



IPO Note

Concord Enviro Systems Limited

Recommendation: **NEUTRAL!**

Company Background -

- **Incorporation:** Concord Enviro Systems Limited was originally incorporated on July 01, 1999. The company has its registered office in Mumbai, Maharashtra, India.
- **Business Activity:** The company is a provider of water and wastewater treatment and reuse solutions, including zero liquid discharge ("ZLD") technology.
- **Revenue Model:** The company generates revenue through i) Sale of systems and plants ii) Operations and maintenance of installed plants iii) Supplying consumables and spares for installed plants.
- **Human Resource:** The company had 1,141 employees as of August 31, 2024.

Objects of the Issue -

- Investment in the wholly owned Subsidiary CEF, and Rochem Separation Systems (India) Private Limited financing its capital expenditure requirements.
- Funding capital expenditure requirements of the Company for purchase of plant and machinery
- Investment in the wholly owned Subsidiary, Concord Enviro FZE for prepayment or repayment of outstanding borrowings.
- Investment in the wholly owned Subsidiary, CEF, for funding working capital requirements
- Investment in the joint venture, Roserve Enviro Private Limited
- Investment in technology and other growth initiatives for access to new markets.
- General Corporate Purposes.
- Offer For Sale

Promoters Name -

Prayas Goel and Prerak Goel

Rationale for recommendation -

- ✓ The PE ratio is 748.47 times post-issue makes it aggressively priced.
- ✓ The company has very low-capacity utilization
- ✓ The company has good objectives
- ✓ The company has a good Order Book.
- ✓ The company's post-issue promoter holding is low
- ✓ The company's profitability margins have been very fluctuating
- ✓ The company has had negative CFO and low return ratios

IPO Details

| | |
|-----------------------|---|
| Opening Date | Dec 19, 2024 |
| Closing Date | Dec 23, 2024 |
| Allotment Date | Dec 24, 2024 |
| Listing Date | Dec 27, 2024 |
| Stock Exchange | BSE, NSE |
| Lot Size | 21 Shares |
| Issue Price Per Share | ₹665 to ₹701 |
| Issue Size | 500.33 Cr. |
| Fresh Issue | 175.00 Cr. |
| Offer for Sale | 325.33 Cr. |
| Application Amt | ₹ 14,721 - ₹ 1,91,373 (21 to 273 shares) |

INDUSTRY - Water and Wastewater Treatment Sector

Avg. PE ratio as per RHP - 49.82 times

| KPI's | KPIs (In Crores) | | | |
|------------|------------------|--------|--------|---------|
| | FY 22 | FY 23 | FY 24 | Sep-24* |
| Revenue | 329.37 | 343.22 | 496.86 | 496.44 |
| EBITDA | 54.32 | 43.36 | 68.25 | 32.66 |
| Net Profit | 16.48 | 5.49 | 41.44 | 1.94 |
| RoCE | 8.30% | 5.48% | 12.93% | 3.49% |
| ROE | 6.14% | 1.95% | 12.85% | 0.39% |
| P/E | 77.46 | 232.89 | 30.79 | 748.47 |

*Annualized

Promoter Share Holding Pattern

| | |
|-----------|------------|
| Pre-Issue | Post Issue |
| 60.93% | 51.39% |

Valuation Parameters

| Particulars | Pre-Issue | Post Issue* |
|-----------------|-----------|-------------|
| EPS | 22.77 | 0.94 |
| BVPS | 177.23 | 240.56 |
| P/E | 30.79 | 748.47 |
| P/BV | 3.96 | 2.91 |
| Mkt Cap (In Cr) | 1,275.81 | 1,450.81 |

*Annualized

Lead Managers -

1. Motilal Oswal Investment Advisors Limited
2. Equirus Capital Private Limited

Registrar -

Link Intime India Private Limited

Business Overview –

Concord Enviro Systems Limited has been in the industry since 1999 and has vast experience. The company is a global provider of water and wastewater treatment and reuse solutions, including zero-liquid discharge (“ZLD”) technology. The company has in-house capabilities to develop solutions across the entire value chain including designing, manufacturing, installation and commissioning, operation and maintenance (“O&M”) and digitalization solutions including Internet of Things (“IoT”).

The sources through which the company generates its revenue include -

- (i) sale of systems and plants - the manufacture and sale water and wastewater treatment, reuse and ZLD of systems and plants and turnkey solutions and includes effluent treatment plants, anaerobic digestors, membrane bioreactors, sewage treatment plants, membrane-based systems including ultra-filtration (“UF”), nano-filtration (“NF”), reverse osmosis (“RO”), desalination systems and waste heat evaporators (“WHE”)
- (ii) operations and maintenance of installed plants.
- (iii) supplying consumables and spares for installed plants - the manufacture and sale of consumables and spare parts (including membranes, plant chemicals and consumables).

