



*Assistant Manager
RAC-Division of Issues and Listing-2
Corporation Finance Department
Phone: +91 22 2644 9941
Email: shivani@sebi.gov.in*

SEBI/HO/CFD/DIL2/OW/P/2024/30106/1
September 23, 2024

Motilal Oswal Investment Advisors Limited
Motilal Oswal Tower, Rahimtullah Sayani Road,
Opposite Parel ST Depot,
Prabhadevi, Mumbai 400 025
Maharashtra, India

Kind Attention: Mr. Subodh Mallya/ Ms. Ritu Sharma


Sir/Ma'am,

Sub: Clarification sought for proposed IPO of Concord Enviro Systems Limited

We are in receipt of the Draft Red Herring Prospectus (DRHP) of the captioned company forwarded to us vide letter dated August 27, 2024.

In this regard, you are advised to comply/clarify the following points mentioned in Annexure A.

Yours faithfully,


Shivani Gupta

(Encl.: As above)

Annexure A

Clarifications sought on the DRHP of Concord Enviro System Limited

With reference to the Draft Red Herring Prospectus of captioned IPO filed with SEBI, you are advised to clarify the following points:

Specific Clarifications:

1. Forward-Looking Statements :

Page- 21 – It is disclosed that this Draft Red Herring Prospectus contains certain “forward-looking statements”. It may be noted that point (e) under Instructions of Part A of Schedule VI of ICDR Regulations, 2018, states that the offer document should not make any forward-looking statements that cannot be substantiated. In view of the same, you are advised to confirm and explain compliance with the aforesaid provision with respect to all such forward-looking statements made in the DRHP.

2. Summary of Offer Document:

- a) **Primary business of our Company:** LM is advised to remove “leading global” from DRHP and make specific mention of geographic presence, types of products/services offered by the issuer and details of subsidiaries of the Issuer (if any). LM is advised to elaborate more on “ZLD”. LM is advised to state the source of revenue generation by the Issuer Company and include organization chart of holding company /subsidiaries in this sub-section. LM is advised to remove all statements sourced from self-commissioned report in the summary section.
- b) **Summary of the industry in which our Company operate:** LM is advised to redraft to include information on wastewater industry such as definition, participants, suppliers, treatment process, customers, utility etc.
- c) **Names of the Promoters:** LM is advised to state the % shareholding of the Promoter in the Issuer Company.
- d) **Summary of select financial information:** LM is advised to define “Total comprehensive income” in the footnote of the table. Further, LM may consider replacing the indicator with “Total Income.”
- e) **Risk Factors:** LM is advised to state revised top 10 risk factors in this sub-section.
- f) LM is advised to include serial no. in all the tables in the section.
- g) **Summary of related party transactions:** LM is advised to include a column for respective positions of the parties such as promoter/directors/ etc.
- h) **Details of Pre-IPO placement:** In reference to Pre-IPO placement to be undertaken by the company, LM is advised to suitably disclose risk to investors applying in IPO at a price higher than the Pre-IPO price in the price band advertisement.

- i) LM is advised to ensure compliance with SEBI direction to AIBI vide email dated July 4, 2023 related to disclosures pertaining to Pre-IPO placement and transaction of shares by promoters and promoter group(s) in the Public Announcement and Price Band Advertisement.
- j) LM is advised to ensure that utilization of Pre-IPO proceeds shall be completely attributed/adjusted towards GCP portion; else auditor certified disclosures shall be ensured with regards to its utilization towards the disclosed specific objects of the issue.

