



IPO Note

Apex Ecotech Limited

Recommendation: **AVOID!**



IPO Details

Opening Date	Nov 27, 2024
Closing Date	Nov 29, 2024
Allotment Date	Dec 02, 2024
Listing Date	Dec 04, 2024
Stock Exchange	NSE SME
Lot Size	1,600 Shares
Issue Price Per Share	₹71 to ₹73
Issue Size	25.54 Cr.
Fresh Issue	25.54 Cr.
Offer for Sale	-
Application Amt	₹ 1,16,800 (1,600 shares)

Company Background -

- **Incorporation:** Apex Ecotech Limited was originally incorporated on April 01, 2009. The registered office is located at Pune, Maharashtra.
- **Business Activity:** The company undertakes turnkey projects in the industry providing comprehensive solutions for water & wastewater treatment, recycling and reuse for myriad applications.
- **Revenue Stream:** The company derives majority of its revenue from water treatment plant, waste water treatment plant and zero liquid discharge systems.
- **Human Resource:** The company has 119 full-time employees as on Nov 17, 2024.

Objects of the Issue -

- To meet working capital requirements
- General Corporate Purposes
- To meet public issue expenses

Promoters Name -

Anuj Dosajh, Ramakrishnan Balasundaram Aiyer, Ajay Raina and Lalit Mohan Datta

Rationale for recommendation -

- ✓ The PE ratio of 30.81 times post issue makes it slightly highly priced.
- ✓ The company's bottom line and profitability margins have remained inconsistent over the years and had seen a sudden jump in FY2023 which raises concern on its sustainability.
- ✓ The company had incurred loss in FY2022.
- ✓ The company had negative cash flow from operations for FY2022, FY2023, FY2024 and Sep-24.
- ✓ The RoCE and RoE has dropped in Sep-24.
- ✓ The company has high concentration of customers and suppliers.
- ✓ The company has vast experience in the industry.
- ✓ The management overview is satisfactory.

INDUSTRY - Waste Water Treatment Avg. P/E ratio of peers - 43.99

KPI's	KPIs			(In Lakhs)
	FY 22	FY 23	FY 24	Sep-24
Revenue	1,951.18	3,457.38	5,308.09	2,170.09
EBITDA	-43.14	418.55	888.08	351.40
Net Profit	-65.85	352.09	663.04	155.25
RoCE	-16.33%	49.28%	56.39%	20.28%
ROE	-17.78%	48.73%	45.00%	9.53%
P/E	-	18.96	10.07	22.63*

*Annualized

Promoter Share Holding Pattern

Pre-Issue	Post-Issue
94.32%	69.29%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	7.25	2.37
BVPS	152.13	31.73
P/E	10.07	30.81
P/BV	0.48	2.30
Mkt Cap (In Cr)	70.71	96.25

*Annualized

Lead Managers -

Share India Capital Services Private Limited

Registrar -

KFin Technologies Limited

Business Overview -

Apex Ecotech Limited undertakes turnkey projects in the industry providing comprehensive solutions for water & wastewater treatment, recycling and reuse for myriad applications. Their services include setting up Raw Water Treatment for industrial processes, Effluent & Sewage Treatment Plants to meet pollution norms, providing Sludge Dewatering Equipment, recycling of pre treated wastewater through Membrane systems (Ultrafiltration, Nano Filtration, Reverse Osmosis, Disc Type RO etc.) and Thermal / Vapor Compression-based Evaporators & Crystallizers for Zero Liquid Discharge Systems. Furthermore, they offer after sales support along with Operation & Maintenance services. They also deliver zero liquid discharge systems.

The company serves the needs of various segments which include automobile, food processing, chemical & pesticides, metals and mining, oil & edibles, pharmaceuticals, sanitary & fittings, optical & healthcare etc.

Clients: The company has a client base of more than 150 customers and their major clients are Aditya Birla Group, Ashok Leyland, Apotex Research, Bharatiyam, Escorts Kubota, Haldiram, Hero Motocorp, Honda Cars, Honda Scooters & Motorcycle, HUL, Jubilant, Kohler, Lenskart, Mahindra & Mahindra, PepsiCo, Piramal Pharma, Reckitt Benckiser, Shimizu Corporation, SMCC, Takenaka etc.

Order Book: As of Sep 30, 2024, the company has an order book of Rs. 11,929 lakhs.