Order Book –

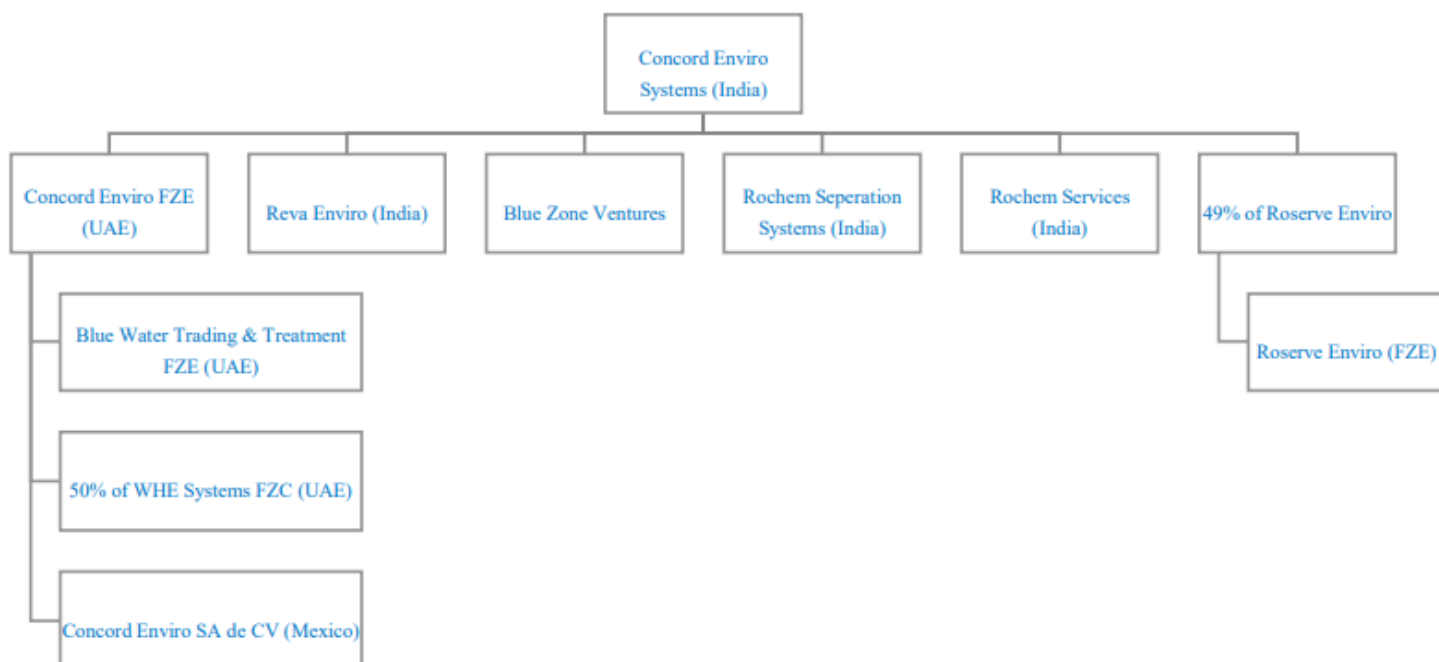
As of the period ended August 2024, the company’s Order Book was 501.74 Crore of which 74.50% comprises of System and Plant, 25.50% comprises of after-sales revenue (including consumables and spares orders and O&M).

Revenue Bifurcation as per source –

(Amt in Crore)

| Particulars | FY 2022 | | FY 2023 | | FY 2024 | | Aug-24 | |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Amt | % | Amt | % | Amt | % | Amt | % |
| Systems and Plants - | 163.15 | 49.53 | 160.87 | 46.87 | 296.18 | 59.61 | 98.99 | 48.01 |
| i) Turnkey Basis | 145.99 | 44.33 | 142.90 | 41.63 | 288.08 | 57.98 | 97.94 | 47.51 |
| ii) Pay-per-Use Basis | 17.15 | 5.21 | 17.97 | 5.24 | 8.10 | 1.63 | 1.04 | 0.51 |
| Sale of consumables and spare parts | 86.43 | 26.24 | 87.64 | 25.53 | 103.36 | 20.80 | 41.02 | 19.89 |
| O&M services | 79.80 | 24.23 | 94.71 | 27.59 | 97.32 | 19.59 | 66.17 | 32.09 |
| Total | 329.37 | 100.00 | 343.22 | 100.00 | 496.86 | 100.00 | 206.17 | 100.00 |

Company’s Group Structure -



Geography and Client Base –

The company exports to countries in North America, Latin America, Africa, Middle East and Southeast Asia such as Mexico, UAE, Kenya, Indonesia, Vietnam UK, USA, Uganda, Sri Lanka, Nigeria, Singapore, Germany, South Africa, Australia, Columbia, and Pakistan. As of August 2024, company has served over 289 domestic customers and 21 international customers across a diverse set of industries such as pharmaceuticals, chemicals, food and beverage, defence and energy, automotive and auto ancillaries, steel and textiles.

