



Concord Enviro Systems Limited

Concord Enviro Systems Ltd.

Rating SUBSCRIBE	Issue Opens On Dec 19, 2024	Issue Closes On Dec 23, 2024	Listing Date Dec 27, 2024	Price Band (INR) 665 – 701	Issue Size (INR Mn) 4,746 – 5,003
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Company Overview:

Concord Enviro Systems Limited is a leading player in the water and wastewater treatment sector, specializing in providing innovative and sustainable solutions for water management. With a comprehensive portfolio that includes wastewater treatment systems, biogas plants, and reverse osmosis (RO) systems, Concord Enviro serves a wide range of industries, including municipal, industrial, and commercial sectors. The company is focused on providing tailored solutions that not only meet regulatory requirements but also promote sustainability through water reuse, recycling, and resource optimization.

The company operates across multiple regions, with a significant presence in India, the UAE, and Mexico, and is well-positioned to leverage the growing demand for water treatment solutions in emerging markets. Concord Enviro is recognized for its technological expertise in advanced treatment systems, such as membrane bioreactors (MBR), Zero Liquid Discharge (ZLD) systems, and IoT-driven water management solutions that enable real-time monitoring and operational efficiency.

Outlook and Valuation:

Concord Enviro Systems Ltd (CES) is a prominent player in the water and wastewater treatment sector, offering end-to-end water treatment services, from design and installation to maintenance and operation. CES demonstrates a strong order book of INR 5,017.5 Mn as of August 2024, with 74.5% derived from systems and plants and 25.5% from after-sales services, reflecting predictable revenue streams. The water treatment sector's growth, driven by government regulations, rising water scarcity, and sustainability goals, offers significant long-term expansion opportunities for CES.

At the upper end of its IPO price band of INR 701 (P/E: 35.0x), CES presents an attractive opportunity, supported by its strong growth prospects, technological differentiation, and global presence across high-demand regions like *India, the UAE, and Mexico*. The company's strategic initiatives, including capacity expansion, IoT adoption, and the *Pay-Per-Use* business model, position it for scalable growth and sustained profitability.

Given CES's robust fundamentals, strong order book, innovative solutions, and alignment with global sustainability trends, we assign a '**SUBSCRIBE**' rating to the IPO.

Particulars (In INR Mn)	FY22	FY23	FY24
Revenue	3,294	3,432	4,969
EBITDA	535	430	690
EBITDA Margin (%)	16.2%	12.5%	13.9%
Profit After Tax	165	55	414
PAT Margin (%)	5.0%	1.6%	8.3%
Net Worth	2,668	2,792	3,208
RONW (%)	6.2%	2.0%	12.9%

Source: IPO Prospectus

OFFER STRUCTURE

Particulars	IPO Details
No. of shares under IPO (Mn)	7.1
Fresh issue (# shares) (Mn)	2.5
Offer for sale (# shares) (Mn)	4.6
Price band (INR)	665 – 701
Post issue MCAP (INR Mn)	13,763 – 14,508

Source: IPO Prospectus

Issue	# Shares	INR Mn	%
QIB	3,568,661	Max 2,502	Not less than 50%
NIB	1,070,598	Min 750	Not less than 15%
Retail	2,498,062	Min 1,751	Not less than 35%
Total	7,137,321	5,003	100%

Source: IPO Prospectus

Shareholding Pattern	Pre-Issue (%)	Post-Issue (%)
Promoters & Promoters Group	60.9%	51.4%
Others	39.1%	48.6%
Total	100.0%	100.0%

Source: IPO Prospectus

Objects of the Offer	INR Mn
Investment in its wholly owned Subsidiary & JV	1,155
Funding capital expenditure requirements	32
Investment in technology and other growth initiatives for access to new markets	235
General Corporate Purposes	328

Source: IPO Prospectus

BRLM
Motilal Oswal Investment Advisors Limited Equirus Capital Private Limited

Source: IPO Prospectus

Indicative Timetable	
Offer Closing Date	Monday 23 rd Dec'24
Finalization of Basis of Allotment with Stock Exchange	Tuesday 24 th Dec'24
Initiation of Refunds	Thursday 26 th Dec'24
Credit of Equity Shares to Demat accounts	Thursday 26 th Dec'24
Commencement of Trading of Eq. shares on NSE	Friday 27 th Dec'24

Source: IPO Prospectus

Concord Enviro Systems Ltd.

Company Overview

Concord Enviro Systems Ltd (CES) is a global water and wastewater treatment and reuse solutions provider, specializing in zero-liquid discharge (ZLD) technologies. The company offers a comprehensive suite of services and solutions across the entire water treatment value chain, ranging from designing and manufacturing systems and plants to installing, commissioning, operations, and maintenance (O&M). In addition, the company incorporates digitalization technologies such as the Internet of Things (IoT) to optimize its offerings.