Service/Product Portfolio:

Process	Source
Water Pre-Treatment	River, Canal, Dam Water, Reservoirs Bore well, Open Well, Municipal Water etc.
Water Treatment	Drinking Water, Domestic & Industrial Applications
Drinking Water, Domestic & Industrial Applications	Sewage generated in Townships, Societies, Commercial Complexes, Sports Centers, Hospitals, Hotels, Resorts, Recreational & Convention Centers etc.
Industrial Effluent & Wastewater Treatment Plants	Process wastewater generated in individual factories, industrial parks etc.
Recycling of Wastewater Effluents	Treated Sewage & Wastewater
Zero Liquid Discharge Solution Systems	Final RO Rejects generated post Membrane Systems, Pre-Treatment for specific Wastewater etc.
High TDS Sea Water Desalination Systems	Sea, Ocean & Back Waters



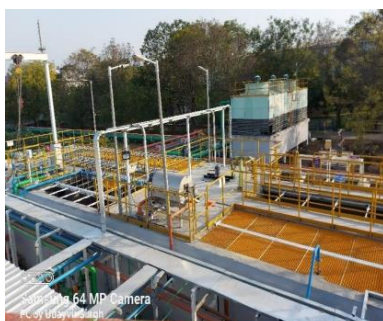
Pre-treatment clarification & pumping system



Demineralized Plant



Prefabricated Sewage Treatment



Revenue Bifurcation Product-wise –

(Amt in Lakhs)

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
WTP	56.40	2.89	267.96	7.75	1,259.99	23.74
WWTP	1,657.91	84.97	1,263.07	36.53	2,554.54	48.13
ZLD	0.00	0.00	1,723.43	49.85	1,175.29	22.14
Services/ O&M	154.99	7.94	121.04	3.50	127.01	2.39
Chemicals & Spares	81.88	4.20	81.88	2.37	191.26	3.60
Total	1,951.18	100.00	3,457.38	100.00	5,308.09	100.00

Competition -

- Market Competition:** The industry is competitive where the key factors of competition primarily comprise of project type, contract value, potential profit margins, complexity, project location, and revenue generation risks
- Geographic Competition:** The company faces competition from small and large players in both organized and unorganized sector.
- Barriers to entry:** Low barriers to entry.
- Threat of Substitutes:** High threat of substitutes.
- Bargaining Power of Buyers:** The bargaining power is high with the customers.
- Bargaining Power of Supplier:** The bargaining power is moderate with the suppliers.

Business Strategies -

- The company intends to consistently develop, implement, and comprehensively operate and maintain cost optimal systems with a view to insure and insulate the concerns in water and wastewater management
- The Company plans to expand footprint in North-East, South India and international markets as well.

Risk Factors - 22, 24

The company highly relies on Maharashtra for the procurement of raw materials where it contributed to 51.48% in FY2024 of the total raw materials procured.

The company's significant portion of revenue is derived from top 10 customers which contributed to 92.22%, 97.53%, 79.76% and 99.15% for FY2022, 2023, 2024 and Sep-2024 respectively.

The company has 7 cases against them for civil and tax matters amounting to Rs. 15.23 lakhs and have filed 3 cases amounting to Rs. 55.34 lakhs.

The promoters and directors have 1 case against them for tax matters amounting to Rs. 5.24 lakhs.

The company had negative cash flow from operations for FY2022, FY2023, FY2024 and Sep-24.

The company has contingent liabilities of Rs. 14.22 lakhs.

The company had incurred loss in FY2022.

INDUSTRY OVERVIEW -**Water and Wastewater Treatment Industry in India –**

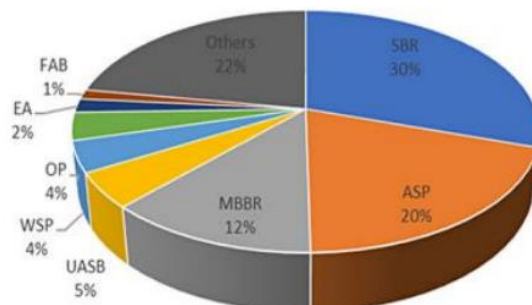
Water and wastewater management is a promising subsector in India’s environmental technology segment. India’s demand for water is projected to be twice as much as the available supply by 2030. According to a 2022 Frost & Sullivan report, the Indian water and wastewater treatment market will likely reach \$2.08 billion by 2025 from \$1.31 billion in 2020, registering growth at a compound annual growth rate (CAGR) of 9.7 percent. The report also ranked India as the sixth largest market for environmental technologies in the world, with sub sector rankings of second for water/wastewater management.

