

IPO Note – Concord Environ Systems Ltd.

Innovating for a cleaner, greener planet

Concord Environ Systems is a global provider of water and wastewater treatment and reuse solutions, including zero liquid discharge (“ZLD”) technology. They have 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 company’s offerings include effluent treatment plants, anaerobic digestors, membrane bio-reactors, and membrane-based systems like ultra-filtration, nano-filtration, and reverse osmosis. Its advanced waste heat evaporators help industries reduce energy consumption and achieve sustainability goals. The sources through which they generate revenue include (i) sale of systems and plants (ii) operations and maintenance of installed plants, and (iii) supplying consumables and spares for installed plants.

Catalysing Growth in Water Management- The global water and wastewater treatment market, valued at \$313B in 2023, is set to expand at an 8.1% CAGR to \$452.9B by 2028, driven by regulatory mandates, sustainability goals, and increasing private investments. India’s market, currently at \$7.3B, is projected to reach \$12.8B by 2029, fuelled by water scarcity and the demand for advanced treatment solutions. With the wastewater recycling market growing at a robust 10.1% CAGR, innovations and sustainable practices are acting as catalysts for transformative growth in water management.

Risks- Dependence on manufacturing facilities, limited customers, and continuous utility needs increases operational risks. Strict environmental regulations further add to compliance costs and liabilities.

Financials & valuation – The company plans to raise Rs. 500 cr with fresh issue of 175 cr which will be allocated towards a greenfield project in the UAE, a brownfield project in Vasai, acquisition of plant and machinery, debt repayment, working capital requirements, technology upgrades, market expansion initiatives, and general corporate purposes. The IPO is attractively priced at 35x FY24 earnings, offering a reasonable entry point given the company’s expertise in the ZLD space. With a huge Total Addressable Market (TAM) and proven capabilities, we see a compelling opportunity for long-term investor gains leading us to assign a “SUBSCRIBE” rating.

Key Financials/ Parameters	Mar-22	Mar-23	Mar-24	Aug-24
Revenue (Rs. Crore)	329.4	343.2	496.9	206.2
EBITDA (Rs. Crore)	61.4	49.6	81.1	15.1
EBITDA Margins (%)	18.7%	14.4%	16.3%	7.33%
Net Profit/ Loss	16.5	5.5	41.4	0.5
Net Worth (Rs. Crore)	266.8	279.2	320.8	319.7
Net Debt/ Equity (x)	0.47	0.47	0.47	0.52

Source: ABML Research, RHP, company presentation

19 December 2024

Rating	Subscribe
Issue Details	
Issue Opens	19-Dec-24
Issue Closes	23-Dec-24
Face Value (₹)	5
Price Band (₹)	665-701
Bid Lot	21
Issue Size at higher price band (₹ Cr)	500.33
Market cap @ upper price band (₹ cr)	1450.81
Listing	NSE/BSE
BRLMs	Motilal Oswal Investment Advisors Ltd, Equirus Capital Private Ltd
Registrar	Link Intime

Shareholding Pattern (%)		
	Pre-Issue	Post Issue
Promoter	60.9	51.4
Public	39.1	48.6

Issue Structure (In cr no. of shares)	
Issue size	0.71
OFS	0.46
Break-up of net issue to public (%):	
QIB's portion	50%
Non-Institutional portion	15%
Retail Portion	35%

Source: ABML Research, RHP

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