



## IPO Note

# Envirotech Systems Limited

Recommendation: **APPLY!**

### Company Background -

- Envirotech Systems Limited was originally formed and incorporated on February 09, 2007. The registered office is located at New Delhi, India.
- The Company is acoustic products manufacturing organization specializing in noise measurement and control for industrial and commercial applications.
- The company offers its services across India and outside India, catering to a diverse range of industrial and commercial clients.
- The company had 98 permanent employees as of September 02, 2024.

### Objects of the Issue -

- Purchase Land and Building for setting up factory
- Funding of working capital requirements of the Company
- General Corporate Expenses
- Issue Expenses

### Promoters Name -

Manoj Kumar Gupta and Sindhu Gupta

### Rationale for recommendation -

- ✓ The company has seen a good increase in the top line of its financials.
- ✓ The P/E of the company is slightly low.
- ✓ The company has a good expansion plan with the purchase of a new building for the manufacturing unit.
- ✓ The management overview is satisfactory.
- ✓ The company has good strategies planned out.
- ✓ The company has positive operating cash flow.

### IPO Details

Opening Date	Sep 13, 2024
Closing Date	Sep 18, 2024
Allotment Date	Sep 19, 2024
Listing Date	Sep 23, 2024
Stock Exchange	NSE SME
Lot Size	1,200 Shares
Issue Price Per Share	₹53 to ₹56
Issue Size	30.24 Cr.
Fresh Issue	30.24 Cr.
Offer for Sale	-
Application Amt	₹ 1,12,000 (2,000 shares)

### INDUSTRY - Acoustics Market

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	1,810.65	2,831.78	4,623.98
EBITDA	157.59	362.71	1,596.12
Net Profit	105.73	257.33	1,142.89
RoCE	21.62%	26.52%	59.99%
ROE	26.14%	38.89%	58.29%
P/E	2.65	1.09	6.56

### Promoter Share Holding Pattern

Pre-Issue	Post Issue
99.97%	66.97%

### Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	8.54	6.08
BVPS	14.64	26.53
P/E	6.56	9.21
P/BV	3.82	2.11
Mkt Cap (In Cr)	74.98	105.22

### Lead Managers -

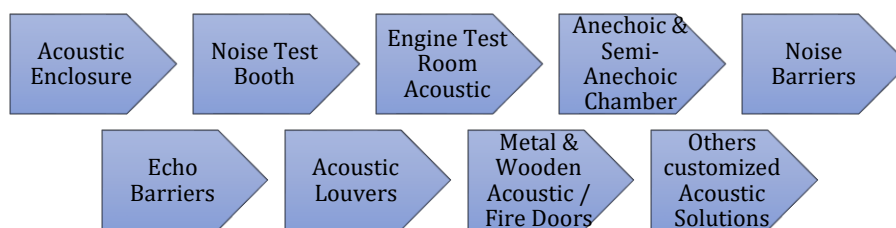
Share India Capital Services Private Limited

### Registrar -

Bigshare Services Private Limited

**Business Overview -**

Envirotech Systems Limited was incorporated in the year 2007 and has good experience in the industry. The company is engaged in the manufacturing and installation of acoustic products specializing in noise measurement and control for industrial and commercial applications.



**Product Overview -**

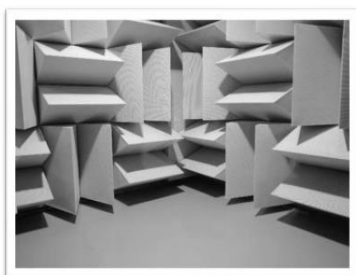
**Solutions Provided -**



**Industrial, Commercial, Architectural, and Environmental Markets.**

**Analysis -**

**Product Pictures -**



Semi-Anechoic Chamber

Engine Test Room Acoustic

**Manufacturing Facility -**



**Product Analysis -** The company has 9 different types of products, and the company generated 31% from its Acoustic Enclosure product for FY 2024. Gradual increase in the revenue generation from the Metal & Wooden Acoustic / Fire Doors over the years to 21.86% for FY 2024 whereas there has seen a decrease in the revenue generation from the Anechoic and Semi-anechoic chamber.

