



“Concord Enviro Systems Limited Q4 FY '25 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Concord Enviro Systems Limited Earnings Conference Call hosted by E&Y.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone.

I now hand the conference over to Mr. Kannav Khanna from E&Y. Thank you, and over to you, sir.

Kannav Khanna: Thanks, Zico. Good morning to all the participants on the call. And thanks for joining in the Q4 and FY '25 Earnings Call of Concord Enviro Systems Limited.

Please note that we have mailed out the result to everyone, and you can also see this on our website, and it's been uploaded on the stock exchanges as well. In case you have not received the same, you can write to us. We will be happy to send it over.

And before we proceed to the call, let me remind you that the discussions may contain some forward-looking statement that may involve known or unknown risks, uncertainties and factors. It must be viewed in conjunction with our business that could cause future results, performance or achievement to differ significantly from what we have expressed or implied by such forward-looking statements.

Now, to take us through the results of this quarter and full year, and answer to all your questions, we have the Management of Concorde Enviro Systems Limited, Mr. Prerak Goel – Executive Director, Mr. Prayas Goel – Chairman and Managing Director, Mr. Sudarshan Kamath – Group CFO, and Mr. Abhijit Ghalke – Head (Strategy and M&A).

We will be starting the call with a brief overview of the quarter and the year gone past, and then we will follow it up with some questions and answers.

And with that being said, I will transfer the call to Mr. Prayas Goel. Over to you, sir.

Prayas Goel: Thank you, Kannan. Good morning, ladies and gentlemen. A warm welcome to the Q4 and FY '25 Earnings Call for Concord Enviro Systems Limited.

Let me begin with a brief introduction about the Company and the work we do:

With over 30 years of experience, we are an integrated global provider of water and wastewater treatment and zero liquid discharge solutions. We would focus upon energy optimization, helping industries achieve water conservation and sustainability goals. We have an in-house capability to develop solutions across the entire value chain, including designing, manufacturing, installation, commissioning and operation and maintenance, along with digitization.

Our solutions are focused on energy efficient water recovery, helping industries achieve water conservation and sustainability goals. While doing this, we helped them to address 9 out of the 17 UN Sustainable Development Goals and we ensure with our efforts to contribute to a healthier planet along with saving of our clients' costs.

Our journey began in 1992 when we supplied a reverse osmosis plant to the Indian Navy for user evaluation trials. In the early 2000s, we expanded our operations to include supply of wastewater recycle systems through our subsidiary, Rochem Separation Systems (India) Private Limited.

After almost a decade of servicing the textile, pharmaceutical and distillery industry, we acquired Reva Enviro Systems Private Limited and broadened our focus to encompass both biological and membrane-based treatment methods. Prior to this expansion, our services were exclusively centered around membrane-based solutions.

Following 2009, we then established ourselves as a comprehensive solution provider for wastewater management, expanding to ZLD solutions by 2014.

Our business can be divided into four major segments:

- The first is systems and plants where we manufacture and sell water and wastewater treatment systems, zero liquid discharge and turnkey solutions. This includes effluent treatment plants, anaerobic digesters, membrane bioreactors, sewage treatment plants, membrane-based systems including ultrafiltration, nanofiltration, reverse osmosis, and evaporators including our waste heat evaporator technology and dryers.
- Next is our consumables and spare parts division where we produce and supply a range of consumables and spare parts, including membranes, plant chemicals and other essential materials to our customers.
- Our third division is the operation and maintenance of systems and plants installed by Concord, as well as third-party systems and digitalization solutions, including IoT.

Our latest initiatives in systems and plants division is compressed biogas or CBG from organic waste. High strength organic waste, solids, and effluents represent a valuable energy source through biogas production. Compressed biogas can then be utilized in various applications, including as fuel for transportation, energy generation, and of course for domestic use.

Drawing on our expertise in anaerobic digestion technology, we launched a business initiative in April 2024 focused on the design and installation of compressed biogas plants for our clients. These convert organic waste into clean and renewable energy. The compressed biogas sector in India is set for substantial growth as the government increases its efforts to decrease dependence on imported fuels and improve energy security.

Our recent prominent biogas projects include the recovery of biogas from tequila vinasse for a large Mexico-based client and for an upcoming Greenfield distillery in Mexico. Furthermore, we are establishing biogas facilities for pharmaceutical and food processing clients at many locations in India.

In terms of customers on Company level as of the March 31st, 2025, we have serviced customers across a diverse set of industries such as pharmaceuticals, chemicals, food and beverage, defense and energy, automotive and auto ancillary, steels and textiles.

We have two backward integrated manufacturing facilities, one located at Vasai in Maharashtra, India, and the other at Sharjah in the UAE.

We develop our solutions through our in-house research and development team, which comprises 31 employees as of March 31, 2025. This team designs industry-specific membranes for our systems and develops innovative technology and processes.

As of the 31st of March 2025, we have been awarded 9 patents in India and have filed 21 additional patent applications.

On the subject of R&D capabilities, we emphasize our significant investment of time in research and technological advancements to differentiate ourselves from the competition.

Having said that, I want to state that we are a Company that builds from core and we are not just a systems assembly Company. This also shapes our unique selling proposition, which is centered on delivering highly competitive solutions that optimize cost savings.

Our service stands out for its ability to offer the most efficient OPEX model for our clients while ensuring reliability and demonstrating a comprehensive understanding of wastewater management and its solutions.

Our expertise allows us to navigate the complexities of wastewater systems effectively thus reducing long-term operational costs for clients. This focus on cutting down OPEX provides inherent value particularly in a landscape where operational efficiency is paramount.

Thank you for giving us your time and that introduction. I will now hand over to Mr. Prerak Goel to take us through the FY '25 specifically.

