

## Introduction

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. The company operates across multiple regions, with a significant presence in India, the UAE, and Mexico. 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.

## Understanding The Company

Concord Enviro Systems has in-house capabilities across the value chain, including design, component manufacturing, installation, commissioning, O&M, and IoT-based digital solutions. In FY 2024, it ranked among India's top two ZLD solution providers by revenue, supporting customers in water conservation and sustainability. The company's advanced ZLD technologies, like in-house developed UHPRO and WHE systems, reduce energy demand by up to 97%, lower O&M costs, and enhance water recovery. Its innovative UHPRO technology cuts energy consumption by 30%, demonstrating leadership in sustainable water treatment solutions. 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.

Notable clients include Diageo Mexico, Grasim Industries, AB Mauri, and LANXESS India.

### The business operations include:

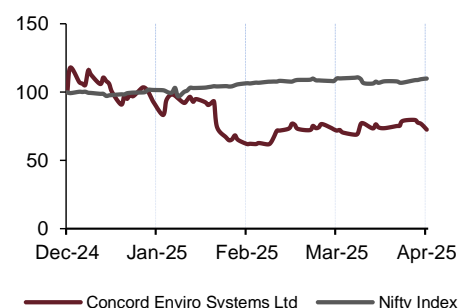
- **Systems and Plants:** the manufacture and sale water and wastewater treatment, reuse and ZLD of systems and plants and turnkey solutions and includes effluent treatment plants, anaerobic digestors, membrane bio-reactors, sewage treatment plants, membrane-based systems including ultra-filtration ("UF"), nano-filtration ("NF"), reverse osmosis ("RO"), desalination systems and waste heat evaporators ("WHE").;
- **O&M:** operations and maintenance; and
- **Consumables and Spares:** the manufacture and sale of consumables and spare parts (including membranes, plants chemicals and consumables).

Rating	TP (Rs)	Up/Dn (%)
<b>BUY</b>	<b>625</b>	<b>23</b>

#### Market data

<b>Current price</b>	<b>Rs</b>	<b>510</b>
Market Cap (Rs.Bn)	(Rs Bn)	11
Market Cap (US\$ Mn)	(US\$ Mn)	124
Face Value	Rs	5
52 Weeks High/Low	Rs	860 / 409.05
Average Daily Volume	('000)	78
BSE Code		505700
Bloomberg		CEWATER.IN

## One Year Performance



% Shareholding	Dec-24	Sep-24
Promoters	51.39	51.39
Public	48.61	48.61
<b>Total</b>	<b>100</b>	<b>100</b>

Source: BSE

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## Industry Overview

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### Global water and wastewater treatment solutions market size

The global water and wastewater treatment market was valued at US\$ 313.0B in CY23, registering a CAGR of 8.1% during CY18 to CY23. The growth can be attributed to several factors like stringent government regulations, private investments for water treatment plants, policies focusing on river & water source cleaning. The market is expected to reach US\$ 452.9B in CY28. This market encompasses the revenue generated from the sale of systems and services designed to manage and treat water and wastewater. The market is experiencing growth, driven by increasing demand for efficient and sustainable water management solutions.

### Global water and wastewater treatment solutions market segmentation basis key regions

From CY18 to CY23, the water and wastewater treatment technologies market grew at a CAGR of 8.1%, reaching US\$ 313.0B in CY23. It is anticipated that North and South America will continue to be the primary regions driving demand & is expected to account for 36.3% contribution by CY28. Additionally, regions like Asia-Pacific (APAC) & Middle East & Africa (MEA) have been increasing their contribution in the water and wastewater treatment market. From CY18 to CY28, MEA's share is anticipated to rise from 8.6% to 8.8%, while APAC's share is expected to show a more significant growth trajectory, climbing from 25.7% to 26.8%. India is expected to increase from 2.0% in CY18 to 2.8% in CY28.