3. **Risk Factors:**

- i. **LM may review that the title of the risk factor is specific (not vague) & has financial amount.**
- ii. LM is advised to rearrange the risk factors based on materiality. With reference to Regulation 5(D) of Schedule VI of SEBI (ICDR) Regulations, 2018, LM is advised to mention proposals, if any, to address the specific risk.
- iii. LM is encouraged to provide requisite quantitative information in tabular form, wherever applicable. LM may include financial ratios & relevant data in order to substantiate the risk in relevant risk factor.
- iv. **LM is advised to review Top 15 Risk factors impacting the Company. The Risk factors must have quantitative information in tabulated form and specific impact on the company, its business & its financials.**
- v. **LM should concise / rephrase the risk factors which are general statements and not company specific.**
- vi. It may be noted that title of the risk factors are framed in generic manner, in view of which LM is advised to redraft the title of Top 30 risk factors to be specific instead of terms such as certain/few/significant/adverse effect and ensure sufficient details are mentioned in the risk factor.
- vii. LM is advised to remove all extracts from self-commissioned report from all the risk factors, if any.
- viii. **RF 3:** LM is advised to give details of government customers along with revenue % contribution in the risk factor.
- ix. **RF 5:** LM is advised to consider moving the risk factor to “external category”
- x. **RF 6:** LM is advised to include reasons for salary of R&D personnel being more than 88% of total R&D expenses. Further, LM is advised to disclose reasons for deploying significantly low expenses (0.29 % in Fiscal 2024) towards R&D.
- xi. **RF 7:** LM is advised to redraft the risk factor and include a table of licenses and approvals required along with the status of same in the risk factor.
- xii. **RF 8:** LM is advised to provide reasons for lower working days in consecutive fiscal years. LM is advised to include relevance for changes in 3 years in working capital days, trade receivable/ payable & inventory days.

- xiii. **RF 10:** LM is advised to include a column for reasons for delay in payments and possible adverse actions. Further, LM is advised to redraft details of - Duration of the Default (in days), in the table.
- xiv. **RF 11:** LM is advised to state the operations of CEF in first paragraph and details of loans/borrowings availed by the subsidiary. LM is advised to state revenue contribution of CEF in the risk factor.
- xv. **RF 12:** LM is advised to provide reasons for low capacity utilization.
- xvi. **RF 15:** LM is advised to include in title- % of net proceeds to be deployed in objects and % to be deployed in OFS. LM is advised to confirm the mode of investment in RSPPL and CEF.
- xvii. **RF 21:** LM is advised to redraft the risk and use organogram to depict the relation among entities mentioned. Further, LM is advised to include brief details of operations and revenue % from JVs.
- xviii. **RF 25:** LM is advised to include a separate risk factor on RIL litigation on logo and may include present status of the matter.
- xix. **RF 37 & RF 36:** LM is advised to move the risk factors in top 10 risk factors. LM is advised to state details of all the subsidiaries in the table even if the revenue/profit contribution is NIL. LM is advised to include details in brief about all the subsidiaries.
- xx. **RF 51 & 52:** LM is advised to move the risk factors in top 15 risk factors

4. Additional Risk Factors:

- LM is advised to consider adding a Risk Factor on sudden change in Total income, growth in revenue from operations, RoE, Profit for the year along with tabular data of past 3 years and reasons for such fluctuations.
- LM is advised to consider adding a Risk Factor on amount recognized as Debts along with their ageing in last 3 FYs.
- LM is advised to consider adding a Risk Factor on RPTs in detail.
- LM is advised to consider adding a Risk Factor as RF 2 on 24%-40% capacity utilization as state on page 240 along with reasons.
- LM is advised to consider adding a Risk Factor on specific KPIs given on page 130 of DRHP.
- LM is advised to consider adding a Risk Factor for compliance with applicable regulations/ inspections and adverse remarks issued w.r.t. to Issuer /subsidiaries, if any by any regulatory or statutory body.