The company services both Indian and Multinational customers such as Diageo Mexico Operaciones, S.A. De C.V., Grasim Industries Limited, AB Mauri, Anthem Biosciences Private Limited, Bhopal Glues and Chemicals Private Limited, Kasyap Sweeteners Private Limited.

Current Executing Projects –

Diageo Mexico Operaciones, S.A. De C.V. that include implementing a ZLD solution for their distillery in La Barca, Jalisco, Mexico and a ZLD solution for another customer at their factory in New York, United States of America.

Revenue Bifurcation as per Geographic Segment –

(Amt in Crore)

| Particulars | FY 2022 | | FY 2023 | | FY 2024 | | Aug-24 | |
|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Amt | % | Amt | % | Amt | % | Amt | % |
| Within India | 255.32 | 77.52 | 260.70 | 75.96 | 289.34 | 58.23 | 114.64 | 55.61 |
| Outside India | 74.04 | 22.48 | 82.52 | 24.04 | 207.52 | 41.77 | 91.53 | 44.39 |
| Total | 329.37 | 100.00 | 343.22 | 100.00 | 496.86 | 100.00 | 206.17 | 100.00 |

Manufacturing Facilities –

The company has two manufacturing facilities –

- 1) Vasai, Maharashtra – 96,000 sq ft – Product Lines – Systems and Plants.
- 2) Sharjah, UAE – 15,000 sq ft – Product Lines – Membrane Castings, Modules, Systems.

Capacity Utilization –

| Particulars | FY 22 | FY 23 | FY 24 | Aug-24 |
|---------------|--------|--------|--------|--------|
| Vasai | | | | |
| Module | 24.55% | 38.00% | 40.18% | 24.92% |
| Systems | 34.33% | 37.17% | 36.50% | 33.20% |
| Sharja | | | | |
| Module | 37.12% | 11.35% | 30.82% | 20.64% |

Capacity utilisation at the Vasai facility is low due to systems and plants capacity is measured in terms of the number of systems and plants manufactured at a uniform capacity, the company manufactures its systems and plants of varying capacity which may indicate lower capacity utilisation in spite of manufacturing high-capacity plants

Capacity utilisation at the Sharjah facility as stated above has decreased for FY 2023, Due to a reduction in third-party sales of the modules from customers located in China and Germany, the capacity utilization decreased from 37.12% in Fiscal 2022 to 11.35% in Fiscal 2023, which subsequently increased to 30.82% in Fiscal 2024 on account of an increase in the systems and plant sales and resultant increase in the manufacturing of the modules.

Net Proceeds Utilization –

| Particulars | Amount | Purpose |
|---|-------------------------------------|--|
| Investment in the wholly owned Subsidiary, CEF | ₹ 25 Crore | i) Set up a “greenfield” unit at Sharjah, UAE ii) To assemble Systems and plants for the treatment of wastewater and related membrane modules. iii) It is proposed to – a) Provide for the growing order book b) New products and technologies c) Grow International Business. |
| Investment in the wholly owned Subsidiary, Rochem Separation Systems (India) Private Limited (“RSSPL”) | ₹ 10.5 Crore | i) Undertake “brownfield” project ii) Expand the manufacturing facilities, storage and supporting activities iii) This is for their Vasai Project iv) The purpose is to not increase the capacity but to improve the utilization of existing capacity. |
| Funding capital expenditure requirements of the Company | ₹ 3.2 Crore | i) Purchase of Plant and Machinery ii) The plant, machinery and equipment will enable the Company to undertake precision machining and welding of certain parts in-house |
| Investment in the wholly owned Subsidiary, CEF | ₹ 20 Crore | i) Prepayment or repayment, in full or in part, of all or a portion of certain outstanding borrowings availed by CEF ii) As of September 30, 2024, the aggregate Outstanding borrowings of CEF amounted to Rs. 75.76 Crore. |
| Investment in the wholly owned Subsidiary, Concord Enviro FZE, | ₹ 50 Crore | i) Working Capital Requirement. |
| Investment in the joint venture, Roserve Enviro Private Limited | ₹ 10 Crore | i) Grow its “pay per use/pay as you treat” business as one of its growth strategies. ii) Under its “pay per use/pay as you treat” it offers systems and plants on a rental basis so that customers are able to avoid large capital expenditures. iii) The company will install tailored wastewater reuse solutions and then operate and maintain the systems and plants including spare parts. |
| Investment in technology and other growth initiatives | ₹ 23.5 Crore | i) IoT and AI platform for data capture, analysis, troubleshooting and predictive maintenance ii) Membranes technology for sewage recycling iii) Self-cleaning membranes for wastewater recycling iv) Technology for inertization and consolidation of industrial solid waste for beneficial use, etc. |
| General corporate purposes | Not more than 25% of gross proceeds | - |

Competition -

1. **Market Competition, High:** Competition from both domestic and multinational corporations, including well-established players with greater financial, technical, and market resources.
2. **Threat of New Entrants, Moderate:** High capital investment, regulatory compliance, and specialized technical expertise required for wastewater and ZLD solutions act as barriers
3. **Threat of Substitutes, High:** New technologies and alternative wastewater treatment methods could render existing solutions less competitive.
4. **Bargaining Power of Buyers, High:** Customers have multiple options with competitors offering cost-effective and innovative solutions, increasing pricing pressure and quality expectations.
5. **Bargaining Power of Suppliers, Moderate:** Dependency on critical technology and specialized materials impacts procurement, but strong supplier relationships mitigate risks.