Prerak Goel:

Hi, good morning, everyone. I am pleased to share the FY '25 was a meaningful year with progress and momentum for Concord Enviro. We successfully onboarded marquee clients across key sectors such as aerospace, sustainable aluminum packaging and compressed biogas, further cementing our position as a trusted partner in sustainability.

Our product business saw robust growth, with membrane sales reaching ₹77.5 million. Through our distributor model, we expect this to scale significantly, targeting ₹300 million in FY '26 and ₹850 million over the next few years.

On the innovation front, we continue to push boundaries, having secured 9 patents and filed 21 new applications as of March '25, reinforcing the strength of our R&D pipeline. We are also expanding into high-impact emerging technologies sectors such as the solar PV, green hydrogen, carbon capture, and semiconductors, where we are actively engaging with industry leaders to develop future-ready solutions.

Lastly, FY '25 marked our entry into the U.S. market, a milestone that set stage for accelerated international growth in the coming years.

To summarize the three major drivers which we believe will help the industry grow in the future, these are:

- Regulatory compliance.
- Water security, including availability and acquisition costs.
- Various environmental, social and governance initiatives, particularly by large international companies.

Now before we jump into the FY '25 numbers, we want to bring out the material fact that apart from the peso loss that was incurred during the year, FY '25 financials have an impact on loss of discontinued operations. This is on account of winding up one of our subsidiaries, Bluewater Trading & Treatment FZE. And it's solely for the purpose of having a simpler corporate structure. The Forex loss that was incurred last year, we have marked it out separately. And for the sake of better and correct analysis, we are spelling out the numbers sans the impacts of both of these situations.

So, just to talk about Q4, revenue in Q4 stood at Rs. 2,069.93 million, up 3.4% on a year-on-year basis. EBITDA for the quarter stood at Rs. 572.93 million, up 52% year-on-year. EBITDA adjusted for the above-mentioned impacts was at Rs. 57.5 million, up 25% year-on-year. Finally, the PAT after was at Rs. 471.31 million, up 68% year-on-year. This translated into a PAT margin of 22.8%.

Talking about our full year FY '25 performance, our revenue stood at Rs. 5,944.4 million. This was up 19.64% year-on-year. Our EBITDA was at Rs. 870.82 million, which was up 16.03% year-on-year. This translated into a margin of 14.64%. Adjusted for discontinued operations, our EBITDA was at Rs. 930 million. Our PAT was at Rs. 514.93 million. This is up 24.26% year-on-year and translates into a PAT margin of 8.7%.

Our order book as it stands on the 31st of March was Rs. 5,327 million. On the back of the healthy order book, we are confident that we will be able to achieve strong growth numbers in FY '26.

With that being said, I would like to open the floor for Q&A. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question comes from the line of Kunal Ochiramani with Alpha Alternatives. Please go ahead.

Kunal Ochiramani: Sir, on the business front, just to understand the business better, is Q4 always lumpy and out of the total order book, how it would be categorized in all of our four segments and how much is it exports and how much is it domestic?

Prerak Goel: So, yes, I mean, our business on the project side does have a lumpiness because some of the larger projects that we have done executed over the years and especially in FY '25 did have some lumpiness. So, if you look at Q2 last year and then obviously some projects in India which we were doing Q4 last year. So, on the project side, yes, you will continue to see lumpiness in our business. Our O&Ms and spares and trading business is pretty much very stable and that kind of brings a base kind of growth year-on-year basis.

Just to talk about the Q4 segments, so, if you look at the revenue break-up sheet, we had a total of about 60% coming from projects and 20% coming from O&M and 20% coming from spares and plants. And from an order book perspective, we currently have about 62% orders for water projects, about 15% for CBG and 23% for O&M.

Kunal Ochiramani: Domestic and exports? Secondly, what is your status of expansion at Sharjah and guidance for next two years in terms of revenue and EBITDA?

Prerak Goel: So the domestic and export split, if you look at the order book again, I think, you know, out of the total of Rs. 530 odd crores, about Rs. 180 crores is from the international market and Rs. 350 crores is from the domestic market. In terms of, sorry, if you can repeat that question again?

Kunal Ochiramani: Status of your expansion and guidance for next year?

Prerak Goel: So, our Sharjah facility is currently, we are just at the architectural stage getting the final drawings out, and we expect to tender for the works in July 2025. And we expect the facility to be ready in about six to eight months with operational activity achieved by July 26 at the out end.

Talking about the projections for the next two years, see, from a sector perspective, we are seeing very strong headwinds. There is a lot of interest in water security. Tailwinds, sorry. Sorry, my apologies. Tailwinds. And we are seeing a very strong interest from a lot of big corporates, both in India and overseas, not only from a sustainability perspective, but also from a water security

perspective. We continue to see rising costs and lower availability of water which is driving these investments. So, we do expect growth rates between 18% to 20% going forward.

Kunal Ochiramani: Any guidance on EBITDA margin, sir?

Prerak Goel: So, margins are expected to be in the similar range. We do have some operational leverage that will kick in. But yes, we generally expect margins to continue to remain healthy.

Moderator: Our next question comes from the line of Saif Gujar with ICICI Prudential AMC. Please go ahead.

Saif Sohrab Gujar: Sir, just one clarification on the CO2 capture you have mentioned. If you can explain the solutions you would be adding through that, and what would be these?

Prayas Goel: Hi, thanks for the question, sir. Under CO2 capture, we will be offering solutions essentially to capture carbon dioxide which is being emitted from chimneys of, let's say, coal-fired stacks. This is going to be essentially industrial steam boilers which are running on coal, industrial cogen plants, whether it's at a factory scale, as well as carbon capture for large thermal power plant scale carbon capture.

At the same time, these solutions will also go across the core sectors which have been identified for carbon intensity targets by the Government of India. That's essentially your refineries, cement, aluminum, pulp and paper.

Saif Sohrab Gujar: And then second thing on the order book, if you can explain what type of order book to bill is typically, or the execution cycle, if you can explain typically what works in your type of products in ZLD and other types?