- LM is advised to consider adding a Risk Factor on peer comparison in tabular form or redraft RF 13 which is citing the industry to be highly competitive without any peer comparison.
5. **KPI-** LM is advised to bifurcate operational and financial KPIs in two tables. Further, LM is advised to verify the operational KPIs and include additional operational KPIs in the table.
 6. **The Offer:** LM is advised to include face value in the section and at all relevant places in the offer document.
 7. **Capital Structure:** LM is advised to include additional columns for no. of allottees, Cumulative number of Equity Shares and state name of public shareholder on page 97. LM is advised to verify Transfer price in table given on page 99.
 8. **Capital Structure:** LM is advised to give confirmation with compliance with Regulation 8 of SEBI ICDR Regulations, 2018, if applicable.
 9. **Objects of the Offer :**
 - i. Object 1 & 2- LM is advised to state the rationale for increase in capacity augmentation despite low capacity utilization of existing facilities.
 - ii. LM is advised to confirm whether all requisite approvals are obtained to commence operations as per the schedule. LM is advised to state the mode of investment and key financial information of past 3 years of all entities including Issuer and its concerned subsidiaries/JV such as CEF, RSSPL, CEFZE etc. in tabular form.
 - iii. Object 3- LM is advised to provide detailed rationale for capital expenditure in Plant & machinery and the plant in which the machines shall be deployed. Further, “*Some of the quotations mentioned above do not include cost of freight, insurance, entry tax, customs duty and other applicable taxes as these can be determined only at the time of placing of orders*” – LM is advised to quantify the same to the extent possible and state the specific amount.
 - iv. Object 4- LM is advised to state if the subsidiary is a loss- making entity in the first sentence of the object and state the utilization ratio of the debt already availed by the subsidiary. Further, LM is advised to clarify the status of pre-penalty amount and date of loan sanctioned/availed, brief of lender background, details in the last column pertaining to utilization of loans for intended purpose in the table. LM is advised to verify the object- “*Further, our Company or CEF may also avail additional borrowings and/ or draw down further funds under existing loans from time to time.*”
 - v. Objects for working capital: LM is advised to define exact related party -“Due from/to related party”, “Trust receipt & WCDL from banks” and clarification on impact of increase in projected trade receivable days in on the operations of the Issuer Company.
 - vi. LM is advised to redraft the sub-section and provide information in the sub-section itself along with cross-reference. - *Certain details in relation to Concord Enviro FZE, Rochem Separation Systems (India) Private Limited and Roserve Enviro Private Limited*
 - vii. LM is advised to give rationale for raising funds for GCP.

- viii. LM is advised to confirm that irrespective of the Issuer Company getting listed or not, all costs and expenses shall be shared in proportion between the Company and Selling shareholders.
- ix. LM is advised to ensure that relevant provisions of ICDR Requirements 2018 are complied with while determining Issue price.
10. **Basis for Offer Price:** LM is advised to redraft the title of Qualitative factors by providing specific details and avoid usage of adjectives.
11. **Management's Discussion and Analysis of Financial Condition and Results of Operations-** LM is advised to include detailed explanation for fluctuations in Total income, growth in revenue from operations, RoE, Profit for the year and remove repeated content sourced from commissioned report from the section.
12. It may be noted that terms such as -Total comprehensive income in lieu of Total income, Profit for the year in lieu of Net Profit/PAT, have been used in the offer document. LM is advised to kindly adhere to standard financial terminologies and may include relevance and definition of new financial terminologies, if any.
13. **Our Business:**
- i. LM is advised to remove all commissioned report references from Our Business section. It may be noted that Our Business section is meant to explain core business operations of the company in absolute nature which is expected to be sourced from the Issuer itself and not from a commissioned report. LM is advised to avoid citing marketing or relative statements from self-sponsored report & avoid terms such as "leading...Etc." **LM is advised to redraft the introductory paragraphs of this section.** LM may provide a cross- reference of the report at the end of this section, if required.
- ii. Further, LM is advised to state full form of ZLD and define the term. LM is advised to include total no. of employees along with R&D employees and explain how the product/service are supplied from manufacturing facilities to clients located both domestic & overseas.
- iii. LM is advised to move the information pertaining to names of customers given under: "We service both Indian & multinationalUnited states of America", under sub-section - Customers and remove from page 223. LM is advised to include more details of top 5/10 domestic & overseas customers in tabular form. Further, LM is advised to provide details under- Government customers.
- iv. LM is advised to provide organizational structure/diagram of the company and brief details about subsidiary/holding company, if any.
- v. Strengths: LM is advised to redraft the titles to be more specific and include facts.
- vi. LM is advised to give revenue % from customers on a turnkey basis or on rental basis of past 3 years in tabular form on page 234. LM is advised to define –membrane based

plants in the section and is advised to maintain uniformity in terminologies used in the industry.

