

IPO Note

Effwa Infra & Research Limited

Recommendation: **APPLY!**

Company Background -

- The company was founded in 2014 and provides engineering, consulting, procurement, construction and integrated project management services in the field of water pollution control, covering wastewater and industrial effluent treatment, solid waste treatment and disposal, aeration systems, hazardous waste management and water treatment plants. Also, the company offers project organization, management, procurement, financing, and implementation as a consultant and expert.
- The company operates in domestic as well as international market, including special economic zone.
- As of March 31, 2024, the company employed over 118 people, including 12 engineers in the areas of planning, design, and construction of wastewater treatment and recycling systems, and 76 engineers in the areas of civil, mechanical and electrical engineering, instrumentation and automation, piping and safety and quality control.

Objects of the Issue -

- Funding Working Capital Requirements of the company
- Funding of capital expenditure requirements of the company towards the purchase of new office Equipment
- General Corporate Expenses.
- Offer for Sale

Promoters Name -

Dr. Varsha Subhash Kamal and Subhash Ramavtar Kamal

Rationale for recommendation -

- ✓ The company has seen an increasing trend in its top line and bottom line of its financials.
- ✓ The company's P/E is 13.75 times.
- ✓ The company operates in a growing industry.
- ✓ The management of the company is good.
- ✓ The company has good ongoing projects.

IPO Details

Opening Date	July 05, 2024
Closing Date	July 09, 2024
Allotment Date	July 10, 2024
Listing Date	July 12, 2024
Stock Exchange	NSE SME
Lot Size	1,600 Shares
Issue Price Per Share	₹78 to ₹82
Issue Size	51.27 Cr.
Fresh Issue	43.60 Cr.
Offer for Sale	7.68 Cr.
Application Amt	₹ 1,31,200 (1,600 shares)

KPIs

KPI's	In Lacs		
	FY 22	FY 23	FY 24
Revenue	10,436.67	11,509.57	14,515.93
EBITDA	1,038.11	1,246.12	2,488.04
Net Profit	459.99	513.04	1,380.07
RoCE	51.66%	46.36%	64.49%
ROE	24.96%	21.78%	37.15%
P/E	31.78	28.47	10.59

Promoter Share Holding Pattern

Pre-Issue	Post Issue
100%	72.99%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	7.74	5.96
BVPS	20.84	34.88
P/E	10.59	13.75
P/BV	3.94	2.35
Mkt Cap (In Cr)	146.21	189.81

Lead Managers -

Shreni Shares Limited

Registrar -

Bigshare Services Private Limited

Business Overview -

Originally Incorporated on January 06, 2014, Effwa Infra & Research Limited has its registered office in Thane, Maharashtra, India.

The company is engaged in the business of engineering, consultancy, procurement, construction and integrated project management services in water pollution control, encompassing sewage and industrial effluent treatment, solid waste treatment and disposal, ventilation systems, hazardous waste management, and water treatment plants.

Additionally, the company also functions as a consultant and advisor, providing a range of services encompassing project organization, management, equipment procurement, funding, and project execution.

Industry Served -

Textile, leather, paper, food processing, dairy, chemicals, dyes and intermediates, steel, mining, power, pharmaceutical and bulk drugs, sugar, distilleries, fertilizers, pesticides, ceramics, petrochemicals, and many others.

Geographies Served -

The company operates in the Domestic Market as well as International Market, across Eight States including a Special Economic Zone. These regions include Andhra Pradesh, Chhattisgarh, Gujarat, Maharashtra, Odisha, West Bengal, Madhya Pradesh, Rajasthan, and the Special Economic Zone includes Adani Port.

On-Going Projects -

The company has 10 On-Going Projects amounting to Rs. 526,24.62 Lakhs.

