Classified as Internal

IPO NOTE · PREPARED FOR CLIENTS

SFC Environmental Technologies

Wastewater & Solid-Waste Treatment Technology Leader | IPO ₹667.53 Cr | Opens 27 Oct

RECOMMENDATION — SUBSCRIBE (LONG TERM)

Angel One Equity Research Desk
26 October 2026

01 THE OFFER

PRICE BAND	ISSUE SIZE	SUBSCRIPTION	LISTING (TENTATIVE)
₹313–330	₹667.53 Cr	27–29 Oct 2026	03 Nov 2026
Per equity share			

STRUCTURE	POST-ISSUE P/E	POST-ISSUE MCAP	QIB / NII / RETAIL
Fresh Issue + OFS	20.18x	₹3,232.57 Cr	50 / 15 / 35%
₹150 Cr Fresh · ₹517.53 Cr OFS	On FY26 EPS (post-issue)	At upper price band	Allocation split

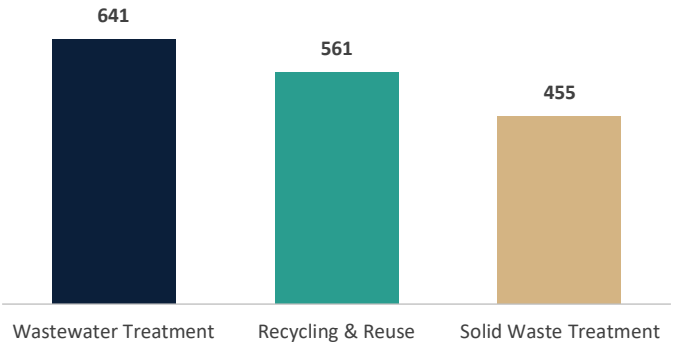
02 COMPANY SNAPSHOT

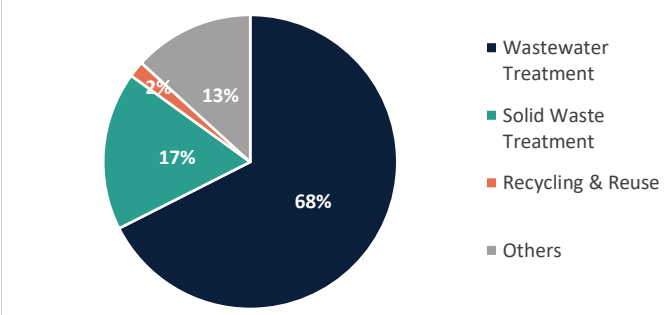
Incorporated in March 2005 and headquartered in Navi Mumbai, SFC Environmental Technologies Limited is an environmental technology company offering technology, design, engineering, manufacturing, supply, installation and commissioning solutions across wastewater treatment (WWT), wastewater recycling and reuse (WRR) and solid waste treatment (SWT). Its WWT business is built on its proprietary C-Tech sequencing batch reactor (SBR) technology — the company was the first to introduce SBR technology in India and holds over 80% of the SBR market, with 728 installations commissioned that treat 17,511 million litres of wastewater per day (as of 31 July 2026). In SWT, its proprietary OREX technology powers two integrated facilities in Goa (up to 425 TPD), while WRR is supported by an exclusive supply arrangement with DuPont for select products in India.

WWT INSTALLATIONS	TREATMENT CAPACITY	SBR MARKET SHARE	ORDER BOOK
728	17,511 MLD	>80% in India	₹1,570 Cr
Commissioned (Jul 2026)	Wastewater treated daily		(As of 30 June 2026)

REPEAT CUSTOMERS	PRESENCE	TOTAL INCOME	CONSOLIDATED PAT
91.98%	23 States	₹821.27 Cr	₹160.21 Cr
Of FY26 revenue	(+ 5 Union Territories)	FY26	FY26

03 BUSINESS MIX & MARKET LEADERSHIP





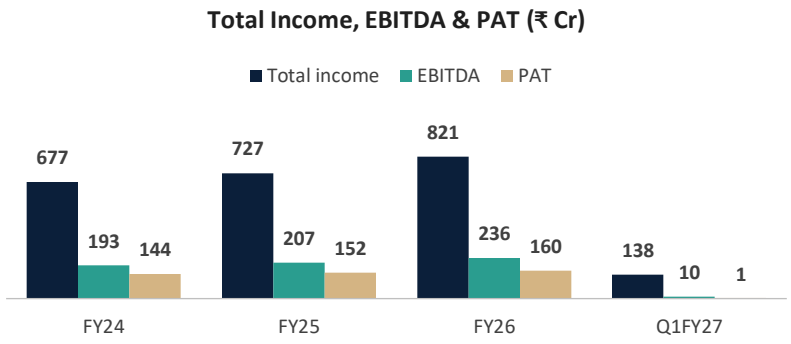
Where the revenue comes from

SFC earns revenue by supplying technology packages, equipment, automation systems and engineering services for sewage and industrial effluent treatment plants, and by designing, building and operating solid waste facilities. In FY26, revenue from operations of ₹803.63 Cr was led by wastewater treatment (₹542.76 Cr, ~68%) and solid waste treatment (₹140.16 Cr, ~17%), with the new recycling and reuse segment contributing ₹14.21 Cr after its first order in July 2025. The customer base is sticky — 91.98% of FY26 revenue came from repeat customers, largely EPC contractors, municipal bodies and government-owned entities across 23 states and five Union Territories — and the ₹1,656.64 Cr order book (31 August 2026) is now far more diversified, with WRR (₹561 Cr) and SWT (₹454.5 Cr) together exceeding WWT (₹641 Cr).