Prayas Goel: Sorry, Saif. I didn't get that completely. You are saying what is the?

Saif Sohrab Gujar: So, what is the execution cycle for your order book, right, for the special segment, if you can explain on the ZLD side, maybe on the CBG side. So, typically, what book to bill in terms of order book to revenue we should look at, right?

Prayas Goel: Right. So, basically on the water side, I think, you look at most of the projects. We have an execution cycle between 12 to 18 months. I think if you look at the current order book on the water side, I think, most of our orders will have about a 12 to 14 month cycle. So, a significant amount of the order book will get converted to revenue this year.

The O&M numbers, obviously, what we are giving you is a 12-month executable number. It's not the total signed order book. This is just the value of O&M orders that we will execute during the year.

On the CBG side, I think we are looking at cycles of about 14 months, roughly. Yes, so we should be able to kind of commission projects within that period. So, that will have, again, a significant portion of that order book as well should get converted during the year. There is a small intake of orders which get executed every three months. These are typically Brownfield cases where the customer is going in for small expansion. So, they would typically buy either an evaporator or an RO plant. And typically we would execute those orders between 12 to 16 weeks. So, roughly about Rs. 100 crore kind of a number is orders which we receive and execute during the year.

And the last one is the trading segment. This is where customers are buying consumables, spares, and membranes from us. And these orders keep coming in every month and we keep executing them within a 4-week period.

Moderator: Our next question comes from the line of Milind Karmarkar with Dalal & Broacha Portfolio Managers. Please go ahead.

Milind Karmarkar: Congratulations on a good set of numbers. One question which I had was losses which are coming in from discontinued operations. So, I just wanted to understand how long these losses will last and what do these pertain to?

Prayas Goel: Yes, thank you, Milind. Thank you for the compliment. So, actually on the discontinued operations, this is just one of the subsidiaries that was set up where we were manufacturing part of the membranes that the Company was using earlier. We are on a journey to simplify our corporate structure. And this was one of the low-hanging fruits where we have rounded up operations of the subsidiary and transferred the operations into the subsidiary Concord Enviro FZE in UAE. So, that operation has been consolidated.

So, it's more an accounting, you know, the way the accounting is being done that because we are kind of holding that entity now for winding up. So, it's just a way that the accounting has come up to show a loss. But yes, these continue to be assets and this which are in use. And going forward, we expect to close that entity now, so actually there won't be any losses going forward. We are hoping to kind of wrap that up in the next couple of months at most.

Moderator: Our next question comes from the line of Harshit Rathi with Harshit Rathi Investments. Please go ahead.

Harshit Rathi: Sir, as we can see that most of our revenues, more than 30% of the revenue is from Quarter 4, so next year onwards, so will this trend continue, or we could see other quarter also contribute to the revenues?

Prerak Goel: So, what happens typically is that our H1 is roughly about 40% of the total annual number that we achieve and 60% is H2. Yes, the lumpiness is there because certain large projects do get

executed in a kind of one quarter out of the year. So, there is definitely some lumpiness in the four quarters.

Having said that, the way that the Company is expanding, going into different geographies, we do hope that we will be able to bring more level in this going forward, and especially with the growth of the O&M and trading business that's adding a good substantial layer, which is quite spread equally across the quarter.

But I think from a guidance perspective, we do expect some lumpiness to remain. And I think, from our Company perspective, it's probably the annual number or the year-to-year kind of a growth number, which is what the focus remains. For us, sometimes, quarter-to-quarter focuses do become challenging basis of the order cycles and the execution the customers are giving us.

Harshit Rathi:

And another question, sir. What is the order that we have in our pipeline right now and what is the conversion rate that we could convert those orders?

Prerak Goel:

So, roughly, if you look at the quotations that are under discussion, it's roughly close to about Rs. 2,000 crores, about 1,900 odd number is the exact number. So, out of that, if you look at it, there is certain orders under discussion, which are what we call our hot orders. So, that would be close to about Rs. 400 odd crores where we have a substantial closure and winning possibility. But I think if you look at on an annual basis, we expect out of this pipeline of Rs. 2,000 odd crores that we should win about 30% of this business. So, that's our order intake targets for this fiscal year.

Moderator:

Our next question comes from the line of Sriram, who is an investor. Please go ahead.

Sriram:

You know, basically you compete with companies like Thermax, Praj and Ion Exchange and few others, right? So, could you please elaborate on what your key competitive advantages are compared to these tiers? And basically do you primarily compete on cost or is there any differentiated value proposition that you offer to your customers?

Prayas Goel:

Sure, I think it's a very relevant question. Thank you, Sriram. So, yes, I think we are differentiated in two ways, Sriram. One is we are differentiated in terms of our technology portfolio and how we approach wastewater recycling and zero liquid discharge.

So, a lot of our technologies, such as our plate and frame membrane systems, our approach to treatment, our approach to zero liquid discharge, enable us to offer the client a more simplified solution for complex wastewater, which sometimes our competitors would offer a more complicated, multi-stage kind of treatment solution. And eventually this reflects in the total cost of ownership or the life cycle cost in terms of OPEX. As we mentioned earlier, that would be rated as one of the lowest on OPEX on energy.

Sriram:

So, is it possible to put some numbers on TCO?