Key offerings and operations

Systems and Plants

Concord Enviro manufactures and sells a wide array of water and wastewater treatment systems, including:

- **Effluent Treatment Plants (ETP), Sewage Treatment Plants (STP), and Anaerobic Digesters.**
- **Membrane Bio-Reactors (MBR) and membrane-based systems like Ultra-Filtration (UF), Nano-Filtration (NF), and Reverse Osmosis (RO).**
- **Desalination systems and Waste Heat Evaporators (WHE).**

These systems are designed for industrial processes requiring water treatment and reuse, helping industries optimize water use, minimize waste, and recover resources such as energy.

Operations and Maintenance (O&M) Services

The company offers extensive O&M services, which include:

- **Preventative maintenance**, troubleshooting, and real-time monitoring of installed systems.
- Ensuring the efficient operation of plants, reducing downtime, and enhancing the longevity and performance of water treatment systems.
- This segment helps ensure that customers achieve optimal performance and sustainability goals over the lifespan of the plants.

Consumables and Spare Parts

In addition to manufacturing treatment systems, the company supplies critical **consumables and spare parts necessary** for the efficient operation of water treatment systems. This includes specialized membranes (like UF, NF, and RO membranes), plant chemicals, and other consumables needed for day-to-day operations.

The company's operations are focused on energy optimization, water conservation, and helping industries meet their sustainability goals, with a strong emphasis on wastewater reuse and zero-liquid discharge (ZLD) solutions.

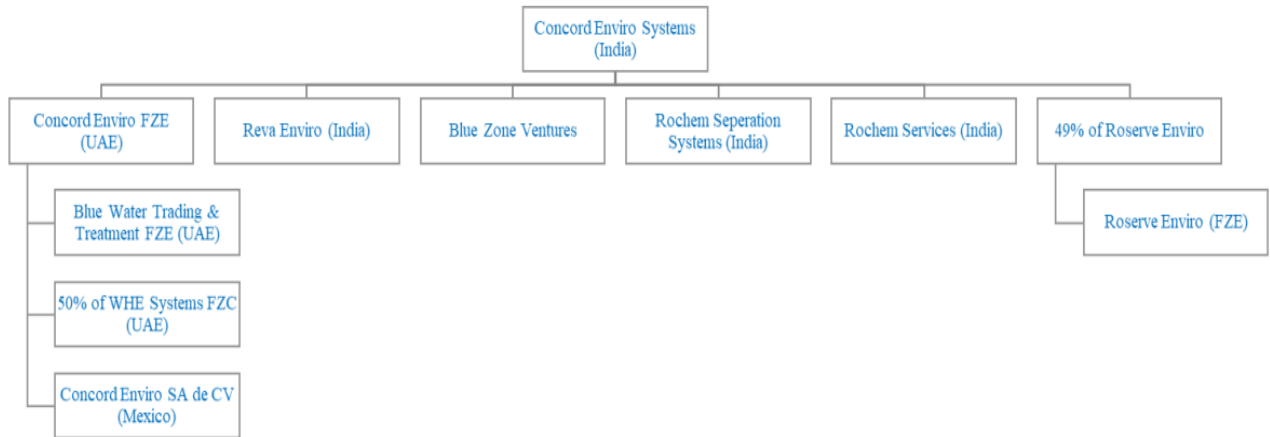
Revenue-breakdown	FY22	FY23	FY24
Systems and Plants	49.5%	46.9%	59.6%
- Turnkey basis	44.3%	41.6%	58.0%
- Pay-per-use basis	5.2%	5.3%	1.6%
Sale of consumables and spare parts	26.2%	25.5%	20.8%
O&M services	24.2%	27.6%	19.6%
Total	100.0%	100.0%	100.0%

Source: IPO Prospectus, Deven Choksey Research

Concord Enviro Systems Ltd.

Company Overview

Group Structure



Source: IPO Prospectus

Order Book and Future Prospects

As of August 31, 2024, Concord Enviro had an Order Book worth INR 5,017.5 Mn. Of this, approximately 74.5% is related to system and plant orders, and 25.5% comes from after-sales services such as consumables, spare parts, and O&M services.

Manufacturing and Research & Development (R&D)

The company operates two manufacturing facilities, located in Vasai, Maharashtra, India, and Sharjah, UAE. CES has an in-house R&D team focused on:

- **Developing new membrane technologies:** The R&D team has successfully designed industry-specific membranes for various applications. The company has expanded its membrane portfolio to cater to specific industrial needs.
- **Energy recovery solutions:** Key innovations include anaerobic digestion, ammonia removal, and the use of WHE to reduce the energy required for ZLD systems.

As of August 31, 2024, Concord Enviro has been awarded four patents in India and has nine more patent applications pending.