### 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. In 2021, India generates 72,368 MLD of sewage daily, but only 20,235 MLD (28%) of this is treated, despite STPs having an installed capacity of 31,841 MLD (44%). This untreated sewage poses substantial costs for municipalities, including increased public health risks, environmental degradation, and higher expenses for emergency clean-ups. Improved sewage treatment capacity is crucial to reduce these costs and ensure fiscal stability.

### Indian water and wastewater treatment market segmentation basis end users

In FY24, the Indian water and wastewater treatment solutions market saw the municipal segment lead with a 71.7% revenue share, amounting to US\$ 5.2B, driven by urbanization and sustainable water management needs. Meanwhile, the industrial segment contributed 28.3% of the market revenue, totaling US\$ 2.1B. From FY24 to FY29, the municipal segment grew steadily from US\$ 5.2B in FY24 to US\$ 9.0B in FY29, at a compounded annual growth rate of 10.7%, driven by increasing urbanization and infrastructure development. Industrial demand also saw robust growth, increasing from US\$ 2.1B in FY24 to US\$ 3.9B in FY29, with a CAGR of 13.5%, reflecting heightened regulatory requirements and greater adoption of water treatment solutions across industries.

### Price comparisons between water recycling Vs freshwater tariffs

Conventional water sources for industries include municipal water supply, private tankers, and direct extraction from freshwater sources. The least expensive option is direct groundwater extraction, which is regulated in most cities. Consequently, the most reliable option for industries is the municipal water supplied by utilities. For reuse projects to be viable, the treated water must be cost-competitive with alternative options available to industries.

**Water Tariff Competitiveness:** The viability of water reuse projects is contingent on the cost competitiveness of treated water

- The industrial water tariff in metropolitan cities of India and industrial towns ranges from INR 20 to INR 150 per kilolitre
- The weighted average comes to around INR 46.2 per kilolitre
- During water scarcity, industries may resort to buying water from private water tankers priced at INR 56 per kilolitre and above
- Estimates suggest that cost benchmarking for recycled water for industrial purposes can boil down to a reduction of ~10-18% of freshwater tariffs in the long run, but the figures are highly influenced by external factors like technology costs, machinery, conveyance, utilities, etc.
- For example, as per a report published in CY24 by the Centre for Water & Sanitation (CWAS), the cost of fresh water to industries in Surat is INR 23.0 per kilolitre, while recycled water is priced at INR19.8 per kilolitre, **a difference of 16.2%.**

Source: DRHP

## Investment Rationale

### Robust Order Book

As of December 31, 2024, Concord Enviro had an Order Book worth INR 5,460 Mn. Of this, approximately 55% is domestic and 45% international.

The following table summarizes our Order Book as of the five-month period ended August 31, 2024 and March 31, 2024, March 31, 2023 and March 31, 2022:

Particulars	Outstanding as of August 31, 2024 (in ₹ million)	Percentage of Total Order Book	Outstanding as of March 31, 2024 (in ₹ million)	Percentage of Total Order Book	Outstanding as of March 31, 2023 (in ₹ million)	Percentage of Total Order Book	Outstanding as of March 31, 2022 (in ₹ million)	Percentage of Total Order Book
Systems and plants	3,737.94	74.50%	3544.49	76.52	2,836.27	74.31	651.07	41.22
Sale of consumables and spare parts	160.99	3.21%	211.90	4.58	105.49	2.76	173.02	10.96
O&M services	1,118.53	22.29%	875.53	18.90	875.36	22.93	755.28	47.82
Revenue from Operations (Total Order Book)	5,017.46	100%	4,631.92	100.00	3,817.12	100.00	1,579.37	100.00

Source: DRHP

### Globally diversified Customer Base

Established presence in international markets...

289 domestic & 21 international customers across 14 countries



Source : Company

### In-House designing, engineering and execution team

Reduced dependence on outsourced engineering and design work enables the company to maintain decent ebitda margins. The company 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"). In water treatment, membranes are barriers that allow water to pass through but stop unwanted substances from passing through with it. The inhouse membrane manufacturing capabilities allows the company to reduce costs through backward integration, but also to develop and manufacture specific membranes that fit the needs of for our customers and their industries.