Business Strategies -

1. The company in order to capitalise on the expected growth in demand for water and wastewater treatment systems and plants, they are expanding its capacity for the manufacture of membrane modules, WHE modules and containerised plants by building a new assembly unit.
2. The company aims to grow its 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.
3. The company intends to expand further in Latin America, Africa, Europe and Asia.
4. The company aims to cross-sell its new products like anaerobic digestors, membrane bioreactors, sewage treatment plants, waste heat evaporators

Risk Factors -

- The company’s top 10 customers contributed to 55.95%, and 54.69% of the revenue for the FY ended 2024, and period ended August 2024 respectively.
- The company’s subsidiaries have incurred loss in the past namely –
Rochem Separation Systems – August 2024
Rochem Services Private – FY 2021
Reva Enviro Systems Private – FY 2021
Blue Zone Ventures Private – FY 2024, and August 2024
Concord Enviro FZE – FY 2023
Concord Enviro SA De.C.V., Mexico - FY 2022
- The company has had related party transactions specific to the Sale of Goods or Services contributing to 7.87%, 10.63%, 2.68%, and 1.05% for FY ended 2022, 2023, 2024, and August 2024 respectively.
- There are 21 outstanding litigations against the Company, Promoters, Subsidiaries and certain Directors amounting to Rs. 97.77 Crore.
- The company has contingent liabilities amounting to Rs. 94.72 Crore as of August 2024.

INDUSTRY OVERVIEW

Water Scenario of India and other Geographies -

Global water stress levels are measured based on freshwater that is being withdrawn by all economic activities, compared to the total renewable freshwater resources available. The Middle East and North African countries exhibit critically high-water stress, with withdrawal rates exceeding 100%, indicating unsustainable extraction or significant desalination reliance. Conversely, Northern Europe, Canada, much of Latin America, Sub-Saharan Africa, and Oceania experience low to medium water stress. India, with 18% of the world's population but only 4% of its water resources, is a high water-stressed nation. A significant portion of its population faces high to extreme water stress, aggravated by erratic monsoon patterns and climate change, which intensifies floods and droughts.

In CY23, regions with extremely high-water stress use over 80% of their renewable water supply for various needs such as irrigation, livestock and domestic needs. The five most water-stressed countries are Bahrain, Cyprus, Kuwait, Lebanon, Oman, and Qatar, due to low supply and high demand. In the Middle East and North Africa, 83% of the population faces extreme water stress, while 74% in South Asia are similarly affected. The World Resources Institute (WRI) have estimated that 33 countries, half of which are in the Middle East, would suffer from a severe water crisis by 2040. Global water demand is expected to rise by 20% to 25% by 2050. Concurrently, the number of watersheds experiencing significant year-to-year variability and unpredictable water supplies is projected to increase by 19%. In the Middle East and North Africa, this will result in the entire population facing extremely high-water stress by 2050.

(Source: RHP)

Indian water and wastewater treatment solutions market size -

The water and wastewater management market in India was valued at US\$ 7.3B in FY24 and is expected to reach US\$ 12.8B by FY29, growing at a CAGR of 12.0% from FY24 to FY29. This growth is driven by the economic imperative of efficient water management. As the concerns over water scarcity intensify, industries and municipalities face increasing pressure to adopt efficient wastewater treatment practices. This leads to stringent regulations on effluent treatment and the escalating concern over water scarcity, prompting a significant shift towards reducing freshwater usage across various sectors. As the world's third-largest coal producer, India faces significant environmental challenges that are spurring demand for advanced wastewater treatment solutions.

Global and Indian Industrial Wastewater recycling/reuse market -

Globally, regions such as North America, Europe, and APAC are leading the way in adopting advanced recycling technologies, motivated by regulatory pressures, sustainability goals, and the need to manage limited water resources effectively. The demand for water and wastewater treatment solutions in APAC is mainly driven by rapid urbanization in developing Asian economies including China, India, Vietnam, and Indonesia. Other factors contributing to the growth of the market include improving standards of living, water scarcity, and the emergence of more stringent water-related laws and regulations, particularly for effluent discharge. These solutions mitigate wastewater discharge impacts on ecosystems and promote circular economies by converting waste into valuable resources. Integrating recycled water in industrial processes, agricultural irrigation, and potable supply reduces freshwater reliance and enhances resource efficiency. This approach conserves water, minimizes waste, and boosts environmental sustainability and economic resilience.