The company operates with 1 manufacturing unit situated at Ecotech-1, Greater Noida which as self-contained workshop sheds & office area with a total covered area of over 21,520 sq. ft.

**Revenue Stream -**

The company does both domestic and export of its products and does not generate much revenue from the export category out of the total revenue. The other income of the company majorly includes Business Hire Charges for all the years.

The company has seen a 100% capacity utilization for FY 2024. The capacity utilization for FY 22 and 23 are 60.62%, and 80.16% respectfully. Thus, the company is also raising net proceeds for one of the reasons the Purchase of Land and Building for a new manufacturing facility for “Acoustic Sound Insulation Machines” which will increase the capacity installed and generate revenue.

Revenue Bifurcation for FY 2022, 2023, and 2024 are as follows –

Product Type	FY 22	%	FY 23	%	FY 24	%
Acoustic Enclosure	387.17	22.10	581.05	21.40	1,409.01	31.30
Noise Test Booth	116.66	6.66	36.74	1.35	141.09	3.13
Engine Test Room Acoustic	74.42	4.25	151.39	5.58	241.57	5.37
Anechoic & Semi-Anechoic chamber	301.71	17.22	374.78	13.80	348.01	7.73
Noise Barriers	305.55	17.44	702.35	25.86	673.87	14.97
Echo Barrier	96.27	5.50	175.83	6.47	140.59	3.12
Acoustic Louvers	253.68	14.48	111.67	4.11	391.25	8.69
Metal & Wooden Acoustic / Fire Doors	58.06	3.31	386.39	14.23	984.07	21.86
Others customized Acoustic Solutions	158.29	9.04	195.29	7.19	172.53	3.83
<b>Total</b>	<b>1,751.81</b>	<b>100.00</b>	<b>2,715.49</b>	<b>100.00</b>	<b>4,501.98</b>	<b>100.00</b>

### Competition -

**Market Competition: Moderate**, Future market entrants and evolving government infrastructure policies could increase competitive pressures.

**Rivalry Among Existing Competitors: Low**, due to high capital and technical barriers, but future growth could impact margins.

**Barriers to entry: Moderate**, potential entry of large players with resources poses a moderate risk to profitability.

**Bargaining Power of Suppliers: Low**, Supplier power remains low due to specialized relationships, though raw material disruptions could moderately affect costs.

**Bargaining Power of Buyers: Moderate**, Buyers may exert moderate pressure on pricing, especially as competition grows, despite the company's technical expertise.

### Business Strategies -

- The company plans to increase the customers by meeting orders in hand on time, maintaining customer relationship and renewing the relationships with existing buyers
- The company intends to improve functional efficiencies to achieve cost reductions to have a competitive edge over its peers.
- The company propose to increase the marketing and sales team which can focus on different regions and also maintain and establish relationships with customers
- The company intends to expand its presence by identifying markets where they can provide cost-effective and quality products to prospective customers.
- The company seek to increase the brand awareness through outdoor media, marketing initiatives, new product lines and brand extensions, and effective online marketing strategies.

### Risk Factors -

The company has certain legal proceedings amounting to Rs. 1.68 lakhs for Direct and indirect tax proceedings which may have a material adverse effect on the business.

The company had negative operating cash flow for the FY ended 2023.

The company's top ten (10) customers accounted for approximately 50.43%, 26.83% and 43.26% of the total revenue from operations for FY ended 2024, 2023, and 2022 respectively.

### PEER ANALYSIS

The company believes they have no listed peers for comparison.

**Acoustics Market -**

**Overview -**

Acoustical engineering (also known as acoustic engineering) is the branch of engineering dealing with sound and vibration. It includes the application of acoustics, the science of sound and vibration, in technology. One goal of acoustical engineering can be the reduction of unwanted noise, which is referred to as noise control.