### Experienced Promoters & senior management Team

The company promoters, Prayas and Prerak Goel are qualified professionals with individual experience of more than 2 decades in the water & wastewater treatment industry.

### Government Thrust

Capitalizing on Government policy initiatives in WWTP and WSSP sectors. Schemes like AMRUT 2.0, Namami Ganga Programme, National River Conservation Plan (NRCP) and National Plan for conservation of Aquatic Eco-system (NPCA).

### Q3FY25 Result Update

Revenue from operations for 9M FY25 stood at INR3874 Mn up 31% YoY. EBITDA 9M FY25 stood at INR335.76 Mn down 20% YoY. The 9M PAT stands at INR436 Mn crores down 67% Y-o-Y basis.

### Highlights of the call

- EBITDA and PAT Margins impacted due to forex loss in Q3 given current volatility in forex market (Pesos vis-vis Dollar) and freight cost increase for exports.
- Revenue from Operations has increased by 31% YoY primarily driven by growth in Systems & Plants revenue.
- Order book stands at Rs. 5,460 Mn. Domestic order book contributes 55% of the order book, with export contributing 45%. Active domestic pipeline of approximately ₹ 8000 Mn, and an international pipeline of ₹ 3500 Mn.
- Management expects to achieve revenue guidance of at least 18% year-on-year growth for FY25, targeting a total revenue of around ₹6000 Mn.
- EBITDA margin guidance for FY25 is around 16%, with expectations of achieving higher margins in Q4 due to a strong export mix and stable fixed costs.

### Key Risks

#### Intense Competition

The company operates in a highly competitive industry, where pricing pressures and new entrants pose risks to market share and profitability.

#### Client Concentration Risk

A significant 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.

The following table sets out a breakdown of revenue from our top customer, top 5, top 10 and top 20 customers in the five-month period ended August 31, 2024 and in Fiscals 2024, 2023 and 2022.

Particulars	Five-month period ended August 31, 2024		Fiscal 2024		Fiscal 2023		Fiscal 2022	
	Amount	Percentage of total revenue from operations	Amount	Percentage of total revenue from operations	Amount	Percentage of total revenue from operations	Amount	Percentage of total revenue from operations
	(₹ million)	(%)	(₹ million)	(%)	(₹ million)	(%)	(₹ million)	(%)
Top customer	752.48	36.50%	1,783.93	35.90	381.32	11.11	171.59	5.20
Revenue from top 5 customers	1,011.79	49.08%	2,407.59	48.45	945.47	27.54	769.27	23.35
Revenue from top 10 customers	1,127.41	54.69%	2,779.95	55.95	1,273.86	37.12	1,194.79	36.28
Revenue from top 20 customers	1,284.65	62.39%	3,200.41	64.41	1,714.55	49.96	1,646.28	49.98
Total revenue from operations	2,061.71	100.00	4,968.59	100.00	3,432.19	100.00	3,293.66	100.00

Source : DRHP

## Valuation & Outlook

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.

The stock is currently trading at a P/E of 21x/14x/10x on FY25/26E/27E earnings. We initiate coverage with a 'BUY' rating with a TP of Rs 625 valuing it at a P/E of 12x FY27E.

## Financial Summary

Particulars (In Cr)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue from Op	348	329	343	497	572	686	837
% Growth		-5%	4%	45%	15%	20%	22%
Other Income	5	3	7	15	14	17	21
Total Income	353	332	350	512	586	703	858
EBITDA (Excl OI)	62	58	43	69	83	106	138
EBITDA Margin	18%	18%	12%	14%	15%	16%	17%
PAT	20	15	5	43	51	76	108
PAT Margin	6%	5%	1%	9%	9%	11%	13%
Equity Shares in Cr	0	0	2	2	2	2	2
EPS	321	151	3	23	25	37	52
% Growth		-53%	-98%	744%	5%	49%	41%
CMP -25.04.25					510	510	510
PE Ratio					21	14	10

Source: Broacha Research





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