(Source: RHP)

Key Management -



| | |
|--|--|
| Key Management Persons Name - | Prayas Goel |
| Age | 47 |
| Designation and No. of experience | Promoter, Chairman and Managing Director, 25 years of experience in organizational strategy, business process re-engineering |
| Qualification | bachelor's degree in mechanical engineering |
| Responsibility | - |
| Other Directorships | Concord Shipping Private Limited, RGE Pune Waste Processing Private Limited |

| | |
|--|---|
| Key Management Persons Name - | Prerak Goel |
| Age | 45 |
| Designation and No. of experience | Promoter and Executive Director, 21 years of experience in organizational strategy, financial strategy and management |
| Qualification | bachelor's degree in commerce, master's degree in business management |
| Responsibility | - |
| Previous Association | Rochem Separation Systems (India) Private Limited, Rochem Services Private Limited |

| | |
|--|---|
| Key Management Persons Name - | Shiraz Homi Bugwadia |
| Age | 48 |
| Designation and No. of experience | Independent Director, 17 years of experience |
| Qualification | bachelor's degree in chemical engineering, master's degree in business administration |
| Responsibility | - |
| Other Directorships | O3 Alternatives Private Limited, Bazaar Retail Private Limited |

| | |
|--|---|
| Key Management Persons Name - | Prakash D. Shah |
| Age | 70 |
| Designation and No. of experience | Independent Director, 43 years of experience |
| Qualification | bachelor's degree in law |
| Other Directorships | Vinyl Chemicals (India) Limited, Beico Industries Private Limited |

| | |
|--|---|
| Key Management Persons Name - | Kamal Sandeep Shanbhag |
| Age | 56 |
| Designation and No. of experience | Non-Executive Nominee Director, 27 years of experience in financial advisory and consultancy services |
| Qualification | chartered accountant |
| Other Directorships | Concord Enviro FZE, Blue Water Trading & Treatment FZE |

| | |
|--------------------------------------|--|
| Key Management Persons Name - | Rajesh Pai |
| Age | 53 |
| Designation | Independent Director, several years of experience in the private equity sector |
| Qualification | bachelor's degree in computer engineering, master's degree in computer science, and a master's degree in business administration |
| Other Ventures | - |

- The overall management of the company is satisfactory.
- The management has good experience.
- There is evidence of dual chairmanship, which is not favourable.
- Sudarshan Gopinath Kamath, Chief Financial Officer (CFO) holds a bachelor's degree in commerce, post graduate diploma in business administration. He is a certified chartered accountant. He has an overall experience of over 27 years.

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Crores

| Particulars | FY 22 | FY 23 | FY 24 | Aug-24 |
|---|---------------|---------------|---------------|---------------|
| Revenue from Operations | 329.366 | 343.219 | 496.859 | 206.171 |
| Other Income | 8.204 | 7.278 | 15.415 | 1.853 |
| Total Income | 337.57 | 350.50 | 512.27 | 208.02 |
| Expenses | | | | |
| Cost of raw materials and components consumed | 131.27 | 141.42 | 224.44 | 90.58 |
| Service Charges | 29.62 | 28.40 | 25.30 | 9.03 |
| Purchase of stock-in-trade | 16.91 | 11.77 | 37.12 | 14.12 |
| Increase/(decrease) in inventories of finished goods and work-in-progress | -9.96 | -7.93 | 1.29 | 4.33 |
| Employee benefits expense | 52.03 | 57.88 | 71.01 | 32.74 |
| Finance Cost | 18.51 | 18.75 | 17.79 | 8.58 |
| Depreciation and Amortization expense | 25.48 | 24.34 | 21.87 | 6.01 |
| Other Expenses | 56.012 | 68.671 | 68.745 | 41.18 |
| Total Expenses | 319.88 | 343.30 | 467.57 | 206.56 |
| EBITDA | 54.32 | 43.36 | 68.25 | 13.56 |
| EBITDA Margin | 16.49% | 12.63% | 13.74% | 6.58% |
| Profit/(Loss) before share of profits of joined ventures accounted for using the equity method | 17.69 | 7.20 | 44.70 | 1.46 |
| Share of Profit of associates | 0.84 | 0.36 | -0.71 | -0.64 |
| Profit/(Loss) before tax | 18.53 | 7.55 | 44.00 | 0.82 |
| Tax Expense | | | | |
| Current tax | 4.18 | 2.27 | 3.54 | 0.02 |
| Deferred Tax charge / (Credit) | -1.43 | -0.42 | -0.98 | 0.29 |
| Income tax pertaining to earlier years | -0.69 | 0.21 | - | - |
| Total Tax Expense | 2.05 | 2.07 | 2.56 | 0.31 |
| Profit/(Loss) for the year | 16.48 | 5.49 | 41.44 | 0.52 |
| Net Profit Margin | 4.88% | 1.57% | 8.09% | 0.25% |