- vii. Page 240, Manufacturing - LM is advised to define each particular given in table.
 - viii. Competition -LM is advised to include a comprehensive peer analysis and include the same in the sub-section.
14. LMs to include a categorical statement that they have gone through the Articles of Association (AoA) of the Issuer Company and confirm to SEBI that no special rights are available to the Promoters / Shareholders in the AoA, at the time of filing of the offer document.
15. LMs shall confirm to SEBI that as on the date of the offer document, the clauses / covenants of Articles of Association (AoA) of the Issuer Company are in compliance with the Companies Act and the Securities Laws, as applicable.
16. LM is advised to insert the following Risk Factor with respect to ASM and GSM in the Offer Documents – “Pursuant to listing of the shares, the Issuer company may be subject to pre-emptive surveillance measures like Additional Surveillance Measure (ASM) and Graded Surveillance Measures (GSM) by the Stock Exchanges in order to enhance market integrity and safeguard the interest of investors.”
17. Our Subsidiaries: LM is advised to include key financial information for each of the subsidiaries in the relevant section in tabulated form and may include a risk factor for similar business in same geographies being operated by the subsidiaries and for % revenue contribution.

23. Miscellaneous:

- a) It is noted that the Sections: Management Discussion and Our Business are replicating the same content. LM is advised to remove the repeated content, provide a cross- reference and ensure that relevant disclosures are made in the relevant section.
- b) LM is advised to mention **all** the queries raised by SEBI and responded and noted for compliance by LM be **positively reflected in the UDRHP/offer documents.**
- c) Pre-IPO Placement: LM is advised to ensure that the Pre- IPO activity does not breach the SEBI's ICDR Regulations at any point of time.
- d) Any risk on pricing of the issue / basis of issue price, track record of BRLMs, average cost of acquisition of shares by selling shareholders etc. which is proposed to be included in the issue advertisement may be submitted.
- e) LM is advised to ensure compliance with the advisory issued by SEBI to all Merchant Bankers and AIBI vide mail dated July 04, 2023 with respect to disclosure of information pertaining to Pre-IPO placement and secondary transactions by promoter(s) and promoter group(s) in the Public Announcement, Price Band Advertisement and intimation to stock exchanges.
- f) LM is advised to ensure that no abbreviations to be used in the abridged prospectus.

- g) LM is advised to ensure following disclosures in the Issue advertisement for announcement of Price Band and all further advertisements as a box item below the price band:

"Risks to Investors:

- i.a) The [to be disclosed] Merchant Bankers associated with the issue have handled [to be disclosed] public issues in the past three years out of which [to be disclosed] issues closed below the issue price on listing date."
- i.b) Any adverse data/ noting in the basis for issue price should be disclosed. For example:
- "The Price/Earnings ratio based on diluted EPS for [latest full financial year] for the issuer at the upper end of the Price band is as high as [to be disclosed] as compared to the average industry peer group PE ratio of [to be disclosed]."
 - "Average cost of acquisition of equity shares for the selling shareholders in IPO is [to be disclosed] and offer price at upper end of the price band is [to be disclosed]."
 - "Weighted Average Return on Net Worth for [last three full financial years] is [to be disclosed] %."

The data on above disclosures shall be updated and disclosed prominently (in the same font size as the price band) in advertisements of Price Band and all further advertisements, website of the company and the stock exchange. Further, any adverse ratio / data in basis for issue price should also be disclosed. LM shall submit the draft advertisement for announcement of Price Band with SEBI before its publication in the newspapers for our comments.

General Clarifications:

18. LM is advised to examine the applicability of SEBI (Framework for Rejection of Draft Offer Documents) Order, 2012, to the DRHP of Issuer Company and confirm whether the said general order is applicable to the instant public issue/DRHP. LM is further advised to provide a para-wise reply on the applicability of aforesaid order.
19. LM is advised to examine the applicability of proviso to Regulation 14(4) of SEBI (ICDR) Regulations, 2018.
20. LM is advised to examine the applicability of SEBI (Issuing Observations on Draft Offer Documents Pending Regulatory Actions) Order, 2020, dated Feb 05, 2020, to the DRHP of Issuer Company and confirm whether the said general order is applicable to the instant public issue/DRHP. LM is further advised to provide a para-wise reply on the applicability of aforesaid order.
21. LM is advised to submit whether there has been any instance of issuance of equity shares in the past by the issuer Company, its corporate promoter, the Group Companies or entities forming part of the Promoter Group to more than 49 investors in violation of:
- a) Section 67(3) of Companies Act, 1956; or



- b) Relevant section(s) of Companies Act, 2013, including Section 42 and the rules notified thereunder; or
- c) The SEBI Regulations; or
- d) The SEBI (Disclosure and Investor Protection) Guidelines, 2000, as applicable.