Manufacturing Capacity

Facilities	FY22			FY23			FY24		
	Installed Capacity	Actual Production	Capacity Utilization (%)	Installed Capacity	Actual Production	Capacity Utilization (%)	Installed Capacity	Actual Production	Capacity Utilization (%)
Vasai - Modules	11,000	2,700	25%	11,000	4,180	38%	11,000	4,420	40%
Vasai - Systems	600	206	34%	600	223	37%	600	219	37%
Sharjah - Modules	6,000	2,227	37%	6,000	681	11%	6,000	1,849	31%

Source: IPO Prospectus, Deven Choksey Research

Concord Enviro Systems Ltd.

Company Overview

Global Presence and Customer Base

The company operates across various global markets, including North America, Latin America, Africa, the Middle East, Southeast Asia, and India. As of August 31, 2024, CES serves over 310 customers worldwide. The company has a strong customer base, including both domestic (Indian) and multinational clients.

Notable clients include **Diageo Mexico**, **Grasim Industries**, **AB Mauri**, and **LANXESS India**, spanning a range of industries such as:

- **Pharmaceuticals and Chemicals:** Using ZLD technologies to treat combined effluent and achieve water reuse.
- **Food and Beverage:** Effluent treatment, recycling, and achieving ZLD
- **Textiles:** Effluent treatment and salt brine recovery
- **Distilleries:** Providing anaerobic digestion solutions for spent wash treatment and reuse
- **Defense:** Mobile systems for water purification and desalination
- **Leachate:** Concentrating leachate for treatment and disposal.

The company is also executing key projects for multinational customers, such as a ZLD solution for Diageo Mexico in their distillery in Jalisco, Mexico, and another for a customer in New York, USA.

Regional Mix

Revenue-breakdown	FY22	FY23	FY24
India	77.5%	76.0%	58.2%
Outside India	22.5%	24.0%	41.8%
- Mexico	0.0%	11.1%	36.3%
- Columbia	0.0%	1.4%	1.1%
- China	4.5%	1.1%	0.0%
- Nigeria	4.9%	0.3%	0.5%
- Kenya	0.5%	1.0%	1.0%

Source: IPO Prospectus, Deven Choksey Research

Vertical Mix

Revenue-breakdown	FY22	FY23	FY24
Pharmaceutical	25.8%	23.7%	16.3%
Chemicals	18.7%	13.7%	10.5%
Food and Beverage	12.1%	15.6%	39.6%
Leachate	5.1%	1.4%	0.2%
Textiles	3.4%	3.0%	1.7%
Defence	4.6%	7.4%	6.7%
Government	1.6%	0.0%	0.0%
Others	28.8%	35.2%	25.1%

Source: IPO Prospectus, Deven Choksey Research

Top-customer contribution

Particulars	FY22	FY23	FY24
Diageo Mexico Operaciones SA DE CV	0.0%	11.1%	35.9%
Top 5 Customers	23.4%	27.6%	48.5%
Top 10 Customers	36.3%	37.1%	56.0%

Source: IPO Prospectus, Deven Choksey Research

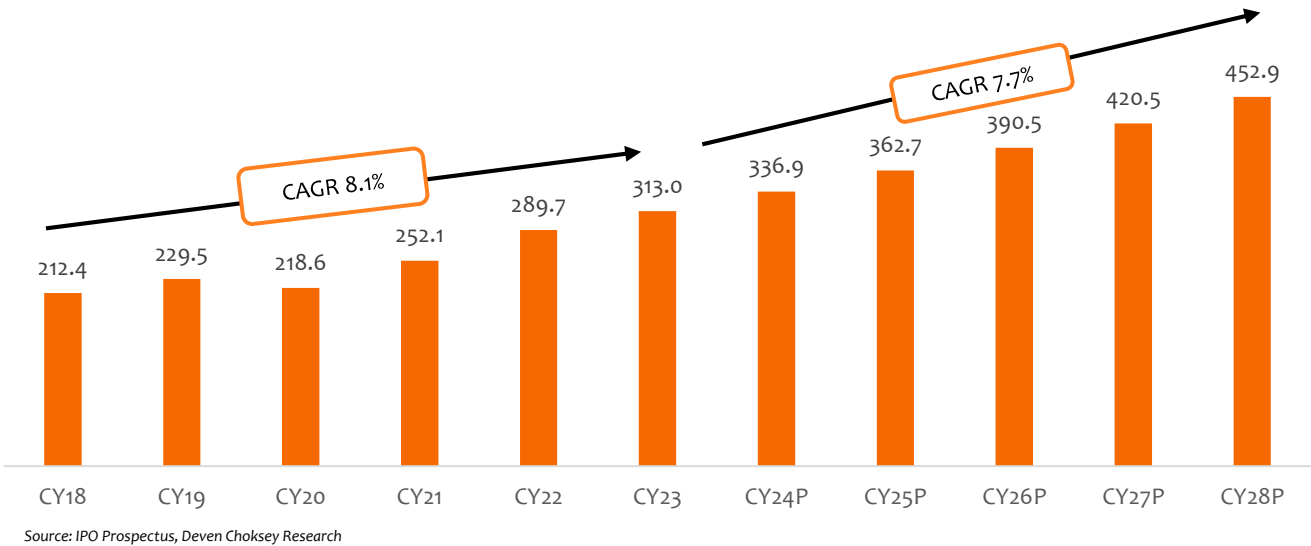
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Industry Overview