Revenue Bifurcation for FY 2022, 2023, and 2024 -

(Amt in lakhs)

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Government Institutions	-	-	1,067.99	9.28	449.19	3.09
Public Sector Undertakings	5,455.83	52.28	3,883.42	33.74	6,311.11	43.48
Private Sector	4,980.85	47.72	6,558.17	56.98	7,755.62	53.43
Total	10,436.68	100	11,509.58	100	14,515.92	100

Services -

Effluent Treatment Plant (ETP)-

ETPs are facilities designed to treat industrial wastewater before its discharge into the environment. The company has successfully delivered over 20 effluent treatment and recycling projects to industries in India and overseas.

Sewage Treatment and Reclamation -

Sewage treatment plants, also known as wastewater treatment plants, are facilities designed to treat wastewater generated from residential, commercial, and industrial sources. The company offer a wide range of technologies beyond conventional methods like MBBR (Moving Bed Biofilm Reactor), ASP (Activated Sludge Process) and ZLD (Zero Liquid Discharge).

Waer Treatment and Distribution -

The company is a provider of comprehensive water treatment solutions, employing technologies to deliver potable water. The company provides wide range of clarification systems including clarifiers, Clariflocculator, High-Rate Solid Contact Clarifiers (HRSCC) / Reactor Clarifiers, Tube Settlers, and Lamella Clarifiers or Plate Settlers.

Hazardous Waste Incineration -

The company specializes in the design and execution of incineration systems for various types of hazardous waste.

Competition -

The Indian Waste-Water Management Industry is a competitive industry with almost all the projects awarded based on the past relevant experience of the bidder, financial capability and most attractive bid price

The company faces competition from other companies operating in the same geographies as the company with a presence in Water Management projects.

The company's competition is based on numerous factors, more importantly, the type of project, total contract value, technical capability, complexity, location of the project and risks involved.

The company faces competition from both the public and private sectors.

The company has slightly lower barriers to entry.

Business Strategies -

Enhance the core strength: The company seeks to improve competitiveness by increasing the focus on training the staff.

Strengthen the presence: The company aims to expand the business operations to other regions of India as well as in international markets.

Increasing the size of projects: The company's primary focus is to strengthen the prospects in executing ETPs and STPs projects.

Expand relationships: The company will continue to focus on timely and accurate delivery of quality services which will help in forging strong relationships with the customers and gaining increased business from them.

Risk Factors -

The company has certain litigations:

- 6 outstanding cases against the company for taxation matters amounting to Rs. 207.8 lakhs.
- 3 outstanding cases by the company for other matters amounting to Rs. 74.37 lakhs.
- 2 outstanding cases by the company for taxation matters amounting Rs. 50.98 lakhs.

The company derives majority of its revenue from top 10 clients which accounted for 98.14%, 96.37% and 98.71% for the FY ended 2024,2023 and 2022 respectively.

The company has contingent liability of Bank Guarantee/ LC Discounting amounting Rs. 2,340.16 Lakhs as of March 2024.

The company has had negative operating cash flows for the FY ended 2023.

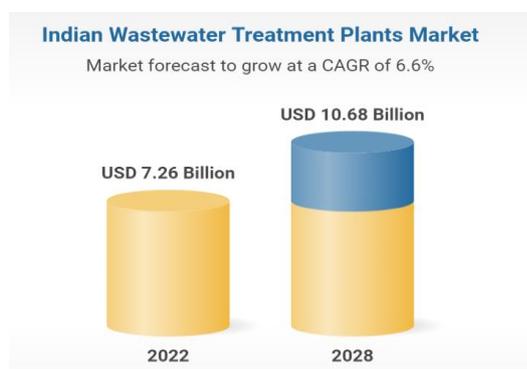
PEER ANALYSIS

Particulars	Effwa Infra & Research Limited			VA Tech Wabag Limited			EMS Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	4.4%	4.5%	9.5%	4.4%	0.4%	8.5%	21.5%	19.8%	18.8%
EBITDA Margin	10%	11%	17%	9%	3%	14%	32%	28%	27%
RoCE	52%	46%	64%	14%	5%	17%	29%	27%	24%
ROE	25%	22%	37%	9%	1%	14%	21%	22%	19%
EPS (INR)	2.58	2.88	7.74	21.21	2.07	9.49	16.63	22.88	29.38
P/E	31.78	28.47	10.59	13.45	170.00	80.45	-	-	13.70