INDIA WATER & WASTEWATER TREATMENT MARKET REVENUE ESTIMATES AND FORECAST, BY TYPE, 2019-2033(USD BILLION)

Type	2019	2022	2023	2024	2027	2030	2033	CAGR% (2024-33)
Water Treatment	5.228	6.201	6.608	7.049	8.584	10.524	12.971	7.01%
Wastewater Treatment	5.413	6.180	6.493	6.825	7.944	9.283	10.879	5.32%
Total	10.641	12.381	13.101	13.874	16.528	19.808	23.850	6.20%

(Source:RHP)

According to the national inventory of sewage treatment plants (STPs) published by CPCB (2021), out of 1093 functional WWTPs in India, 570 WWTPs were found to comply with the prescribed discharge standards, which means that only 17% of the wastewater generated is getting the necessary treatment. According to the report submitted by CPCB to National Green Tribunal (NGT) in 2020, 64,484 industries require effluent treatment plants (ETPs) and 3% of them do not have ETPs. Out of eight CETPs located along the banks of River Ganga, only one was found complying with the discharge standards (CPCB, 2021).

Technology-wise distribution of different WWTPs based on installed capacity in India

(Source:RHP)

Government Initiatives

- **National Water Mission** has been launched with the objective of conservation of water, minimizing wastage and ensuring its more equitable distribution both across and within States through integrated water resources development and management.
- The **Atal Mission for Rejuvenation and Urban Transformation (AMRUT)** was launched by the Government of India on June 25, 2015 in selected 500 cities and towns across the country for a period of 5 years i.e. from FY 2015-2016 to FY 2019-2020, which has been extended for completing the grounded projects. The Mission focuses on the development of basic urban infrastructure in the Mission cities in the sectors of water supply, sewerage & septage management, storm water drainage, green spaces & parks and non-motorized urban transport.
- **Jal Jeevan Mission-Har Ghar Jal** is being implemented by Government of India, in partnership with States since August, 2019, which aims at providing potable water in adequate quantity (55 litres per capita per day) of prescribed quality on regular and long-term basis to every rural household through tap water connection, by 2024.
- **Jal Shakti Abhiyan-I (JSA-I)** was launched in 2019 in 256 water stressed districts to promote water conservation and water resource management by focusing on accelerated implementation of five target interventions, viz., water conservation and rainwater harvesting, renovation of traditional and other water bodies/ tanks, reuse and recharge of bore wells, watershed development and intensive afforestation.

Key Management -



Key Management Persons Name -	Anuj Dosajh
Age	60
Designation	Promoter, Chairman and Managing Director, 36+ years of experience in establishing water & wastewater projects in myriad industries & commercial establishments.
Qualification	Bachelor of Engineering in Chemical
Responsibility	Presently he manages procurement, project management, accounts, finance, administration & legal functions
Other Directorships	Oakens Engineering Services Private Limited and Flagmo EA Technologies Private Limited

Key Management Persons Name -	Ramkrishnan Balasundaram Aiyer
Age	48
Designation and No. of years of experience	Promoter and Executive Director, 24+ years of experience in Design, Procurement, Sales & Marketing of engineering equipment & projects in the field of water & wastewater treatment & technologies.
Qualification	Bachelor of Engineering (Mechanical)
Responsibility	Responsible for research, innovation, design, engineering and commissioning of projects in the company
Previous Experience	Thermax Limited

Key Management Persons Name -	Ajay Raina
Age	44
Designation and No. of years of experience	Promoter and Executive Director, 21+ years of experience in Sales & Marketing of engineering equipment & projects in the field of water & wastewater.
Qualification	Bachelor of Engineering (Mechanical)
Responsibility	Responsible for web management and all domestic & international sales & marketing in the company
Previous Experience	Pentair, a multinational water treatment company

Key Management Persons Name -	Rajiv Mathur
Age	65
Designation and No. of years of experience	Non-Executive Independent Director, 40+ years of experience
Qualification	Member of ICSI
Other Directorships	Preethi Kitchen Appliances Private Limited and Ahlcon Parenterals (India) Limited

Key Management Persons Name -	Satya Jagannathan
Age	61
Designation and No. of years of experience	Non-Executive Independent Director, 35+ years of experience in banking industry
Qualification	Bachelor of Commerce (Honours Course)
Previous Experience	PNB, IndusInd Bank, ICICI Bank, RBL Bank etc.