- Prayas Goel:** Yes, I mean, it ranges across industry, but yes, you would see anywhere between 10% to 50% kind of a saving in total cost of ownership and solutions that we offer across industry.
- Sriram:** No, but compared to your peers, is it 10% to 15%?
- Prayas Goel:** Yes, that's what I am saying. Compared to our peers, we would find that kind of a saving that we are able to translate to our clients.
- Sriram:** And on the product portfolio, are we present in the entire range or do we still have some more room to penetrate in terms of categories?
- Prayas Goel:** Yes, I think in terms of products are always coming along from our R&D, from our development. So, newer products keep getting added and more solutions for the industry to simplify their recycling needs.
- Sriram:** But no, no, my specific question was, do we have, you know, our portfolio is more than your peers or how is it? How does it compare?
- Prayas Goel:** Definitely, sir, definitely, definitely more. As compared to our peers, we manufacture everything, sir. We have technology and IP around a very large segment. So, as we said, we are not assemblers, we are a core technology Company. And our product portfolio is significantly larger than our competition.
- Sriram:** Thank you for this.
- Moderator:** Our next question comes from the line of Aditya Arora from P4 Capital. Please go ahead.
- Aditya Arora:** Hi, Prerak and Prayas. Heartfelt congratulations on a phenomenal set of numbers, on the results and on listing of the Company. My question essentially refers to Page 23. If you could please double-click on your growth drivers, which is Green ZLD, third-party O&M and product membrane. You spoke about compressed biogas earlier.
- Prerak Goel:** Yes. Sorry, I didn't follow your question.
- Aditya Arora:** So, Prerak, I wanted to ask if you could please give us more overview on Green ZLD, third-party O&M and product membrane in terms of your growth drivers.
- Prerak Goel:** All right. So, on Green ZLD, Aditya, what we basically continue to achieve for our clients is using any kind of waste heat energy or we are integrating the energy that is currently being utilized to achieve zero liquid discharge. So, for example, for the Diageo projects in Africa, what we are doing is we are actually using some of the heat that was being flared, we are using that as the source of energy for the ZLD. So, they are not putting in additional steam. So, it's completely a kind of a green base where the customer is not having to spend more energy in achieving zero liquid discharge. So, that continues to be the focus.

And on the third-party O&Ms, so this is a segment where we have seen opportunity where a lot of the larger companies have been setting up larger plants and they either don't offer O&M services or the client is looking for an alternative solutions provider or management Company to kind of manage the operation and maintenance services.

So, what we are doing actively is we have a team now who is actively pursuing these opportunities where erstwhile the Company only focused on doing O&M for its own production solutions, now we have expanded into this market. Last year, we achieved about Rs. 12 crores in top line from these third-party O&M contracts. And given the pipeline that we have in the order book at the current moment, we are seeing strong traction on this segment. So, we continue to kind of move into a larger O&M business. Two reasons mainly, obviously the margins. And it gives us good traction where the annual sales are kind of layered with a very annuity kind of business segment.

On the product membrane, so these are new technologies, let's say on the membrane side that we have been building up, both with respect to membranes as well as with respect to the finished format of the modules. And we are looking to sell these in the international market to other OEMs. So, this is either to our own development or to in-licensing that we are developing these products. And we intend to sell them.

So, if you remember about three years ago, we used to do some business in China, or actually four years ago now, we used to do some business in China where we were selling modules. So, this is something similar as a segment we are bringing back and looking to close this.

Moderator: Our next question comes from the line of Soniya Varnekar from Dalal & Broacha Stock Broking Private Limited. Please go ahead.

Soniya Varnekar: Sir, my question is on the finance cost. So, what is the breakup of actual interest payment and other bank charges in the quarterly finance cost which we were giving?

Prerak Goel: Hi, Sonia, yes. So, on the finance cost, see, most of this would be the actual interest payment. There would be a small element of other costs which would be to the extent of maybe about Rs. 1.5 crores to Rs. 2 crores. But most of it would be actual interest payments. Just to clarify, the bank charges are not classified under finance cost. This would be under other expenses.

Soniya Varnekar: So, sir, what is the actual interest rate which we are paying on the debt? And what is the actual figure of the debt which we have?

Prerak Goel: You want the debt number, total debt?

Soniya Varnekar: Yes, debt number and the interest rate which we are paying on that particular debt.

Prerak Goel: We will come back to you with the number. Soniya. Just we will look up the number and come back to you. Maybe in the meantime we can take the next question.

- Moderator:** The next question comes from the line of Ankur Gulati from Genuity Capital. Please go ahead.
- Ankur Gulati:** Hi, there is some loans and advances in your cash flow statement. Can you give more details about that? What is that Rs. 800 odd million?
- Prerak Goel:** So, the loans and advances are mainly with respect to the projects that are ongoing under execution wherein we have given advances to our suppliers for supply of materials as well as works. So, there is some part of this coming from Mexico and the balances for projects which are in execution in India.
- Ankur Gulati:** So, that's the standard operating procedure, right? I mean, that's a major chunk of your operating cash flows going there.
- Prerak Goel:** Yes, obviously, yes, because we have to, you know, for some projects where we have groundworks or supplies, certain, let's say, ZLD projects, they have advances to become a significant chunk, yes.
- Ankur Gulati:** So, against, let's say, this Rs. 83 crores of loans and advances, is there a revenue booked or is this something you guys will book in future?
- Prerak Goel:** No, it will be mainly revenue booked in future. So, there is not going to be revenue booked against this significantly at the current moment.
- Ankur Gulati:** So, if one wants to understand operating cash flow for the revenue, let's say, booked in F'25, we should knock off this Rs. 820, 830 odd million of loans and advances, right?
- Prerak Goel:** Yes, I would say a significant, yes, I would say 90% plus of it, you should minus it out.
- Ankur Gulati:** And there is an investment in bank deposits of Rs. 90 crores. How much of this is to get some sort of a BG from the bank and how much is actually the cash flow available to you?
- Prerak Goel:** So, I think if you look at our margin money that where we had to put FDs, I think that would be totally across the group would be about Rs. 10 odd crores.
- Ankur Gulati:** So, out of Rs. 90 crores in bank deposits, Rs. 10 crores would be for BG and then another Rs. 80 odd crore is available to you, right?
- Prerak Goel:** That's the IPO proceeds, primarily the IPO proceeds, which are in bank deposits at the moment.
- Moderator:** The next question comes from the line of Kartik VK from Suyash Advisors. Please go ahead.
- Kartik VK:** Good morning. Thanks for the opportunity. I am new to your Company, so you will excuse if I am asking you an old question. I am particularly interested in your CBG solutions. The two examples you have given are both industrial projects. I was wondering if you would also be

foraying into agri-residue based CBG plants, like what is being planned in Punjab and other places. And if yes, what do you think would be the cost difference between you and somebody like a Praj who is also trying to offer? I know I shouldn't be asking you this question on a public forum, but if you could share some thoughts on the topic, please.