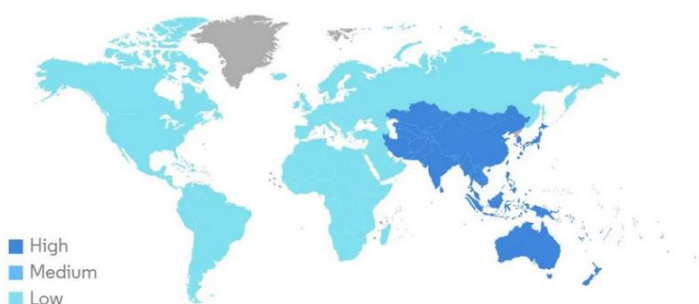
**Global Market -**

The global acoustic insulation market was valued at USD 14.08 billion in 2021 and is projected to reach USD 17.07 billion by 2026, growing at a CAGR of 3.9% from 2021 to 2026. The Indian acoustic insulation market was estimated at approximately USD 217 million in 2020, with a projected CAGR of around 7% from 2021 to 2026.

The construction sector accounts for a significant share of the acoustic insulation market, driven by the growing demand for noise control in buildings. The industrial sector, including manufacturing, power generation, and petrochemical industries, is a key consumer of acoustic insulation products to ensure compliance with noise regulations and improve worker safety.

The transportation sector, encompassing automotive, railways, aviation, and maritime industries, presents substantial growth opportunities for acoustic insulation due to the focus on passenger comfort and noise reduction.

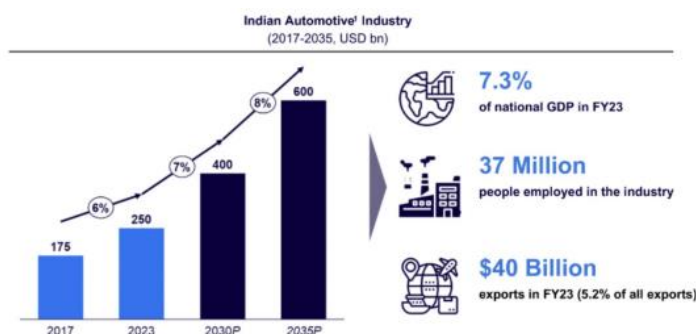
Acoustic Insulation Market - Growth Rate by Region, 2021-2026



(source: RHP)

**Indian Acoustics Market -**

India’s Acoustics market i.e. NVH (Noise, Vibration, and Harshness) Testing market has valued at USD 141 million in 2023 and is anticipated to project robust growth in the forecast period with a CAGR of 7.33% through 2029. The Noise, Vibration, and Harshness (NVH) Testing market in India have been experiencing significant growth and transformation in recent years, reflecting the country’s dynamic industrial landscape and increasing focus on product quality and performance. NVH testing is a critical aspect of product development and quality assurance across various industries, and India is no exception to this global trend. This burgeoning market is shaped by a multitude of factors, including the rapid expansion of the automotive, aerospace, consumer electronics, and construction sectors, all of which rely heavily on NVH testing to ensure their products meet stringent noise and vibration standards.



(source: RHP)

**The Future of Acoustics Market -**

The Indian acoustic insulation industry is poised for growth due to factors such as increasing urbanization, construction activities, stringent noise regulations, and rising awareness of noise pollution. With the construction, industrial, and transportation sectors driving demand, market players are investing in innovative solutions to meet the evolving requirements. Regulatory compliance and sustainability considerations will shape the industry’s future, fostering the adoption of advanced acoustic insulation technologies and practices.