Global Industry Landscape

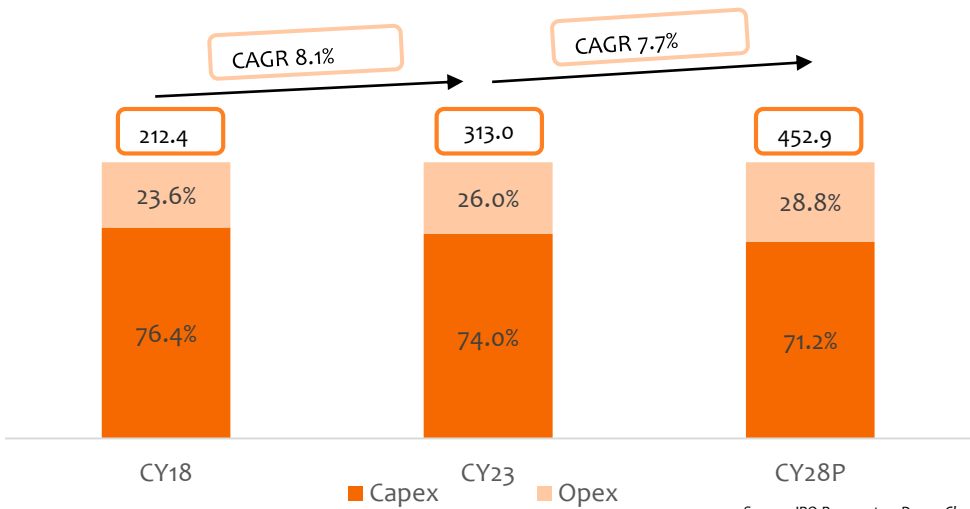
The global water and wastewater treatment market was valued at USD 313.0 Bn in CY23, with a compound annual growth rate (CAGR) of 8.1% from CY18 to CY23. This growth is primarily driven by factors such as stringent government regulations, increased private investments in water treatment infrastructure, and policies focused on river and water source remediation. The market is projected to reach USD 452.9 Bn by CY28E. This market includes revenue from the sale of systems and services for water and wastewater management, encompassing operation and maintenance (O&M) services, as well as the supply of related spares and chemicals. The sector is experiencing robust expansion, fueled by rising demand for efficient and sustainable water management solutions.

Global water and wastewater treatment solutions market size (USD Bn)



In CY23, the global water and wastewater treatment solutions market saw Capex contributing 74.0% of total revenue, while Opex accounted for 26.0%. This reflects the sector's reliance on both significant upfront investment in infrastructure and ongoing operational costs for sustained performance. Capex covers system design, engineering, construction, and treatment technology, while Opex includes costs for operation, maintenance, spares, and chemicals.

Market segmentation basis expenditure



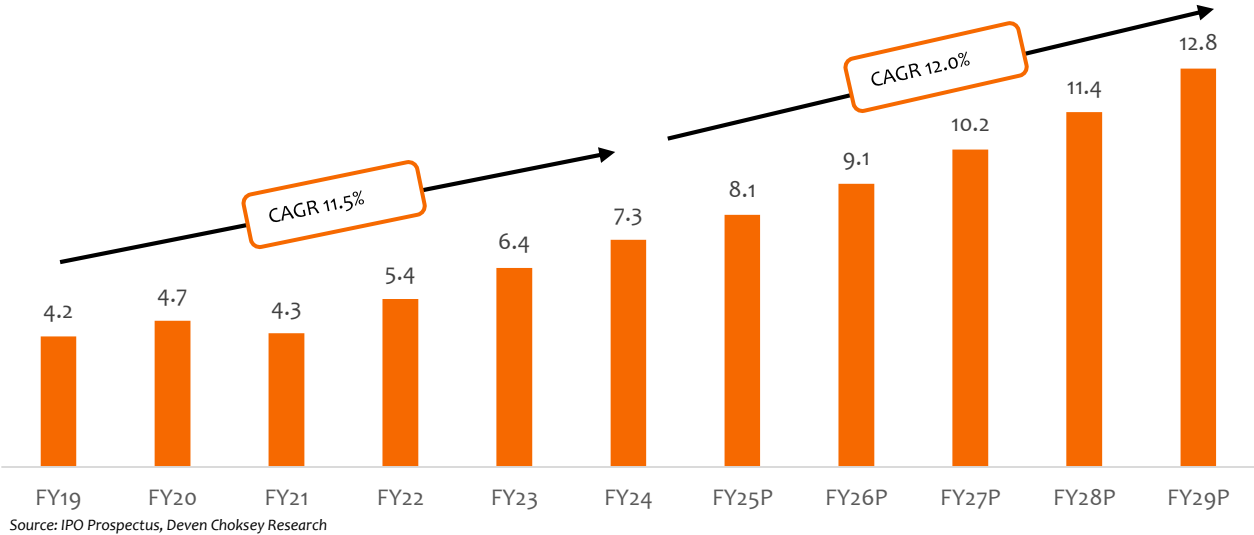
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Industry Overview