Statement of Assets and Liabilities

Amt in Crores

| Particulars | FY 22 | FY 23 | FY 24 | Aug-24 |
|--------------------------------------|---------------|---------------|---------------|---------------|
| EQUITY AND LIABILITIES | | | | |
| 1. Shareholders' funds | | | | |
| Share Capital | 0.43 | 9.10 | 9.10 | 9.10 |
| Other Equity | 268.12 | 271.86 | 313.45 | 312.35 |
| Total Equity | 268.55 | 280.96 | 322.55 | 321.45 |
| 2. Non-current liabilities | | | | |
| Financial Liabilities | | | | |
| (i) Borrowings | 41.14 | 33.10 | 22.82 | 23.29 |
| (ii) Lease Liabilities | 33.08 | 26.52 | 2.20 | 2.28 |
| (iii) Other financial liabilities | 0.20 | 0.35 | 2.00 | 2.21 |
| Provisions | 4.48 | 6.03 | 7.77 | 7.99 |
| Other non-current liabilities | 0.147 | 0.06 | 1.453 | 1.523 |
| Total non-current liabilities | 79.05 | 66.06 | 36.25 | 37.29 |
| 3. Current liabilities | | | | |
| Financial Liabilities | | | | |
| (i) Borrowings | 84.62 | 97.96 | 130.37 | 144.25 |
| (ii) Lease Liabilities | 12.59 | 12.89 | 3.23 | 3.23 |
| (iii) Trade Payables | - | - | - | - |
| (a) Outstanding Dues to MSME | 6.32 | 6.35 | 18.39 | 18.53 |

| Particulars | FY 22 | FY 23 | FY 24 | Aug-24 |
|---|---------------|---------------|---------------|---------------|
| (b) Outstanding Dues to other than MSME | 67.46 | 80.41 | 97.28 | 80.12 |
| (iv) Other Financial Liabilities | 3.13 | 2.28 | 1.75 | 1.62 |
| Provisions | 1.95 | 2.23 | 2.48 | 2.88 |
| Contract Liabilities | 6.28 | 37.03 | 8.50 | 26.69 |
| Current Tax Liabilities (net) | 1.36 | 0.85 | 0.71 | 0.72 |
| Other current liabilities | 5.62 | 5.19 | 6.18 | 3.32 |
| Total Current liabilities | 189.31 | 245.20 | 268.88 | 281.35 |
| Total Liabilities | 268.35 | 311.26 | 305.12 | 318.64 |
| Total Equity and Liabilities | 536.90 | 592.22 | 627.68 | 640.09 |
| ASSETS | | | | |
| 1. Non-current assets | | | | |
| Property, Plant and Equipment | 73.65 | 68.06 | 61.47 | 58.66 |
| Right of use assets | 49.86 | 43.87 | 14.67 | 15.05 |
| Intangible assets | 25.91 | 27.30 | 27.57 | 27.41 |
| Intangible assets under development | 0.00 | - | 0.97 | 1.06 |
| Capital work in Progress | 0.08 | 0.36 | 1.37 | 14.05 |
| Financial Assets | 0.00 | - | - | - |
| (i) Investments | 0.00 | - | - | - |
| (a) Investments accounted for using equity method | 21.10 | 55.11 | 58.25 | 59.36 |
| (b) Other investments | 0.74 | 0.92 | 1.74 | 1.88 |
| (ii) Other financial assets | 8.37 | 9.00 | 3.29 | 4.32 |
| Deferred Tax Assets (Net) | 6.28 | 6.93 | 8.14 | 7.85 |
| Current Tax Assets (Net) | 0.83 | 1.41 | 2.35 | 2.99 |
| Other non-current assets | 22.86 | 6.68 | 11.06 | 7.97 |
| Total non-current assets | 209.67 | 219.63 | 190.86 | 200.59 |
| 2. Current assets | | | | |
| Inventories | 134.36 | 149.93 | 153.99 | 156.15 |
| Financial Assets | - | - | - | - |
| (i) Investments | - | - | - | - |
| (ii) Trade receivables | 128.50 | 105.87 | 171.36 | 117.80 |
| (iii) Cash and cash equivalents | 19.61 | 60.26 | 18.26 | 1.90 |
| (iv) Bank balances other than (ii) | 9.67 | 22.15 | 13.38 | 15.45 |
| (v) Loans | 1.16 | 0.28 | 0.35 | 0.33 |
| (vi) Other financial assets | 3.09 | 3.12 | 10.93 | 10.88 |
| Contract assets | 6.86 | 1.11 | 22.47 | 75.16 |
| Other Current Assets | 23.98 | 29.88 | 46.07 | 61.83 |
| Total Current assets | 327.23 | 372.59 | 436.81 | 439.50 |
| Total Assets | 536.90 | 592.22 | 627.68 | 640.09 |