**Key Management -**

<b>Key Management Persons Name -</b>	<b>Manoj Kumar Gupta</b>
<b>Age</b>	50
<b>Designation and No. of years of experience</b>	Promoter and Managing Director, 20 Years of experience in Acoustic Insulation Industry.
<b>Qualification</b>	Diploma course in Mechanical Engineering
<b>Roles and Responsibility</b>	Formulating business strategies and effective implementation of the same.
<b>Other Directorships</b>	
<b>Key Management Persons Name -</b>	<b>Sindhu Gupta</b>
<b>Age</b>	47
<b>Designation and No. of years of experience</b>	Promoter and Director, experience more than 15 years in managing Administration & Human Resources.
<b>Qualification</b>	Master's in political science, Bachelor's in Arts.
<b>Roles and Responsibility</b>	recruitment, handling HR-related matters and administrative activities in the Company.
<b>Other Directorships</b>	-
<b>Key Management Persons Name -</b>	<b>Rakesh Gupta</b>
<b>Age</b>	67
<b>Designation and No. of years of experience</b>	Non- Executive Director, 20 years of experience as an Intelligence Officer and then started his own building and construction company.
<b>Qualification</b>	Bachelor of Commerce
<b>Roles and Responsibility</b>	-
<b>Other Directorships</b>	Runs various budget hotels and banquet halls in Delhi NCR and in Goa.
<b>Key Management Persons Name -</b>	<b>Gaurav Bajpai</b>
<b>Age</b>	48
<b>Designation and No. of years of experience</b>	Independent Director, experience of 26 years in the field of interior designing
<b>Qualification</b>	Diploma in Interior Design
<b>Roles and Responsibility</b>	-
<b>Other Directorships</b>	Freelancer executing various Interior designing projects with various contractors and builders.
<b>Key Management Persons Name -</b>	<b>Rohit Kumar</b>
<b>Age</b>	31
<b>Designation and No. of years of experience</b>	Independent Director, 7+ years of experience in various fields.
<b>Qualification</b>	B. Com, LL. B
<b>Roles and Responsibility</b>	-
<b>Other Ventures</b>	Senior Accounts Executive at BIPS Group
<b>Key Management Persons Name -</b>	<b>Sachin Kumar</b>
<b>Age</b>	38
<b>Designation and No. of years of experience</b>	Independent Director, 13 years of experience
<b>Qualification</b>	Graduate and Postgraduation
<b>Roles and Responsibility</b>	-
<b>Other Ventures</b>	Seasoned finance professional

## FINANCIAL SNAPSHOT

## Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	1,810.65	2,831.78	4,623.98
Other Income	38.90	43.00	63.97
<b>Total Income</b>	<b>1,849.55</b>	<b>2,874.78</b>	<b>4,687.95</b>
<b>Expenses</b>			
Cost of Raw Material	1,128.03	1,611.76	2,250.01
Changes in Inventories of finished goods, work-in-progress	8.09	11.23	-132.95
Employee Benefit Expenses	221.51	317.60	412.65
Finance Cost	40.49	41.09	79.00
Depreciation and Amortisation	12.01	12.06	20.90
Other expenses	295.43	528.48	498.15
<b>Total Expenses</b>	<b>1,705.56</b>	<b>2,522.22</b>	<b>3,127.76</b>
<b>EBITDA</b>	<b>157.59</b>	<b>362.71</b>	<b>1,596.12</b>
<b>EBITDA Margin</b>	<b>8.70%</b>	<b>12.81%</b>	<b>34.52%</b>
<b>Profit/(Loss) before tax</b>	<b>143.99</b>	<b>352.56</b>	<b>1,560.19</b>
<b>Tax Expense</b>			
Current tax	39.04	96.10	414.33
Deferred Tax	0.78	0.87	2.97
<b>Total Tax</b>	<b>38.26</b>	<b>95.23</b>	<b>417.30</b>
<b>Profit/(Loss) for the year</b>	<b>105.73</b>	<b>257.33</b>	<b>1,142.89</b>
<b>Net Profit Margin</b>	<b>5.84%</b>	<b>9.09%</b>	<b>24.72%</b>

## Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
<b>EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' funds</b>			
Share Capital	50.00	50.00	1,339.00
Reserves and surplus	354.40	611.73	621.62
<b>Total Equity</b>	<b>404.40</b>	<b>661.73</b>	<b>1,960.62</b>
<b>3. Non-current liabilities</b>			
Long-term borrowings	263.14	655.45	657.13
Deferred Tax Liabilities (Net)	5.94	5.08	8.05
<b>Total Non-current liabilities</b>	<b>269.08</b>	<b>660.53</b>	<b>665.18</b>
<b>4. Current liabilities</b>			
Short-term borrowings	276.61	260.67	240.50
Trade Payables	275.59	450.65	282.62
Other Current Liabilities	121.80	146.05	304.23
Short-term provisions	39.04	96.10	414.33
<b>Total Current liabilities</b>	<b>713.04</b>	<b>953.47</b>	<b>1,241.68</b>
<b>Total Liabilities</b>	<b>982.12</b>	<b>1,614.00</b>	<b>1,906.86</b>
<b>Total Equity and Liabilities</b>	<b>1,386.52</b>	<b>2,275.73</b>	<b>3,867.48</b>
<b>ASSETS</b>			
<b>1. Non-current assets</b>			
Property, Plant & Equipment	356.71	999.00	995.22
Other Non-current Assets	3.44	3.72	3.52
<b>Total Non-Current assets</b>	<b>360.15</b>	<b>1,002.72</b>	<b>998.74</b>
<b>2. Current assets</b>			
Inventories	43.29	24.89	206.54
Trade Receivables	621.78	1,169.73	1,822.49
Cash & Cash equivalents	13.24	18.61	22.15
Short term loans and advances	313.33	10.22	652.17
Other Current Assets	34.73	49.56	165.39
<b>Total Current assets</b>	<b>1,026.37</b>	<b>1,273.01</b>	<b>2,868.74</b>
<b>Total Assets</b>	<b>1,386.52</b>	<b>2,275.73</b>	<b>3,867.48</b>