Prayas Goel:

So, largely answering the first part of your question is largely no. Our focus is strongly on industrial organic waste. Having said that, if there are some very, very clear opportunities of clear waste quality, clear annual availability, as you know, the kind of issues which are currently plaguing this biomass-based sector, so we are trying to navigate away from those.

Having said that, how we fare in terms of any solution, in terms of competition, we do have backward integration, especially in terms of path related to the upgradation from biogas to pure methane. So, we do believe we have some competitive advantages against our peers.

Kartik VK:

The other question would be, can I ask you what is the source of this technology? Would this have been developed organically, or you would have tied up for this?

Prayas Goel:

No, this is developed organically, sir. We have been offering biogas solutions for the last 30 years. So, it's largely now CBG, which is what the package is being called. But as we mentioned and gave some examples, we have currently also this year and in previous years, large projects under execution for industrial organic waste, including sludge.

Kartik VK:

Interesting. One additional question on your business model per se. You say you are fully integrated. Does in-house fabrication really help you in your economics or would you be better off just designing and then outsourcing the fabrication part of the project? I don't know your model perfectly well, so excuse me if I am asking you the wrong question.

Prayas Goel:

So, I mean, we say we are not assemblers, and we do a significant amount of in-house manufacturing. Having said that, we like to focus a lot on where the value is being added. So, there is a lot of subcontracting that we undertake for very basic fabrication as well.

Kartik VK:

I will understand your Company and interact more with you.

Prayas Goel:

Sorry, we will just answer Sonia's question. Just one second.

Prerak Goel:

Soniya, hi. Just coming back to your question. So, the borrowing charges, sort of the Rs. 20-odd crore number that you see under finance cost, so about Rs. 18.5 crores is the borrowing charges. It includes our working capital borrowings and term loan borrowings and also the factoring charges, right?

Somewhere we may be factoring some of the receivables that we have. So, this includes the factoring charges as well. So, that's about Rs. 18.5 crores. And the balance is, there are some pre-payment penalties we had because we prepaid some loans, plus some interest on some other

dues. So, I think that is about Rs. 1.5 odd crores out of that number. So, I hope this clarifies your question.

Moderator: Our next question comes from the line of Dhavan Shah from Alfaccurate Advisors. Please go ahead.

Dhavan Shah: So, my question is on Slide #14, you mentioned that the membrane revenue this year was roughly Rs. 7.8 crore and next year target is Rs. 30 crore, and in the next few years the target is Rs. 85 crore. So, if you can share thoughts on this business, plus you also mentioned that you are expanding presence in some of the emerging technologies, green hydrogen, carbon capture, semiconductor. So, if you can share thoughts on this as well, how much incremental revenues or opportunities you are seeing in next two to three years?

Prayas Goel: Yes, thanks for the question. So, yes, this is essentially related to the external membrane sales where we are having an India distributor also being appointed soon. So, these will be sales of new membrane modules and elements to third-party OEMs here. And that will see growth in India through the distributor and also internationally.

In terms of some of the new sectors that we are targeting, especially solar, PV, where we are looking at the wastewater from cell manufacturing, that's a significant area as there is a lot of Make in India impact from this sector coming along. In the green hydrogen as well as semiconductor, of course, these are larger projects, slower moving. So, I would say the solar PV is an area where we will see contributions in the current financial.

In terms of carbon capture, again, there is an immense opportunity, and we see that in terms of those will bring in revenues on a larger scale more FY '27 onwards.

Dhavan Shah: So, this solar PV and this membrane, this is largely a domestic business, right?

Prayas Goel: Membranes, sorry, the membranes are both domestic and overseas, yes. Solar PV, currently we have a focus domestically, but we are also evaluating opportunities or offering our solutions to such providers outside of the Indian marketplace.

Dhavan Shah: And this distributor model, I mean, the working capital cycle is more or less in line with the current business profile or there is higher working capital requirement plus the margin profile also if you can share?

Prayas Goel: I would say, it should be in line, yes.

Dhavan Shah: Secondly, I think you also mentioned that we have expanded in the U.S. market. So, any thoughts on this? I mean, the opportunity could be very large, but if you can share numbers, what could be the addressable market or maybe how much incremental revenue we were looking at for the next two to three years from the U.S.?