Indian Market Overview

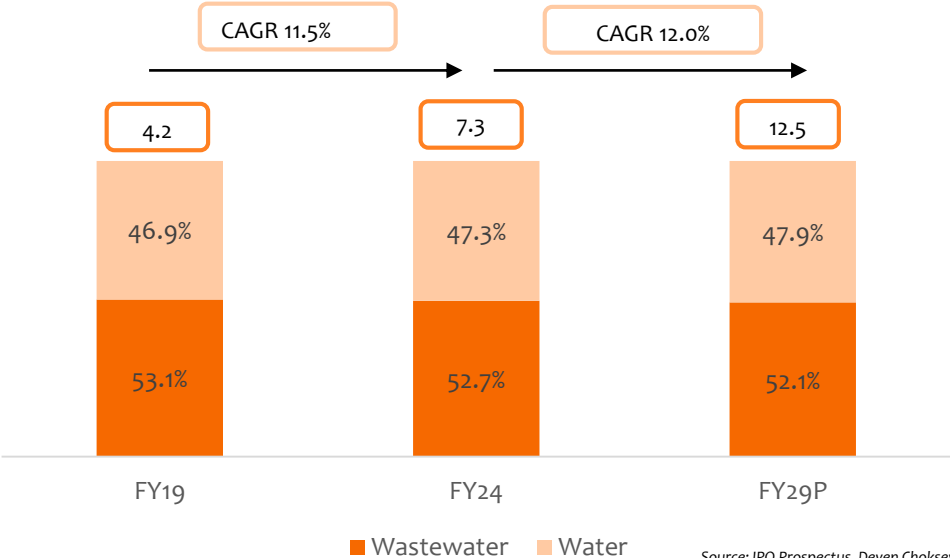
The Indian water and wastewater management market was valued at USD 7.3B in FY24 and is projected to reach USD 12.8B by FY29E, growing at a CAGR of 12.0%. This growth is driven by the increasing need for efficient water management amid rising water scarcity concerns. Stringent regulations on wastewater treatment and the shift towards reduced freshwater usage across industries are key factors. Despite an installed sewage treatment capacity of 31,841 MLD, India treats only 28.0% of its daily sewage, leading to significant environmental and financial costs. Expanding sewage treatment capacity is critical for reducing these costs and ensuring fiscal stability..

Indian water and wastewater treatment solutions market size (USD Bn)



Wastewater treatment solutions is expected to dominate, comprising 52.1% of the total market. Water treatment solutions are anticipated to account for 47.9%. This shift highlights the increasing emphasis on addressing wastewater management challenges, driven by rising environmental concerns, industrial demand, and stringent government regulations. The growth is further supported by technological advancements aimed at improving efficiency in response to water scarcity and the expanding need for sustainable industrial practices.

Market segmentation basis expenditure (USD Bn)



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Industry Overview:

India faces the highest water stress levels among developing economies, with a stress rate of 66.5%, significantly higher than other BRICS nations. South Africa experiences similar water stress at 65.0%, while China reports a stress level of 42.0%. Brazil, by contrast, has the lowest water stress at just 1.5%.

Short-term droughts exacerbate water shortages, compelling governments to implement water rationing, as witnessed in countries like India, England, Iran, Mexico, and South Africa. Regions such as the Middle East and South Africa are particularly vulnerable, with 83.0% of the population experiencing extreme water stress, followed by South Asia at 74.0%. These trends highlight the growing water-related challenges that may have significant economic and operational implications across these regions.