Cash Flow Statement

Amt in Crores

| Particulars | FY 22 | FY 23 | FY 24 | Aug-24 |
|---|--------|--------|--------|--------|
| Net Cash Flow from Operating Activities | 49.03 | 117.36 | -34.67 | -5.08 |
| Net Cash Flow from Investing Activities | -27.89 | -49.83 | -3.27 | -15.49 |
| Net Cash Flow from Financing Activities | -11.97 | -26.88 | -4.07 | 4.22 |

Key Ratios

*Annualized

| Per Share Data | FY 22 | FY 23 | FY 24 | Valuation Ratios (x) | FY 22 | FY 23 | FY 24 |
|-------------------------|--------------|--------------|--------------|-----------------------------|--------------|--------------|--------------|
| Diluted EPS | 9.05 | 3.01 | 22.77 | EV/EBITDA | 6.72 | 7.60 | 6.51 |
| BV per share | 63,103.91 | 154.38 | 177.23 | Market Cap / Sales | 4.40 | 4.23 | 2.92 |
| Operating Ratios | | | | P/E | 77.46 | 232.89 | 30.79 |
| EBITDA Margins | 16.49% | 12.63% | 13.74% | Price to Book Value | 0.011 | 4.541 | 3.955 |
| PAT Margins | 4.88% | 1.57% | 8.09% | Solvency Ratios | | | |
| Inventory days | 148.90 | 159.44 | 113.12 | Debt / Equity | 0.47 | 0.47 | 0.47 |
| Debtor days | 142.40 | 112.59 | 125.88 | Current Ratio | 1.73 | 1.52 | 1.62 |
| Creditor days | 173.90 | 196.92 | 158.18 | Quick Ratio | 1.02 | 0.91 | 1.05 |
| Return Ratios | | | | Asset Turnover | 0.61 | 0.58 | 0.79 |
| RoCE | 8.30% | 5.48% | 12.93% | Interest Coverage Ratio | 1.56 | 1.01 | 2.61 |
| RoE | 6.14% | 1.95% | 12.85% | | | | |

FINANCIAL ANALYSIS –

1. The top line had seen an increase in FY2024 by 44.76%.
2. The company's increased borrowings, resulting from extended working capital days, have led to higher finance costs and when combined with depreciation charges, this has contributed to a reduction in the PAT margins.
3. The company believes there are fluctuations in its EBITDA Margin due to factors such as changes in pricing pressure, operational inefficiencies, increases in raw material or employee costs, or adverse market conditions that could adversely affect the profitability
4. The RoCE and RoE have remained low for FY2023 and FY2024.
5. The PE ratio has remained high over the years.
6. The company has had negative operating cashflow for FY 2024, and the period ended August 2024

Peer Analysis

| Particulars | Concord Enviro Systems Limited | | | Triveni Engineering and Industries Limited | | | VA Tech Wabag Limited | | | ION Exchange Limited | | |
|---------------|--------------------------------|--------|-------|--|-------|-------|-----------------------|--------|-------|----------------------|-------|-------|
| | FY 22 | FY 23 | FY 24 | FY 22 | FY 23 | FY 24 | FY 22 | FY 23 | FY 24 | FY 22 | FY 23 | FY 24 |
| NP Margin | 5.0% | 1.6% | 8.3% | 9.7% | 25.2% | 7.5% | 4.4% | 0.4% | 8.5% | 10.1% | 9.7% | 8.2% |
| EBITDA Margin | 16.5% | 12.6% | 13.7% | 16.2% | 29.7% | 13.0% | 8.8% | 3.0% | 14.1% | 15.9% | 14.8% | 13.4% |
| RoCE | 13.9% | 6.2% | 12.9% | 26.0% | 65.9% | 17.6% | 14.0% | 4.6% | 16.6% | 33.0% | 30.5% | 24.1% |
| ROE | 6.1% | 2.0% | 12.8% | 22.2% | 67.2% | 13.6% | 8.6% | 0.8% | 13.5% | 23.8% | 23.6% | 19.3% |
| EPS (INR) | 9.05 | 3.01 | 22.77 | 17.54 | 77.79 | 18.05 | 21.21 | 2.09 | 39.49 | 2.08 | 13.83 | 13.77 |
| P/E | 77.46 | 232.89 | 30.79 | 18.18 | 3.49 | 17.24 | 13.45 | 168.37 | 19.33 | 0.00 | 12.35 | 24.79 |