Key Management Persons Name -	Ashutosh Anilkumar Vadanagekar
Age	48
Designation and No. of years of experience	Non-Executive Independent Director, 24+ years of experience in in the field of Water, Waste Water, ZLD & Evaporation Technologies.
Qualification	Master of Business Administration
Other Directorships	Aara Industry Solutions Private Limited

Key Management Persons Name -	Neeraj Bhagat
Age	59
Designation and No. of years of experience	Non-Executive Independent Director, 35+ years of experience
Qualification	Bachelor of Engineering in Civil
Previous Experience	Survi Projects Private Limited and Incredible Housing Developers Limited

- The overall management of the company is satisfactory.
- The promoter and management have vast experience in the industry.
- Rakesh Kaul (CFO) has 22 years of experience in Accounting, Budgeting, Costing, CRM & MIS

FINANCIAL SNAPSHOT

Statement of Profit and Loss				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Sep-24
Revenue from Operations	1,951.18	3,457.38	5,308.09	2,170.09
Other Income	51.68	34.68	38.40	12.51
Total Income	2,002.86	3,492.06	5,346.49	2,182.60
Expenses				
Cost of Material Consumed	1,268.02	2,286.46	3,622.38	1,478.26
Changes in stock-in-trade	79.87	-	-	-
Employee Benefit Expenses	465.51	498.63	467.78	328.80
Finance Cost	24.50	9.43	5.76	1.61
Depreciation and Amortization Expense	36.06	27.77	22.92	10.02
Other expenses	180.92	253.74	329.85	155.14
Total Expenses	2,054.88	3,076.03	4,448.69	1,973.83
EBITDA	-43.14	418.55	888.08	351.40
EBITDA Margin	-2.21%	12.11%	16.73%	16.19%
Profit/(Loss) before tax	-52.02	416.03	897.80	208.77
Tax Expense				
Current tax	-	-59.76	-235.10	-52.02
Tax related to prior years	-	-5.99	-0.52	-1.65
Deferred Tax	-13.83	1.81	0.86	0.15
Total Tax	-13.83	-63.94	-234.76	-53.52
Profit/(Loss) for the year	-65.85	352.09	663.04	155.25
Net Profit Margin	-3.37%	10.18%	12.49%	7.11%

Statement of Assets and Liabilities				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Sep-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	91.36	91.36	96.86	968.60
Reserves and surplus	279.07	631.16	1,376.70	660.22
Total Equity	370.43	722.52	1,473.56	1,628.82
2. Non-current liabilities				
Long-term borrowings	77.05	38.72	19.95	9.24
Long-term provisions	37.57	31.78	40.80	45.46
Total Non-current liabilities	51.32	610.19	655.01	538.52
3. Current liabilities				
Short-term Borrowings	33.05	19.51	22.18	111.89
Trade Payables				
(i) Total outstanding dues of MSME	142.65	178.67	344.86	162.43
(ii) Total outstanding dues of creditors other than MSME	70.55	88.55	28.83	172.54
Other Current Liabilities	217.00	604.91	365.29	1,067.60
Short-term provisions	30.45	83.14	260.46	70.01
Total Current liabilities	493.70	974.78	1,021.62	1,584.47
Total Liabilities	608.32	1,045.28	1,082.37	1,639.17
Total Equity and Liabilities	978.75	1,767.80	2,555.93	3,267.99
ASSETS				
1. Non-current assets				
Property, Plant and Equipment	158.59	137.65	128.14	125.73
Intangible Assets	0.58	0.21	1.35	0.98
Deferred Tax Assets (Net)	9.38	11.19	12.05	12.20

Particulars	FY 22	FY 23	FY 24	Sep-24
Other Non- current Assets	-	2.75	-	-
Total Non-Current assets	168.55	151.80	141.54	138.91
2. Current assets				
Inventories	192.74	340.55	175.52	128.73
Trade Receivables	346.58	701.08	866.67	2,117.76
Cash & Cash equivalents	14.49	215.37	191.24	18.55
Short term loans and advances	65.06	102.07	50.21	202.12
Other Current Assets	191.31	256.94	1,130.76	661.93
Total Current assets	810.18	1,616.01	2,414.40	3,129.09
Total Assets	978.73	1,767.81	2,555.94	3,268.00

Cash Flow Statement

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Sep-24
Net Cash Flow from Operating Activities	-7.43	259.59	-85.30	-253.64
Net Cash Flow from Investing Activities	330.57	-0.05	-4.96	3.55
Net Cash Flow from Financing Activities	-326.56	-58.66	66.14	77.40

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	FY 25*
Diluted EPS	-0.72	3.85	7.25	3.23
BV per share	40.55	79.08	152.13	43.19
Operating Ratios				
EBITDA Margins	-2.21%	12.11%	16.73%	16.65%
PAT Margins	-3.37%	10.18%	12.49%	7.16%
Inventory days	36.06	35.95	12.07	10.86
Debtor days	64.83	74.01	59.59	178.59
Creditor days	75.25	42.20	41.81	44.95
Return Ratios				
RoCE	-16.33%	49.28%	56.39%	16.80%
RoE	-17.78%	48.73%	45.00%	7.47%