- Prayas Goel:** Yes, I think we can probably get back to you later with some specific numbers. But yes, we see that with a lot more manufacturing happening in the U.S., there is going to be a significant need and zero liquid discharge is being looked upon in that market also very much as a need now.
- Dhavan Shah:** And sir, in O&M, if I look at, you know, the revenues more or less is Rs. 100 crore or 120 crore since last two, three years and the order book is also around at the same level. So, what are our plans to increase the revenue plus the order book from the O&M business?
- Prayas Goel:** Yes, so the O&M has largely been, see, it's a function of what plans we put out and generally there is a 12-to-18-month lag in terms of once the systems are put out. So, if you look at historically, O&Ms have been growing between 10% to 15%. I think last year also we just clocked about a 10% odd growth. And the year before that, I think it was close to 15%.
- Now, given the substantial capacity that we have implemented over the last 2-2.5 financial years, a lot of those plans are in fact coming into O&M in this calendar year. So, you will see that with that lag now, there will be higher and faster growth in the O&M business. Also, with the third-party O&M contracts, that segment is gaining traction, and that will also pick up. So, basis of the book that we have today, I think we can safely say that O&M business should be growing at 20% sort of a number.
- Moderator:** The next question comes from the line of Jay Trivedi from InCred AMC. Please go ahead.
- Jay Trivedi:** Firstly, congratulations on good set of numbers, sir. My first question is what is the margin difference between the three segments that we operate in the spares, O&M, and plant? Can you please say that?
- Prayas Goel:** Yes, see, I mean, there is an inherent difference in terms of margins. I think if you look at our after sales business, that does tend to contribute a slightly higher number. I would say there would be a difference of at least about 30% to 40% in terms of what margins we earn in the projects vis-a-vis what we earn on the after sales business. The export side has better gross margins on the EBITDA levels. They tend to be very similar to what business we do. But yes, definitely after sales does contribute a higher number.
- Jay Trivedi:** Can you say the specific number, like 30% to 40% more than the plant's business?
- Prayas Goel:** Yes, I mean, I am not so sure if we can give out specific numbers on the call, but yes.
- Jay Trivedi:** Fair enough. Second, on the ROCE target. So, we have been putting CAPEXes in Sharjah, and we are scaling up there. So, once our plants are operational by FY '27, what is the ROCE targets or ROE targets that you have set for yourself internally?
- Prayas Goel:** We definitely want to put the Company on a growth path where we can get up to 20% over the coming years. But obviously it's a journey and with the capital raise that we did in FY '25 and given that there will be investments going in in FY '26 and let's say a little bit tagged in FY '27,

we do expect that cycle to be achieved post-completion of this when the real revenues from that new investments will kick in. So, it's a cycle, but I think we have begun on that journey as an organization. And definitely we want to kind of get up to the levels of our peers, which are all under 20% range.

Jay Trivedi:

Sir, last on the working capital days. I see there is a very good improvement there. So, what has really changed vis-a-vis your FY '24 performance? Can you say something on that?

Prayas Goel:

So, I think, see, the two things, and I think we have been tracking this very closely. If you look at our inventory, right, I mean, some of these numbers are not growing in line with the business growth. So, let's say, last year we clocked about a 90% growth. If you look at our growth in inventory days, it's been a smaller number, right? It's not grown in the same fashion because right now we have reached inventory levels where we are, let's say, able to cater to all our businesses quite efficiently.

If you look at debtors, it's largely a component of our Q4 execution. Now, our Q4 execution in FY '24, sorry, Q4 in FY '24 and Q4 in FY '25, you would see it's in the Rs. 200 crore range. So, a lot of that is what sits in our receivable days at the end of the financial year. So, these numbers are tracking.

If you see, there is not much difference in our Q4 '24 versus Q4 '25. So, debtors are relatively in the same similar level. So, as such, as business grows, we do see more optimization. As revenue gets more evenly spread during the quarters, we will see more improvement in working capital cycles.

Jay Trivedi:

So, I am just thinking out loud. Since we had this Diageo project last year that we had executed, since it was a large project, so inventories were more or less planned or free handed, so that gave us this edge?

Prayas Goel:

No. See, if you look at our project business, it's mainly JIT, right? Because what's happening in the project business is you are buying materials, you are supplying it or you are building materials and supplying it. It's actually for the O&M and the after sales business where really the inventory does get stocked up. And because we are backward integrated with respect to our membrane manufacturing, that's where our inventory gets backed up. So, the inventory cycle is really to kind of cater to these segments and not really for our project business.

So, the lumpiness in the project business has continued for a long time for us. And we don't really see that number translating hugely onto our inventory because our shop flow times are pretty quick. So, once the materials come in, it's about a two- or three-week kind of execution cycle for us to turn those around and send them to site. So, that's not kind of adding a lot of numbers. It's really the O&M and the membrane backward integration that we have, which kind of contributes to inventory.

- Jay Trivedi:** That's it from my side. Thanks and all the best, sir.
- Moderator:** Our next question comes from the line of Agam Shah, who is an investor. Please go ahead.
- Agam Shah:** Hi, sir, great execution. Just a quick question. In your presentation, you have mentioned about opportunity in the solar semiconductor space. So, can you elaborate a bit more on this? I mean, where are we? Have we won any orders? Or are we there in terms of L1 in any of the projects? Or will this be largely project-based or how is it going to be? And what are the margins going to be here?
- Prayas Goel:** Hi. So, as you know, solar, especially on cell manufacturing, is quite a water-intensive process and also generates a lot of hazardous waste. So we have some great technology solutions here.
- To answer your questions specifically, we have services industry in the past. So, we have orders already executed for this industry. We are seeing a lot more interest now in recycling and are chasing several opportunities which are, let's say, Brownfield or secondary, where we are working with our customers to improve the operating efficiency of plants. And at the same time, we are chasing also Greenfield opportunities in the solar cell manufacturing segment.
- Agam Shah:** So, can we expect some good execution and good orders for this year from the solar and semiconductor verticals?
- Prayas Goel:** On the solar, certainly we expect good orders to come through. Having said that, I would say that it's good to get that expansion coming in from this sector starting this year, yes.
- Agam Shah:** Wish you the best.
- Moderator:** Our next question comes from the line of Ankur Gulati from Genuity Capital. Please go ahead.
- Ankur Gulati:** Are you hearing anything on water credits as of now or not really?
- Prayas Goel:** There was a notification that came out, but yes, not a lot of noise on the ground among industrial clients, at least. So, I don't think it's kind of gained the traction that would have some meaningful impact in the short term at least.
- Ankur Gulati:** And as of now you guys are negotiating to keep it with you or are you passing it on to clients?
- Prayas Goel:** No, it would be generated by the clients because at the end of the day it's their facility, and they would be generating it. So, it's not going to be generated at our end at least. But it's going to be a driver for implementing more solutions because it will offset the OPEX cost for the clients. But yes, that's still some time away is what our view is.
- Ankur Gulati:** Second, any thoughts on setting up some sort of a build-own-operate model where you aggregate wastewater from industrial clients or you still want to be in mostly plant sales model?

