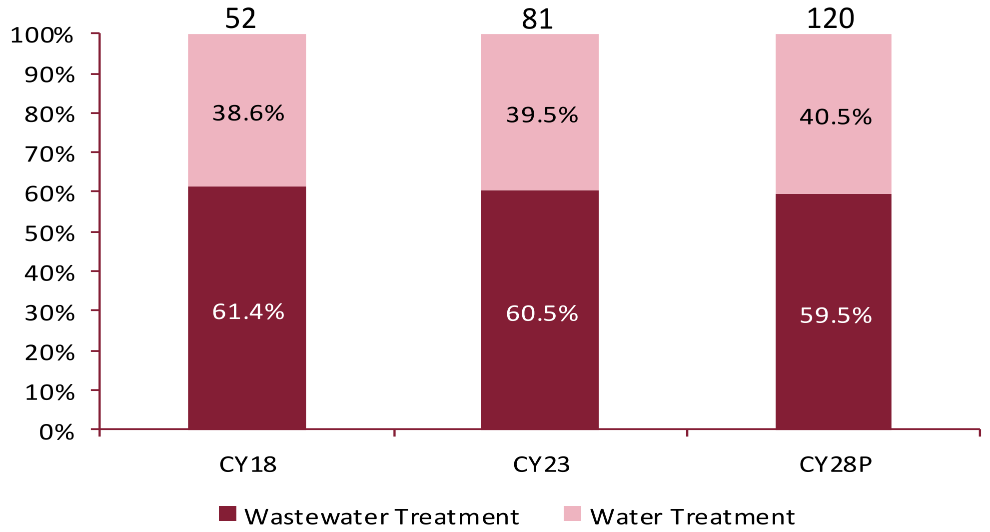


Source: RHP

Global industrial water treatment solutions market by technologies ($Bn)



Global industrial water & wastewater treatment solutions by application ($Bn)



INDSEC Rating Distribution

BUY : Expected total return of over 15% within the next 12-18 months.

HOLD : Expected total return between 0% to 15% within the next 12-18 months.

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NEUTRAL: No investment opinion, stock under review.

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DISCLOSURE

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