Indian Overview -

Indian Waste Water Management Industry -

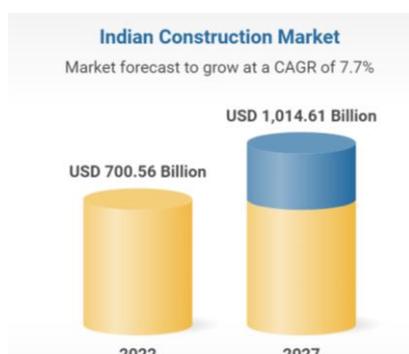
According to a 2022 Frost & Sullivan report, the Indian water and wastewater treatment market will likely reach \$2.08 billion by 2025 from \$1.31 billion in 2020, registering growth at a compound annual growth rate (CAGR) of 9.7 percent. The report also ranked India as the sixth largest market for environmental technologies in the world, with subsector rankings of second for water/wastewater management.



Indian Engineering Consultancy & Construction Industry -

The demand for the services is expected to burgeon in India, promoting the growth of the consultancy sector. As the infrastructure sector continues to grow in India, there are rising demands for many new technologies in the ever-growing Construction industry.

The size of India Construction market is around USD 639 billion in the current year and is anticipated to register a CAGR of over 6% during the forecast period. Increase in population is demanding more space for accommodation, especially in tier 1 cities. To fulfil the demand, construction activities have been increased by both government bodies and private sector companies. In India, government is also emphasizing on the development of rural areas.

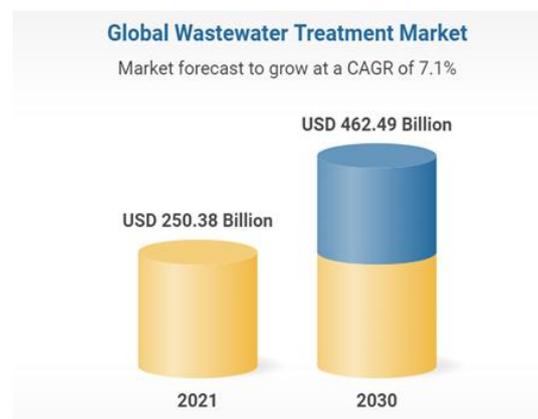


Global Overview -

Waste Water Management Industry -

Global Water and Wastewater Treatment Market size was valued at around USD 303.45 billion in 2022 and is expected to rise from USD 326.31 billion in 2023 to reach a value of USD 573.29 Billion by 2031, at a CAGR of 7.68% over the forecast period (2024–2031).

North America dominated the global water and wastewater treatment market. The region boasts advanced infrastructure, stringent environmental regulations, and a high level of awareness regarding water quality and conservation. The fastest-growing segment in the market is the Asia Pacific region. Rapid urbanization, industrialization, and population growth in countries like China, India, and Southeast Asian nations have created substantial demand.



Engineering Consultancy & Construction Industry -

The Engineering Services Market size is estimated at USD 1.67 trillion in 2024, and is expected to reach USD 2.04 trillion by 2029, growing at a CAGR of 4.20% during the forecast period (2024-2029).

Engineering Services Market growth is not evenly distributed across regions. The US, China, Germany, the UK, and Japan are the largest country markets for Engineering Services, however, many smaller countries market segments are expected to register much higher growth compared to these giants.

In the construction market, Asia Pacific is witnessing rapid growth, supported by favourable government initiatives. China has established its position as one of the largest construction markets in the world and India also accounts for a significant construction market share. In the forecast period, Europe should grow at a healthy pace.