| Particulars | Concord Enviro Systems Limited | | | Praj Industries Limited | | | Thermax Limited | | |
|---------------|--------------------------------|--------|-------|-------------------------|-------|-------|-----------------|-------|-------|
| | FY 22 | FY 23 | FY 24 | FY 22 | FY 23 | FY 24 | FY 22 | FY 23 | FY 24 |
| NP Margin | 5.0% | 1.6% | 8.3% | 6.3% | 6.7% | 8.0% | 5.0% | 5.5% | 6.7% |
| EBITDA Margin | 16.5% | 12.6% | 13.7% | 9.7% | 9.9% | 12.2% | 8.8% | 9.2% | 11.4% |
| RoCE | 13.9% | 6.2% | 12.9% | 21.9% | 28.9% | 27.0% | 11.8% | 14.5% | 17.7% |
| ROE | 6.1% | 2.0% | 12.8% | 16.4% | 22.2% | 22.2% | 8.9% | 11.6% | 14.5% |
| EPS (INR) | 9.05 | 3.01 | 22.77 | 8.19 | 13.05 | 15.42 | 27.73 | 39.98 | 57.30 |
| P/E | 77.46 | 232.89 | 30.79 | 48.23 | 26.13 | 34.56 | 70.56 | 57.35 | 73.16 |

LEAD MANAGER TRACK RECORD -

The lead managers to the issue are Motilal Oswal Investment Advisors Limited and Equirus Capital 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 –

Motilal Oswal Investment Advisors Limited –

| Sr. No. | Company Name | Issue Size in Cr. | Issue Price/Share (In INR) | Listing Date | CMP* (INR) |
|---------|--|-------------------|----------------------------|---------------|------------|
| 1. | Niva Bupa Health Insurance Company Limited | 2,200.00 | 74.00 | Nov 14, 2024 | 83.84 |
| 2. | ACME Solar Holdings Limited | 2,900.00 | 289.00 | Nov 13, 2024 | 258.05 |
| 3. | P N Gadgil Jewellers Limited | 11,000.00 | 480.00 | Sept 17, 2024 | 720.15 |
| 4. | R K SWAMY Limited | 423.56 | 288.00 | Mar 12, 2024 | 280.42 |
| 5. | Happy Forgings Limited | 1,008.59 | 850.00 | Dec 27, 2023 | 1,010.05 |

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

Equirus Capital Private Limited –

| Sr. No. | Company Name | Issue Size in Cr. | Issue Price/Share (In INR) | Listing Date | CMP* (INR) |
|---------|---|-------------------|----------------------------|---------------|------------|
| 1. | Godavari Biorefineries Limited | 554.75 | 352.00 | Oct 30, 2024 | 351.65 |
| 2. | Kross Limited | 500.00 | 240.00 | Sept 16, 2024 | 223.18 |
| 3. | ECOS (India) Mobility & Hospitality Limited | 601.20 | 334.00 | Sept 04, 2024 | 314.10 |
| 4. | DEE Development Engineers Limited | 418.01 | 203.00 | Jun 26, 2024 | 340.05 |
| 5. | Capital Small Finance Bank Limited | 523.07 | 468.00 | Feb 14, 2024 | 276.90 |

The company has handled 17 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 17th Dec 2024.

As per the offer document, the above-mentioned mandates 4 have opened at a discount 1 has opened at par and the remaining all have opened at a premium on the listing day.

Recommendation -

Concord Enviro Systems Limited has been in the industry since 1999 and has vast experience in the industry. The management overview of the company is satisfactory.

The P/E on a post-IPO basis is 748.47 times which makes it aggressively priced compared to the performance of the company.

The company has very vast experience and operates in a growing industry. The company has a good order book and is utilizing its funds for Capital Expenditure, Working Capital Requirement, Investment in Joint ventures, and etc all the details are provided in the Net Proceeds Utilization Chapter of this report. This indicates that the company is positioned for growth.

While the company has several positive aspects to highlight, there are certain concerns that cannot be overlooked. One of the objectives of the issue includes an offer for sale amounting to ₹325 crore, which reduces the post-issue promoter holding to 51.69%, potentially impacting the management's decision-making authority. Additionally, the company has exhibited highly fluctuating profitability margins, which may or may not stabilize in the future. Furthermore, the company's return ratios remain low, and it has reported negative operating cash flows.

Thus, we have a **NEUTRAL** opinion on this IPO.

Disclaimer

We are not registered research analysts with SEBI and are not subject to the regulations governing research analysts. This research report is for educational purposes only and should not be construed as investment advice. The information contained in this report is based on publicly available information and is believed to be reliable, but no representation or warranty, express or implied, is made as to its accuracy or completeness. Also, some of the employees of our organization may have or may in the future hold investments in the company that is the subject of this research report. This may create a conflict of interest, and you should be aware of this when considering the information contained in this report. You should consult with your financial advisor before making any investment decisions.

The analysis and recommendations are based on the current market and company-specific scenario, along with the data available in the prospectus. Market and company-specific conditions may change after the company's listing, potentially impacting its performance and outlook. We will not be providing any follow-up reports or updates on this analysis post-listing.

OUR WEBSITE:

www.tiareconsilium.com

OUR APP AVAILABLE ON:**CONNECT WITH US ON :**