Key Drivers for the Water and Wastewater treatment industry

- Rising Water Scarcity:** India, home to 18.0% of the world's population but only 4.0% of global freshwater resources, faces severe water stress. Overexploitation of groundwater and declining freshwater reserves necessitate advanced water treatment and recycling solutions to meet growing demand.
- Stringent Environmental Regulations:** Governments worldwide are enforcing stricter pollution control laws and wastewater discharge standards. Compliance requirements for industries to adopt advanced treatment solutions, such as Zero Liquid Discharge (ZLD) systems, are fueling demand.
- Urbanization and Population Growth:** By 2030E, over 40.0% of India's population is expected to live in urban areas, significantly increasing the strain on existing water infrastructure. Municipalities require robust wastewater management systems to support growing urban centers and prevent pollution of water bodies..
- Industrial Growth and Sustainability Goals:** Key industries like pharmaceuticals, power generation, food and beverage, and textiles are adopting advanced wastewater treatment systems to meet operational needs and sustainability targets. The global shift toward sustainable practices and resource optimization enhances the demand for innovative water solutions.
- Government Infrastructure Initiatives:** The Indian government has launched large-scale programs such as the Atal Mission for Rejuvenation and Urban Transformation (AMRUT), Namami Gange, and the Jal Jeevan Mission to ensure universal access to clean drinking water and adequate sewage treatment. These initiatives are driving the development of water treatment infrastructure across rural and urban areas.
- Environmental Protection and Public Health:** Untreated wastewater is a leading cause of water pollution in India, impacting agriculture, biodiversity, and public health. Currently, only 28.0% of India's sewage is treated, leaving the rest to contaminate rivers and groundwater. Expanding the wastewater treatment industry is critical to safeguarding ecosystems and improving public health outcomes.
- Economic Impacts of Water Management:** Poor water management costs India nearly USD 80.0 Bn annually, including productivity losses and healthcare costs. Investments in water and wastewater treatment can significantly reduce these economic losses by improving resource efficiency and ensuring sustainable water supply for agriculture, industry, and households.
- Technological Advancements:** The adoption of cutting-edge technologies such as IoT, AI, and membrane filtration systems (e.g., Reverse Osmosis and Membrane Bio-Reactors) enhances the efficiency and effectiveness of treatment processes, driving industry growth.
- Focus on Reuse and Recycling:** Growing awareness of circular economy principles has driven demand for wastewater recycling and reuse technologies, enabling industries and municipalities to optimize resource utilization and reduce freshwater dependency.
- Global Industrialization Trends:** Expanding industrial bases in Asia-Pacific, Africa, and Latin America are significantly contributing to the rising demand for wastewater treatment facilities to handle effluents and adhere to international environmental standards.

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Business Strategies:

Capacity Expansion

The company is implementing a significant capacity expansion plan to cater to the growing global demand for water and wastewater treatment systems. This involves both greenfield and brownfield projects, with investments planned to increase production capacity and meet international market needs.

Greenfield Project – New Assembly Unit:

The company is developing a new assembly unit in Sharjah, UAE, which will produce membrane modules, WHE modules, and containerized plants. This unit will help cater to the increasing order book and enable manufacturing of new products. The estimated capacity for the new facility includes:

- **2,000 membrane modules** per month
- **50,000 square meters** of WHE modules per year
- **36 containerized plants** per year

The investment for this project is estimated at INR 250.0 Mn, with construction expected to take 12 to 16 months, and operations are planned to begin by September 2026. This greenfield project will significantly enhance the company's capacity, allowing it to serve both regional and international markets and produce products that were previously not manufactured at the facility.

Brownfield Project – Enhance utilization of existing facility:

The brownfield project focuses on expanding and optimizing the existing Vasai facility in India. Rather than increasing overall capacity, the aim is to improve the utilization of the current production resources. The expansion at Vasai will focus on reducing material handling times and enhancing operational efficiency, leading to lower production costs. This brownfield expansion will help the company increase throughput and improve cost-effectiveness while leveraging the existing infrastructure.

Expanding into new sectors

The company aims to grow its wastewater reuse business by entering water-intensive industries such as Paper mills, Refineries, Common Effluent Treatment Plants (CETPs), Power plants, and Solar panel manufacturing. The focus will be on increasing the penetration of Zero Liquid Discharge (ZLD) solutions, which use advanced systems like UHPRO membranes to reduce energy consumption and operational costs.

Leverage IoT and Technology

The company intends to expand its IoT-based solutions for wastewater management. Its IoT systems capture operational data in real-time, enabling preventive maintenance and performance optimization for customers. This aligns with the increasing adoption of AI, IoT, and data analytics for water and wastewater monitoring.

Pay-Per-Use Business model

The company plans to scale its "pay-per-use" or "pay-as-you-treat" model, offering wastewater treatment systems on a rental basis. Customers benefit by avoiding high capital expenditures, with the company managing operations and maintenance. This model targets industries facing seasonal water shortages, increased compliance requirements, and savings through water reuse.

Focus on Zero Liquid Discharge

To meet stringent environmental regulations and growing sustainability demands, the company plans to increase the adoption of Zero Liquid Discharge (ZLD) solutions across sectors. ZLD systems, particularly using UHPRO technology, help customers significantly reduce energy consumption and operating costs.

Focus on new technologies

The company is committed to developing innovative solutions like ultra-high-pressure reverse osmosis (UHPRO) systems, which reduce energy consumption by 30.0% and enhance water recovery.

These strategies reflect a focus on technological advancement, sustainability, and market diversification, positioning the company for long-term growth and profitability.