- Prayas Goel:** Yes, so Concord is a EPC Company, but we have a JV in which we do BOT solutions. So that JV has kind of about Rs. 120 crores of assets under management. And yes, we need to look at opportunities for growing that model. But yes, it's a separate set of investors that sit on that book and the team that runs that division. So, for Concord, at least, it's really the EPC focus.
- Ankur Gulati:** So you guys provide EPC and someone else turns management there, right?
- Prayas Goel:** No, so we do the EPC, we do the O&Ms as well. But yes, asset ownership is undertaken by that entity.
- Ankur Gulati:** So, just on that, any plans to expand that? Because VA Tech just announced something with the Norfund, more or less similar, of course, at a bigger scale.
- Prayas Goel:** Yes, so as I said, we have been doing this since 2016, so it's not new for us. We have kind of had a lot of interaction there. But obviously, see, the opportunities that we are trying to assess are really industrial scale and looking at projects which do add value at the end of the day to the client, because it's a water-as-a-service is the term that has generally been coined for it. So, yes, we continue to look at opportunities looking for expansion and investors to grow that business for sure, but yes, it's definitely a focus there.
- Ankur Gulati:** Last thing. How much do you guys typically charge for, let's say, 1 MLD water treatment plant as a rule of thumb?
- Prayas Goel:** It would really depend on the kind of sector, the industry. It's very difficult to give up a kind of number. Yes, it's very difficult because water is different for each industry. So, yes, a number like that would be quite difficult to generalize.
- Moderator:** Our next question comes from the line of Akhilesh, who is an investor. Please go ahead.
- Akhilesh:** Most of the questions are answered. I just wanted to know or gauge what kind of confidence we have on clocking, let's say, 20%-25% growth over the next 2 to 3 years. And regarding the margin expansion at a Company level, what levers are there? And do we have any targets to get this margin from, say, 15% to 18% or something like that?
- Prayas Goel:** Akhilesh, thanks for the questions. On the first part, definitely we are seeing a very, very strong kind of traction on the inquiry level across a large set of sectors, specifically steel, food and beverage, both in India and overseas.
- So, I think both the Indian and the international market seem to show that there is significant traction there. Not only the signed order book, but the kind of what we call the hot about to close is also very strong. So, I think we are very strongly on track for the 20% plus kind of growth on the revenue side.

And on the margin side, again, as you have seen, there will be some operating leverage which kicks in, which will come in there. But I would say, on the margin side, we are seeing a small pickup happening.

Akhilesh: And a couple of more questions is the revenue split per quarter, do you expect it to remain broadly as it is, which is around, say, 15% in Q1, 25% in Q2, Q3 and 35% in Q4? Will this continue over the next couple of years?

Prayas Goel: Yes, especially in the next 12 to 18 months, we do expect it to continue similarly with about 40% coming in H1 and 60% coming in H2.

Akhilesh: And the split between segments, that's whatever split we have had in FY '25, 60% on systems, 20% on consumables and 20% O&M, will that also continue, or will we see something?

Prayas Goel: Yes. No, that seems to be on the similar track.

Moderator: Our next question comes from the line of Tej Patel from Niveshaay. Please go ahead.

Tej Patel: Thank you so much for the opportunity, and congratulations on a good execution and maintaining the profitability for this quarter. Pardon me if the questions are repeated. I just wanted clarity on, so, from our current order book, how much concentration is towards Diageo or any major clients. I just wanted to know the client concentration. And is it currently right now all denominated in USD, INR or is Peso still a part of our order book?

Prerak Goel: Yes, so if you look at Diageo, I think the total order number from Diageo current moment is Rs. 108 crores. Out of that, Rs. 17 crores worth of orders are Peso denominated. But this is within Mexico itself. So, you know, there is a very small likelihood of any impact there because these are costs that are being incurred in pesos and revenue which is being booked in pesos. The Rs. 91 crores pertains to a ZLD project in Africa.

And then coming to the second part of your question, yes, other than the Rs. 17 crores which is currently peso-denominated, the order book is mainly comprised of USD orders. We just have a small portion of, let's say, some local works to be done in Kenya and Uganda which are in the local currencies there, but that again will be incurred by a local entity and against costs which are to be incurred locally.

Tej Patel: So, 17 is the number, right? One seven.

Prerak Goel: One seven, that's right, yes.

Tej Patel: Perfect. So, out of about you said 109 is for Diageo.

Prerak Goel: So, 108, yes.

Tej Patel: And major chunk is in Africa.

Prerak Goel: At the current, yes, for this year, the major chunk is in Africa.

Tej Patel: I just wanted to get your perspective. I am very curious to know about when you say we are getting incremental demand from India as well as abroad. But especially from the India perspective, I wanted to get your view. What is driving this demand? Because as far as I understand, still, let's say, in some areas the cost of fresh water is still, let's say, cheaper than ZLD if I consider the LCOE.

I am just trying to understand what's driving this demand up and then trying to understand the sustainability of it. And could this growth trickle down to MSMEs which probably right now do not have the capability of putting up ZLDs? And do you see the cost of ZLD overall going down due to, let's say, increasing manufacturing activity or some other reason? I am just trying to understand how fast could penetration increase in terms of ZLD, especially in India?

Prerak Goel: Yes, so we are seeing a few drivers. As you said, there are areas where water is still cheaper, but we are seeing that change pretty rapidly now, right? Especially with privatization of a lot of industrial infrastructure, we are seeing that change as well. And other than the cost of just water intake, you have to consider the cost of disposal of water.

So, when you practice zero liquid discharge, you are offsetting two things. One is the cost of intaking water, and second is you are offsetting the cost of disposing your water. And when you add those two together, you have to compare it to your cost of ZLD.