Key Management -

Key Management Persons Name -	Dr. Varsha Subhash Kamal
Age	63
Designation and No. of years of experience	Promoter, Chairperson and Managing Director, 25+ Years of experience
Qualification	M. Tech (Environmental Science & Engineering) and PhD Science in Biology
Roles and Responsibility	Looks after projects bidding, marketing, overall management and financials of the company.
Other Directorships	Effwa Welfare Foundation

Key Management Persons Name -	Subhash Ramavtar Kamal
Age	60
Designation and No. of years of experience	Promoter, and Whole-Time Director, 25+ years of experience
Qualification	Bachelor of Engineering in Civil Engineering and M. Tech (Environmental Science & Engineering)
Roles and Responsibility	Looks after project executions, civil work, technical part of projects and overall strategy implementation of the company.
Other Directorships	Effwa Welfare Foundation

Key Management Persons Name -	Priyesh Bharat Somaiya
Age	45
Designation and No. of years of experience	Non-Executive Independent Director, 15+ years of experience
Qualification	CA, B. Com degree
Roles and Responsibility	Handling Administration of the company
Previous Associations	Saint-Gobain Weber, Owens Corning Industries (India) Private Limited, Dixon Asia Pacific Private Limited etc.

Key Management Persons Name -	Ravindra N Hanchate
Age	52
Designation and No. of years of experience	Non-Executive Independent Director, 25+ years of experience
Qualification	Diploma in Electronics and Telecommunication Engineering, 1-Year Advanced Diploma in Business Administration and PGD in Marketing Management.
Roles and Responsibility	-
Previous Associations	Ultra Tek Devices Limited, Ge Power Systems, Rajdeep Energies Pvt. Ltd., Numeric Power Systems Ltd etc.

Key Management Persons Name -	Vijay P Vyas
Age	63
Designation and No. of years of experience	Non-Executive Independent Director, 20+ years of experience
Qualification	B. Com
Roles and Responsibility	-
Other Ventures	-

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	10,436.67	11,509.57	14,515.93
Other Income	25.00	31.79	35.53
Total Income	10461.67	11541.36	14551.46
Expenses			
Cost of Goods Sold	8,524.76	9,161.56	10,690.35
Office and Admin Expenses	49.73	75.85	95.01
Selling & Distribution Expenses	69.54	85.46	92.68
Employee Benefit Expenses	649.47	731.83	932.11
Finance Cost	93.26	196.48	199.11
Depreciation and Amortisation	11.80	12.27	18.63
Other expenses	457.77	575.76	642.26
Total Expenses	9,856.33	10,839.21	12,670.15
EBITDA	1,038.11	1,246.12	2,488.04
EBITDA Margin	9.95%	10.83%	17.14%
Profit/(Loss) before tax	605.34	702.15	1,881.31
Tax Expense			
Current tax	154.74	189.23	503.05
Deferred Tax Expenses/(credit)	-9.39	-0.12	-1.81
Total Tax	145.35	189.11	501.24
Profit/(Loss) for the year	459.99	513.04	1,380.07
Net Profit Margin	4.40%	4.45%	9.48%

Statement of Equity, Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	232.57	232.57	1,783.04
Reserves and surplus	1,610.28	2,123.32	1,932.01
Total Equity	1,842.85	2,355.89	3,715.05
2. Non-current liabilities			
Long-term borrowings	129.54	287.97	95.76
Long-term provisions	14.26	17.64	18.32
Total non-current liabilities	143.80	305.61	114.08
3. Current liabilities			
Short-term borrowings	896.57	1,335.04	1,310.68
Trade Payables			
Total outstanding dues of micro enterprises & small enterprises	796.51	938.72	1,599.18
Total outstanding dues of creditors other than micro enterprises & small enterprises	736.90	1,047.32	825.56
Other Current Liabilities	76.12	303.63	230.20
Short-term provisions	155.46	192.33	508.09
Total Current liabilities	2,661.56	3,817.04	4,473.71
Total Liabilities	2,805.36	4,122.65	4,587.79
Total Equity and Liabilities	4,648.21	6,478.54	8,302.84
ASSETS			
1. Non-current assets			
Property, Plant and Equipment	33.97	49.45	63.32
Non-Current Investments	251.68	449.29	531.41
Deferred Tax Assets (Net)	9.39	9.51	11.32
Other Non Current Assets	119.15	151.34	162.37
Total Non-Current assets	414.19	659.59	768.42