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Key Risks:

High dependence on top customers

A significant risk arises from the CES's dependence on a concentrated customer base, as a large portion of its revenue is derived from a few key customers. For instance, during FY24, the top 10 customers contributed 56.0% of the company's consolidated revenue, while the top 20 customers accounted for 64.4%. Such high reliance on a limited number of customers exposes the company to revenue volatility. Any reduction, delay, or cancellation of orders from these key customers could materially impact the company's financial health, especially given the competitive nature of the industry.

Pending and outstanding litigations

Another notable risk relates to outstanding litigations involving the company, its subsidiaries, and certain members of its management. As of the reporting date, there are 21 ongoing legal proceedings, including significant tax-related claims and other civil disputes. These pending cases pose the potential for substantial financial liabilities, with claims amounting to INR 345.42 Mn against the company.

An adverse outcome in any of these cases could lead to increased costs, penalties, or damages, which might strain the company's resources and erode profitability. Furthermore, ongoing litigations can divert management attention and harm the company's reputation, thereby affecting its ability to attract new business opportunities or maintain existing client relationships.

Supply chain and raw material risks:

The company's operations are significantly dependent on the timely and cost-effective procurement of raw materials and components from a diverse set of suppliers, both in India and internationally. Any disruptions in the supply chain, fluctuations in the prices of raw materials, or shortages—particularly from sole-source suppliers—could adversely affect production schedules, lead to increased costs, and hinder the company's ability to meet customer demands efficiently. These factors could have a material impact on the company's business operations, financial results, and overall growth prospects.

Subsidiary losses and financial support risks:

Several subsidiaries of the company have incurred losses in recent fiscal periods, which could necessitate financial support from the parent company. The continued underperformance of these subsidiaries may adversely affect the company's consolidated financial results and overall business stability. If the losses persist, the company might face challenges in recovering its investments in these entities, potentially leading to a deterioration in its financial position and impacting its long-term profitability.

Regulatory approval risks

Concord Enviro relies on various regulatory approvals, licenses, and permits to operate and expand its business. Any failure to obtain, renew, or maintain these approvals in a timely manner, or to comply with the associated terms and conditions, could disrupt business continuity and negatively impact operations. While the company has not experienced issues with lapsed or pending approvals in the past three financial years, any future non-compliance could lead to penalties or facility closures. Additionally, approvals are subject to regulatory conditions, and suspension or revocation due to non-compliance could harm the company's business. The company is also in the process of obtaining necessary approvals for its ongoing projects, and delays in securing these approvals could affect project timelines and expected benefits.

Legal Dispute Over Company Logo

An ongoing legal proceeding involves a dispute over the Company's corporate logo, which, if not successfully defended, could adversely affect its business prospects, financial condition, operational results, and reputation. The Company's logos, currently registered in its name, have faced opposition in the past. Specifically, Reliance Industries Limited (RIL) filed a lawsuit in March 2015 before the High Court of Judicature in Bombay, seeking an injunction against the Company's use of its logo. RIL alleged that the Company's logo was deceptively similar to its own and constituted an infringement of RIL's registered trademark. CES has filed an application to register its current logo, but any objections, oppositions, or refusals to the registration could harm the Company's brand,

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Key Risks:

Seasonal fluctuations in sales could impact revenue and financial performance

The company's revenue from the sale of systems and plants is subject to seasonality, which can lead to fluctuations in its financial performance. A significant portion of sales occurs in the last quarter of the fiscal year (January to March), driven by customer demand ahead of the summer period and the need to utilize capital expenditure budgets. This seasonality is evident in the quarterly sales distribution across the last three fiscal years, with the fourth quarter typically accounting for the highest sales. As such, variations in revenue and associated costs may impact the company's business, results of operations, and financial condition.

Competitive Landscape and Risk of Market Share Loss

The company operates in a highly competitive and rapidly evolving market, facing competition from both domestic and multinational corporations. Key competitors include Triveni Engineering, VA Tech Wabag, Praj Industries, Thermax, and Ion Exchange. The market is characterized by continuous technological advancements and frequent new product launches, increasing the pressure to innovate and adapt.

Despite significant investments in research and development, manufacturing, and customer support, the company faces challenges from competitors with greater financial, technical, and market resources. Failure to compete effectively may result in the loss of customers, market share, and financial performance. The ability to maintain a competitive edge will depend on ongoing investment in technology, operational efficiency, and strategic partnerships. Failure to do so could adversely affect the company's business, operations, and financial results.

Peers:

Parameters	Concord Enviro	Wabag	Ion Exchange	Triveni Engineering & Industries Ltd	Thermax
Market Cap	14,508	117,105	106,473	100,300	571,533
Revenue from Operations (in INR Mn)	4,969	28,564	23,478	52,201	93,235
EBITDA (in INR Mn)	657	3,662	2,719	6,266	7,974
EBITDA margin	13.2%	12.8%	11.6%	12.0%	8.6%
PAT (in INR Mn)	414	2,504	1,954	3,952	6,432
PAT margin	8.3%	8.8%	8.3%	7.6%	6.9%
ROE (%)	13.7%	14.8%	21.1%	14.2%	15.5%
ROCE (%)	14.1%	19.5%	24.9%	13.6%	13.5%
Working Capital Days	154	179	75	179	57
Debt/Equity Ratio (x)	0.5	0.2	0.1	0.5	0.3
P/E(x)	35.0	46.8	54.5	25.4	88.9

Source: IPO Prospectus, Devan Choksey Research

Concord Enviro Systems Ltd.