Objects of the issue

Sr No	PARTICULARS	AMOUNT (₹ CR)
1	Prepayment or repayment of all or a portion of certain outstanding borrowings availed by the Company and its wholly owned Subsidiary, Vasudha Waste Treatment Private Limited	42.23
2	Funding working capital requirements of the Company (FY27)	74.92
3	General corporate purposes.	Balance

04 FINANCIAL PERFORMANCE



What happened

- Total income increased from ₹676.74 Cr in FY24 to ₹821.27 Cr in FY26, a CAGR of approximately 10.2%, with revenue from operations at ₹803.63 Cr in FY26.
- EBITDA grew from ₹193.25 Cr in FY24 to ₹235.81 Cr in FY26 (CAGR ~10.5%), with margins consistently at 29–30% of revenue from operations (29.34% in FY26) — well above listed peers.
- Profit After Tax (PAT) rose from ₹144.17 Cr in FY24 to ₹160.21 Cr in FY26 (CAGR ~5.4%), with a PAT margin of 19.94%, RoNW of 21.25% and debt/equity of just 0.24x.
- Q1 FY27 was seasonally weak, with total income of ₹137.90 Cr, EBITDA of ₹9.86 Cr (7.36% margin) and PAT of ₹1.48 Cr. Management indicates that over 60% of business has historically come in the second half of the year, so quarterly numbers should not be annualised; the ₹1,570 Cr order book (~2x FY26 revenue) underpins full-year execution.

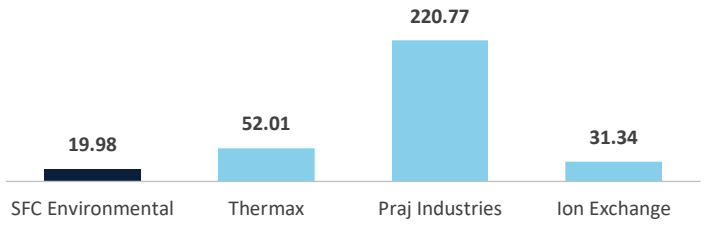
TOTAL INCOME (Q1FY27)
₹137.90 Cr
Quarter ended 30 Jun 2026

EBITDA (Q1 FY27)
₹9.86 Cr
Margin 7.36%

PAT (Q1 FY27)
₹1.48 Cr
Margin 1.11%

₹ Cr	FY24	FY25	FY26	Q1FY27
Total income	**676.7**	**727.0**	**821.3**	**137.9**
EBITDA	**193.3**	**207.5**	**235.8**	**9.9**
PAT	**144.2**	**152.0**	**160.2**	**1.5**

05 VALUATION (LISTED PEERS)



Why the valuation looks attractive

At the upper price band of ₹330, SFC is valued at a post-issue market cap of ₹3,232.57 Cr, or 19.98x FY26 diluted EPS (20.18x on post-issue shares) and 3.83x book value — a steep discount to listed peers Thermax (52.01x), Ion Exchange (31.34x) and Praj Industries (220.77x), whose average is ~101x.
Quarterly earnings are not a useful lens given the business's H2-heavy seasonality — Q1 FY27 PAT of ₹1.48 Cr would imply an annualised multiple above 500x. On full-year numbers, however, SFC combines the highest RoNW in the peer set (21.25%) with EBITDA margins of ~29%, against ~10% for Thermax and ~7% for Ion Exchange, and is nearly debt-free on a net basis (net debt/equity of 0.05x). ₹42.23 Cr of the fresh issue will go towards prepaying debt.

Metric (FY26)	SFC Environmental	Thermax Ltd.	Praj Industries Ltd.	Ion Exchange (India) Ltd.
EPS – Basic (₹)	**16.52**	**63.95**	**1.30**	**12.03**
EPS – Diluted (₹)	**16.52**	**63.94**	**1.30**	**12.03**
NAV (₹ per share)	**86.09**	**492.55**	**71.22**	**91.30**
RoNW (%)	**21.25%**	**13.74%**	**1.77%**	**11.20%**
P/BV (x)	**3.83x**	**6.76x**	**4.04x**	**4.14x**
P/E – FY26 (x)	**19.98x**	**52.01x**	**220.77x**	**31.34x**
EBITDA Margin – FY26 (%)	**29.34%**	**~9.6%**	**NA**	**~7.2%**

06 SECTOR OUTLOOK & KEY RISK

Structural tailwinds intact

India's water and wastewater treatment market is estimated at ₹29,200 Cr in FY26 and projected to reach ₹45,500 Cr by FY31 (~9.3% CAGR), driven by rapid urbanisation, rising sewage generation, stricter discharge norms and government programmes such as Namami Gange, AMRUT 2.0 and Swachh Bharat Mission (Urban) 2.0. Water scarcity is pushing treated-wastewater reuse for industry and cities, while municipal solid waste management and compressed biogas (CBG) under the SATAT scheme are opening up new, larger opportunities. As the dominant SBR technology provider with a proprietary solid-waste platform, SFC is well placed to benefit across all three themes.