Valuation Ratios (x)	FY 22	FY 23	FY 24	FY 25*
EV/EBITDA	-10.80	1.35	1.49	5.92
Market Cap / Sales	4.93	2.78	1.81	2.22
P/E	-	18.96	10.07	22.63
Price to Book Value	1.80	0.92	0.48	1.69
Solvency Ratios				
Debt / Equity	0.30	0.08	0.03	0.03
Current Ratio	1.64	1.66	2.36	1.97
Quick Ratio	1.25	1.31	2.19	0.64
Asset Turnover	1.99	1.96	2.08	0.66
Interest Coverage Ratio	-3.23	41.44	150.20	218.26

INTERPRETATION –

1. The top line has increased over the years. It increased by 77% in FY2023 which was because primarily because of increase in sales of products. In FY2024 it increased by 54% which was due to increase in sale of products and export sales.
2. The net profit had seen a sudden jump in FY2023 by 634% and by 88%.
3. The EBITDA margin and PAT margin have also seen a sudden increase in FY2023.
4. The RoCE and RoE have increased over the years.
5. The PE ratio has improved over the years.

PEER ANALYSIS –

Particulars	Apex Ecotech Limited			ION Exchange Limited			VA Tech Wabag Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	-3.37%	10.18%	12.49%	10.06%	9.68%	8.19%	4.38%	0.43%	8.47%
EBITDA Margin	-2.21%	12.11%	16.73%	15.94%	14.76%	13.40%	8.84%	3.03%	14.13%
RoCE	-16.33%	49.28%	56.39%	32.96%	30.49%	24.06%	14.00%	4.63%	16.58%
ROE	-17.78%	48.73%	45.00%	24.83%	23.60%	19.26%	9.36%	0.84%	15.59%
EPS (INR)	-0.72	3.85	7.25	2.08	13.83	13.77	21.21	2.09	39.49
P/E	-	18.96	10.07	82.14	24.69	36.79	13.45	168.37	19.33

Interpretation –

- The market cap of the company is less compared to peers.
- The RoE and RoCE of the company is high compared to its peers.
- The PE ratio of the company is low compared to its peers.
- The company has better cash conversion cycle than its peers.

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.	Envirotech Systems Limited	30.24	56.00	Sep 24, 2024	118.55
2.	VVIP Infratech Limited	61.21	93.00	Jul 30, 2024	238.10
3.	GEM Enviro Management Limited	44.93	75.00	Jun 26, 2024	147.50
4.	AVP Infracon Limited	52.34	75.00	Mar 20, 2024	178.60
5.	Pune E-Stock Broking Limited	38.23	83.00	Mar 15, 2024	194.65
6.	Wise Travel India Limited	94.68	147.00	Feb 19, 2024	172.00
7.	New Swan Multitech Limited	33.11	66.00	Jan 18, 2024	63.55
8.	Krishca Strapping Solutions Limited	17.93	54.00	May 26, 2023	271.35
9.	De Neers Tools Limited	22.99	101.00	May 11, 2023	326.00
10.	Quicktouch Technologies Limited	9.33	61.00	May 02, 2023	118.00

The company has handled 13 mandates in the last three years (including current year).

*CMP for the above-mentioned companies is taken as of 26th Nov 2024.

As per the offer document, the above-mentioned mandates all have opened at a premium on the listing day.

Recommendation -

Apex Ecotech Limited has been in the industry since 2009 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 30.8 times which makes it slightly highly priced.

The company has a good order book of Rs. 11,929.00 lakhs.

The company has a strong clientel base which includes companies like Aditya Birla Group, Ashok Leyland, Apotex Research, Bharatiyam, Escorts Kubota, Haldiram, Hero Motocorp, Honda Cars, Honda Scooters & Motorcycle, HUL etc. and they cater the needs of many industries.

The company had incurred loss in FY2022. The company has inconsistent bottom line and profitability margins over the years. This inconsistency might be sustainable in the long run which raises concern. The cash flow from operations was negative for FY2022, FY2023, FY2024 and Sep-24. The RoCE and RoE has dropped significantly in Sep-24 compared to FY2024

The company has high concentration for customers and suppliers and loss of any may cause adverse effect in the business operations.

Thus, investors can **AVOID** this IPO for the time being and evaluate the performance of the company post listing as the industry prospect is good.

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