SWOT Analysis



Strengths:

- Established Market Presence:** The company has a well-established brand and operational presence in the water and wastewater treatment solutions sector, with diversified offerings across geographies.
- Technological Expertise:** The company leverages advanced technology and innovative processes to provide effective, efficient, and sustainable water management solutions.
- Global Footprint:** With operations in India, the UAE, and other regions, the company benefits from geographical diversification and access to international markets.
- Integrated Business Model:** Offering end-to-end solutions, from design and manufacturing to installation and operations, allows for cost efficiency and enhanced customer loyalty.
- Strong repeat business:** The company derives a significant proportion of revenue from repeat customers, accounting for 92.8% in FY24, highlighting high customer satisfaction and trust.



Weaknesses:

- Revenue concentration:** A large portion of the company's revenue is dependent on a small number of customers, with the top 10 customers contributing 56.0% of total revenue as of FY24.
- Pending Litigations:** There are 21 pending litigations involving the company, its subsidiaries, and directors, with claims totaling INR 345.42 Mn, posing financial and reputational risks.
- Operational disruptions:** The business relies on two manufacturing facilities in Vasai (India) and Sharjah (UAE), increasing risks of downtime or disruptions.
- Asset-Intensive operations:** The company's business model requires heavy capital investment in manufacturing and infrastructure, resulting in significant fixed costs and vulnerability to demand fluctuations.



Opportunities:

- Growing Global Demand:** The water and wastewater treatment market is projected to reach USD 452.9 Bn by 2028E, driven by stringent regulations and sustainability initiatives.
- Government Infrastructure Initiatives:** National programs like India's Swachh Bharat Mission and the Clean Water for All initiative offer substantial opportunities for the company to expand its operations in the water management and sanitation sectors.
- Expansion into Emerging Markets:** Untapped markets in Africa, Asia, and Latin America provide significant growth potential as demand for water treatment solutions rises.



Threats:

- Intense Competition:** The company operates in a highly competitive industry, where pricing pressures and new entrants pose risks to market share and profitability.
- Technological Disruptions:** Rapid advancements in technology may require continuous investment to avoid obsolescence and remain competitive.
- Regulatory Challenges:** Compliance with changing environmental, tax, and safety regulations may lead to increased costs and operational complexities.

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Financials:

Income Statement (INR Mn)	FY22	FY23	FY24
Revenue	3,294	3,432	4,969
Operating Expenditure	2,759	3,002	4,279
EBITDA	535	430	690
EBITDA Margin %	16.2%	12.5%	13.9%
Other Income	82	73	154
Depreciation	255	243	219
Interest	185	188	178
Share of JVs	8	4	-7
PBT	185	76	440
Tax	21	21	26
Profit after Tax	165	55	414
PAT Margin (%)	5.0%	1.6%	8.3%
Reported EPS	9.1	3.0	22.8
Adjusted EPS	8.0	2.7	20.0

Cash Flow (INR Mn)	FY22	FY23	FY24
CFFO	490	1,174	-347
CFFI	-279	-498	-33
CFFF	-120	-269	-41
Net Increase/(Decrease) in Cash	92	407	-420
Cash at beginning	104	196	603
Forex	0	0	0
Cash at end	196	603	183

Balance sheet (INR Mn)	FY22	FY23	FY24
Assets			
Non-Current Assets			
Property, plant and equipment	736	681	615
Right-of-use assets	499	439	147
Other non-current assets	862	1,077	1,147
Current Assets			
Trade receivables	1,285	1,059	1,714
Cash and cash equivalents	196	603	183
Bank balances other than cash and cash equivalents	97	222	134
Other current assets	1,695	1,843	2,338
Total Assets	5,369	5,922	6,277
Equity & Liabilities			
Equity share capital	4	91	91
Instruments entirely equity in nature	0	0	0
Other equity	2,681	2,719	3,135
Equity attributable to owners of the Company	2,685	2,810	3,226
Non-Current liabilities			
Borrowings	411	331	228
Lease liabilities	331	265	22
Other non-current liabilities	48	64	112
Current liabilities			
Borrowings	846	980	1,304
Lease Liability	126	129	32
Trade payables	738	868	1,157
Other current liabilities	183	476	196
Total Equity and Liabilities	5,369	5,922	6,277

Source: IPO Prospectus, Deven Choksey Research

Concord Enviro Systems Ltd.

ANALYST CERTIFICATION:

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