Meaningful growth headroom

The order book has expanded to ₹1,656.64 Cr as of 31 August 2026 (₹1,570.07 Cr at June 2026, ~2x FY26 revenue), led by new WRR orders of ₹561 Cr under the DuPont partnership and CBG plant orders of ₹501.70 Cr won by subsidiary HWTPL from a government-owned oil company in Assam and Odisha. Execution of these orders, operating income from its Goa solid waste plants and ₹74.92 Cr of IPO proceeds earmarked for working capital provide a clear runway for growth over FY27–FY28.

⚠ KEY RISK

- **Seasonal and lumpy earnings:** Q1 FY27 PAT was only ₹1.48 Cr (1.11% margin) as 60%+ of business typically comes in H2; delays in municipal or government-linked projects could materially affect full-year profits.
- **Slowing profit growth:** PAT grew at just ~5.4% CAGR over FY24–26 and core WWT revenue was broadly flat (₹524.44 Cr in FY24 vs ₹542.76 Cr in FY26), while borrowings rose to ₹204.77 Cr by June 2026 from ₹83.71 Cr in FY25. Growth increasingly depends on the newer WRR and CBG segments, which have a limited track record.
- **Large OFS component:** ₹517.53 Cr (~78%) of the ₹667.53 Cr issue goes to selling shareholders, including promoters, not to the company; promoter holding falls from 48.18% to 41.18% post-issue.

07 OFFER STRUCTURE

Price Band

₹313 **₹330**

Post-issue market cap at the upper band: ₹3,232.57 Cr, across 2.02 Cr shares under offer.

Investor Category Allocation



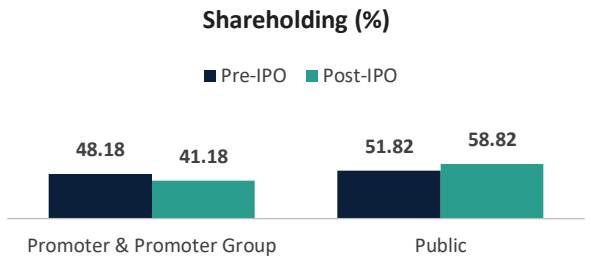
QIB 1.01 Cr · NII 0.30 Cr · Retail 0.71 Cr shares

Timeline

27 Oct → 29 Oct → 03 Nov

Subscription opens · Subscription closes · Tentative listing

Shareholding Pattern



08 OUR CALL

SUBSCRIBE (LONG TERM)

SFC Environmental Technologies is India's leading SBR wastewater technology provider, with over 80% market share, 728 installations and a proprietary, vertically integrated technology platform that now extends into solid waste treatment, compressed biogas and water reuse. The business is consistently profitable, with FY26 PAT of ₹160.21 Cr, EBITDA margins of ~29%, RoNW of 21.25% and minimal net debt, while 91.98% of revenue comes from repeat customers.

An order book of ₹1,656.64 Cr — now diversified across WWT, WRR and SWT/CBG — provides strong revenue visibility. At 19.98x FY26 diluted EPS and 3.83x book value, the issue is priced at a sharp discount to listed peers despite superior margins and return ratios. Muted PAT growth, a seasonally weak Q1 and a large OFS are key watch-points, so we recommend investors SUBSCRIBE with a long-term view.

Price band	**₹313-330**
Issue size	**₹667.53 Cr**
Structure	**Fresh Issue + OFS**
Post-issue P/E	**20.18x**
Listing	**03 Nov 2026**

09 DISCLOSURES — RESEARCH TEAM & CERTIFICATION

SEBI (Research Analyst) Regulations, 2014 — Registration No. INH000000164

Aamar Deo Singh	Head Research	**Hitesh Rathi**	Analyst — Tech. & Derivatives
Osho Krishan	Sr. Analyst — Tech. & Derivatives	**Bhuvan Shah**	Analyst — Tech. & Derivatives
Sneha Seth	Sr. Analyst — Tech. & Derivatives	**Vaqarjaved Khan, CFA**	Sr. Analyst — Fundamental
Sugreem Vishwakarma	Sr. Analyst — Tech. & Derivatives	**Shruti Panday**	Analyst — Fundamental
Abhishek Chauhan	Sr. Analyst — Tech. & Derivatives	**Sugesh Kollara**	Analyst — Fundamental

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Certification & contact

We, Vaqarjaved Khan, CFA, Shruti Panday and Sugesh Kollara the analysts and named authors of this report, certify that all views expressed accurately reflect our views about the subject issuer(s)/securities; that no part of our compensation was, is, or will be linked to the specific recommendations or views in this report; and that none of the above analysts have received compensation from the companies mentioned in this report in the preceding twelve months, nor serve as an officer, director or employee of those companies.

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