Particulars	FY 22	FY 23	FY 24
2. Current assets			
Current Investments			
Inventories	324.07	309.28	182.60
Trade Receivables	3,121.28	5,167.51	6,692.15
Cash & Cash equivalents	310.94	4.30	10.46
Short term loans and advances	84.58	64.54	18.53
Other Current Assets	393.16	273.33	630.69
Total Current assets	4,234.03	5,818.96	7,534.43
Total Assets	4,648.22	6,478.55	8,302.85

Cash Flow Statement	Amt in Lakhs.		
Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	445.97	-466.97	511.96
Net Cash Flow from Investing Activities	-368.46	-240.10	-90.12
Net Cash Flow from Financing Activities	55.38	400.42	-415.68

Key Ratios

Per Share Data	FY 22	FY 23	FY24	Valuation Ratios (x)	FY 22	FY 23	FY24
Diluted EPS	2.58	2.88	7.74	EV/EBITDA	2.68	3.14	2.05
BV per share	34.79	37.66	45.29	Market Cap / Sales	1.82	1.65	1.31
Operating Ratios				P/E	31.78	28.47	10.59
EBITDA Margins	9.95%	10.83%	17.14%	Price to Book Value	2.36	2.18	1.81
PAT Margins	4.40%	4.45%	9.48%	Solvency Ratios			
Inventory days	11.33	9.81	4.59	Debt / Equity	0.56	0.69	0.38
Debtor days	109.16	163.88	168.27	Current Ratio	1.59	1.52	1.68
Creditor days	53.63	62.98	60.97	Quick Ratio	1.47	1.52	1.68
Return Ratios				Asset Turnover	2.25	1.78	1.75
RoCE	51.66%	46.36%	64.49%	Interest Coverage Ratio	11.00	6.28	12.40
RoE	24.96%	21.78%	37.15%				

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Shreni Shares 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 –

Shreni Shares Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Visaman Global Sales Limited	16.05	43.00	July 01, 2024	45.00
2.	GSM Foils Limited	11.01	32.00	May 31, 2024	50.20
3.	Quest Laboratories Limited	43.16	97.00	May 23, 2024	144.00
4.	Silkflex Polymers (India) Limited	18.11	52.00	May 15, 2024	59.35
5.	Refractory Shapes Limited	18.60	31.00	May 14, 2024	219.05
6.	Yash Optics & Lens Limited	53.15	81.00	April 08, 2024	94.70
7.	Gabriel Pet Straps Limited	8.06	101.00	Feb 07, 2024	150.00
8.	DelaPlex Limited	46.08	192.00	Feb 02, 2024	226.00
9.	AIK Pipes and Polymers Limited	15.02	89.00	Jan 02, 2024	127.25
10.	Net Avenue Technologies Limited	10.25	18.00	Dec 08, 2023	16.70

The company has handled 28 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 3rd July 2024.

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

Recommendation -

The company has been in the industry since 2014 and has good experience in the industry. The management overview of the company is satisfactory.

The P/E on a post-IPO and annualised basis is around 13.75 times which makes it fairly priced by looking at the performance of the company and sector. The Sector P/E is 34.7 times.

The company has seen an increase in the top line and bottom line of its financials but has seen a sudden increase in the profitability margins for FY 2024 which may or may not be sustainable going forward. The company operates in a growing industry. The company has good ongoing projects which we believe will yield good growth to the company going forward. The company does have a certain concentration when speaking about buyers. The company can see decent growth in the future thus interested and knowledgeable investors can **APPLY** to this IPO.

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