Having said that again, in terms of zero liquid discharge with our focus in ultra-high pressure versus osmosis, waste heat evaporator in green ZLD, we have made significant dents on lowering the cost of zero liquid discharge and continue to do so. So, there is a very strong drive to continue to reduce those costs.

Tej Patel: Interesting. And sir, when you say that, you know, we are putting up waste heat operators, is it correct to assume that there are no system integrators who are using this technology and probably are using the conventional one?

Prerak Goel: Yes, these are solutions which are IP backed, sir. We have patents around them.

Tej Patel: But then no one else is probably using it, right? Maybe that's an imported part or tie up with any other technology in India.

Prerak Goel: Yes, I think there we are seeing that we are one of the very few players who is focused on a complete end-to-end solution, you know. So, we are looking at focused on zero liquid discharge with kind of in-house technologies, whereas people are kind of more putting in third-party units together.

- Tej Patel:** And sir, what would be the current utilization of our membrane line for the full year? What would be the utilization?
- Prerak Goel:** So, I think, see, the current numbers are still in the range of about 40 odd percent. I mean, if you look at the way the business is going, we are expanding into different segments. So, obviously, things like biogas and everything are also becoming bigger. So, the membranes are currently remaining at about 40%.
- Tej Patel:** And this can probably expand to what number? Because I assume because Q4, H2 is heavy, right? So, probably not this line can reach at 100%. But what number this could reach? And a follow-up on this was, is my understanding correct that out of about, let's say, Rs. 100-110 crores of consumables and spare sales, just about Rs. 7-8 crores was membranes and rest was about, let's say, your chemicals and other spare parts?
- Prerak Goel:** No, no, okay. So, out of the total trading sales, if you look at, see that the product membrane that we are talking about is the membrane that we manufacture and sell particularly to third-party OEMs. So, this does not include the membranes that we are selling to our own clients. So, in the Rs. 110 odd crore, that is the total trading number. Membranes form at least 30%-40% of that overall chunk. So, the number that is given is only for the product membrane.
- Tej Patel:** So, you are saying Rs. 7-8 crore is the third party O&M?
- Prerak Goel:** Yes, third-party. So, we are selling that to other distributors, other OEMs. That's the focus. And balance sales is all to our end clients.
- Tej Patel:** Perfect. And have you already incurred the CAPEX for WHE or there is a civil part. I just wanted to know the status of CAPEX for WHE and the membrane which we were planning through the IPO proceeds.
- Prerak Goel:** Yes, so that is, as I said in the beginning of the call, we are probably looking at getting all the approvals in place in July. And it will be a six-to-eight-month civil construction and by the time we commission the facility, it will be July '26.
- Tej Patel:** I just wanted to understand, as far as I remember in the last call, the export order from Diageo was a bit of not that much in lucrative from the export margins perspective because the civil portion was higher on those orders. So, is the scenario the same for Diageo orders where the civil portion is higher and maybe, let's say, the margins are not what expected in the export and can we expect similar margins for the next year as well because of a higher civil portion or as you were saying earlier, there might be a margin improvement?
- Prerak Goel:** Yes, so if you look at the Mexico order, it was a Greenfield. So, as a result, the civil component was high. The current order we are executing in Africa, Brownfield locations. So, the civil works as a total percentage of the total order is small. So, no, we don't expect any similar hit in terms of margins. In fact, we do expect margins to remain consistent.

- Tej Patel:** And any major client who is contributing, let's say, more than 10%-15% of the order? Is there any client apart from Diageo?
- Prerak Goel:** I think, if you look at some of our larger clients after Diageo, yes, not to the tune of about, yes, I think they would be less than 10%, 8% to 10% would be a couple of them. But yes, not to that extent.
- Tej Patel:** And just one last question in terms of membranes. How much of it, let's say, for the total requirement, how much of it would be, let's say, imported and how much would be locally manufactured and supplied by the local manufacturers like us?
- Prerak Goel:** You are talking about from an India perspective?
- Tej Patel:** Yes, from an India perspective.
- Prerak Goel:** The numbers, probably don't have numbers on that, but yes, I mean, if you look at the membranes that would be imported...
- Tej Patel:** But the major would be imported, right?
- Prerak Goel:** Sorry?
- Tej Patel:** Major portion would be imported.
- Prerak Goel:** Yes, yes, major portion would be imported. I think there are a couple of companies who are manufacturing locally and selling, but majority of it is imported.
- Tej Patel:** And what was the cost difference? Let's say, do we have a cost advantage in terms of import versus we supplying it to third party?
- Prerak Goel:** No, see, it's a technology differentiated product. So, it's not about trying to supply something that is commonly available in the market. The tech we are using is something called printed membranes and that's what we are supplying to other people. So, this is again something that is being done very uniquely.
- Tej Patel:** And the O&M order book, for our O&M order book, what's the timeline for it? I mean, is it for 2 to 3 years is the right number to assume, right, for the O&M order book which is outstanding as of today?
- Prerak Goel:** No, so we are only giving the next 12-month number. So, even though we have contracts which are longer, we have only given the number. For guidance perspective, we have only given that portion of the number which is executable in FY '25.

Tej Patel: And since we are left to do the CAPEX for WHE, I am just trying to understand how are we integrating? I mean, are we sourcing it from somewhere else or how are we developing WHE when we say the IPs are owned because the CAPEX is still left for WHE, right?

Prerak Goel: Yes, at the current moment, there is some subcontracting that is happening where we are building that frame overseas to a job work contract. And that's what we are looking to internalize.

Tej Patel: That's all from my side.

Prerak Goel: Thank you, everyone.

Moderator: Thank you. Ladies and gentlemen, due to paucity of time, that was the last question for today. On behalf of E&Y, that concludes this conference. Thank you for joining us and you may now disconnect your lines.