**Cash Flow Statement**

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	154.81	-9.79	488.61
Net Cash Flow from Investing Activities	-34.45	-653.96	19.37
Net Cash Flow from Financing Activities	-133.07	669.13	-504.44

**Key Ratios**

Per Share Data	FY 22	FY 23	FY 24	Valuation Ratios (x)	FY 22	FY 23	FY 24
Diluted EPS	21.15	51.47	8.54	EV/EBITDA	5.91	4.30	1.78
BV per share	3.02	4.94	14.64	Market Cap / Sales	5.81	3.72	2.28
<b>Operating Ratios</b>				P/E	2.65	1.09	6.56
EBITDA Margins	8.70%	12.81%	34.52%	Price to Book Value	18.54	11.33	3.82
PAT Margins	5.84%	9.09%	24.72%	<b>Solvency Ratios</b>			
Inventory days	8.73	3.21	16.30	Debt / Equity	1.33	1.38	0.46
Debtor days	125.34	150.77	143.86	Current Ratio	1.44	1.34	2.31
Creditor days	89.17	102.05	45.85	Quick Ratio	1.38	1.31	2.14
<b>Return Ratios</b>				Asset Turnover	1.31	1.24	1.20
RoCE	21.62%	26.52%	59.99%	Interest Coverage Ratio	3.60	8.53	19.94
RoE	26.14%	38.89%	58.29%				

**LEAD MANAGER TRACK RECORD -**

The lead manager to the issue is Share India Capital Services Private Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

**Share India Capital Services Private Limited –**

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	VVIP Infratech Limited	61.21	93.00	July 30, 2024	246
2.	GEM Enviro Management Limited	44.93	75.00	June 26, 2024	194
3.	AVP Infracon Limited	52.34	75.00	March 20, 2024	173
4.	Pune E-Stock Broking Limited	38.23	83.00	March 15, 2024	220
5.	Wise Travel India Limited	94.68	147.00	Feb 19, 2024	294
6.	New Swan Multitech Limited	33.11	66.00	Jan 18, 2024	83
7.	Krishca Strapping Solutions Limited	17.93	54.00	May 26, 2023	392
8.	De Neers Tools Limited	22.99	101.00	May 11, 2023	187
9.	Quicktouch Technologies Limited	9.33	61.00	May 02, 2023	159
10.	A G Universal Limited	8.72	60.00	April 24, 2023	64.6

The company has handled 12 mandates in the past three years (including the current year).

\*CMP for the above-mentioned companies is taken as of 12<sup>th</sup> Sep 2024.

As per the offer document, from the above-mentioned mandates Quicktouch Technologies has opened at par and the remaining mandates have opened at premiums.



## Recommendation -

Envirotech Systems Limited has been in the industry since 2007 and has vast experience in the industry. The management overview of the company is satisfactory.

The P/E on a post-IPO basis is around 9.21 times which makes it fairly priced by looking at the performance of the company.

The company operates in a niche market. The company has seen an increase in the top line of its financials. The company is raising proceeds for expansion which we believe will help in the increase of its revenue in the future. There are slight concerns with the fluctuating bottom line.

The company's management is experienced with relevant knowledge. Due to the reasons mentioned above we believe one can **APPLY** to this IPO.

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