

The Issue

Type of Issue	Issue size Rs. Mn
Fresh Issue	2,205
Offer for sale	-
Total	2,205
Post issue mkt cap*	7,850
Lot size	50 shares

***At Upper Price Band**
Issue Break-Up

Reservation for	% of Issue
QIB	50%
NII	35%
Retail	15%
Total	100%

Indicative Offer Timeline

Indicative Offer Timeline	Indicative Date
Bid/Offer Opening Date	22 Jan, 2025
Bid/Offer Closing Date	24 Jan, 2025
Finalization of the Basis of Allotment	27 Jan, 2025
Credit of shares	28 Jan, 2025
Listing Date	29 Jan, 2025

Use of Proceeds

Use of Proceeds	Rs. Mn
Working capital requirement	1,500
General Corporate Purpose	

BRLM & Registrar

Manager	SMC Capitals
Registrar	Integrated Registry Management Services

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Company Overview:

- Incorporated in 2016, Denta Water and Infra Solutions Ltd is engaged in the field of engineering, procurement, and construction (“EPC”) services pertaining to ground water recharging, lift irrigation, infrastructure for supplying drinking water to various habitations under “Jal Jeevan Mission”.
- The scope of its services typically includes design, engineering and installation of the projects, procurement of raw materials, on-site execution with overall project management up until the commissioning of projects. Post commissioning, it also provides operations and maintenance services for the projects for a period of time (typically, ranging from three to five years).
- The company is awarded contracts through transparent competitive bidding process undertaken by the state and central governments. Further, it also undertake contracts as sub-contractors from various private parties.
- As on November 30, 2024, the company have completed 32 water management infrastructure development projects and have 17 ongoing projects aggregating contract value of Rs 11,004.36mn. Of these, Rs 7,524.51mn remains outstanding (order book). Its water management projects are concentrated in the state of Karnataka.
- The infrastructure for water management project includes designing of project, construction and installation of jackwells including pump houses, laying of pipeline, electro-mechanic works, installation of pumps and installation of drinking water treatment plant.
- It operates on an asset-light business model while purchasing equipment which are critical to construction activities of the projects undertaken. The company assign a part of the work to the sub-contractor.

Valuation and Outlook: At an upper price band of Rs 294, Denta Water and Infra Solutions is valued at an annualized FY25 PE of 16.2x vs listed peer’s average valuation of 30-35x for FY25. Over FY22-24, the company recorded Rev/EBITDA/PAT CAGR of 41.3%/23.6%/24.8%. In India, Water and Wastewater Treatment market is expected to grow at a CAGR of 6.2% by 2033 led by CAGR of 6.24% in southern India. The company derives over 87% of its revenue from water management while rest are derived from irrigation, Roads and Miscellaneous segment. Its asset light model for purchase of equipment helps it sustain healthy asset turnover and maintain decent profitability. Company attracts a healthy EBITDA margin of 33-43% which is one of the highest in the industry. As is the case with EPC companies, second half of financial year are strong for these companies. We thereby assign “**Subscribe**” rating to the IPO.

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Denta Water Infra and Solutions Ltd.

Shareholding Pattern	Holding (%)	
	Pre Issue	Post Issue*
Promoters & Promoter Group	100.0	71.9
Others/Public	0.0	28.1
Total	100.0	100.0

* At upper price band

Issue Structure (Rs. Mn)	Floor	Cap
Net Offer	2,093	2,205
QIB Portion (50% of Offer)	1,046	1,103
Non Institutional portion (15% of Offer)	314	331
Retail portion (35% of Offer)	732	772

Key Financial Summary (Rs. Mn)	FY22	FY23	FY24	CAGR (FY22-24)	H1FY25
Revenue	1,196	1,743	2,386	41.3%	978
EBITDA	518	670	791	23.6%	328
<i>EBITDA margin (%)</i>	<i>43.3%</i>	<i>38.4%</i>	<i>33.2%</i>	-	<i>33.5%</i>
Adj. PAT	383	501	597	24.8%	242
<i>Adj. PAT margin (%)</i>	<i>32.1%</i>	<i>28.7%</i>	<i>25.0%</i>	-	<i>24.7%</i>
EPS (Adj for issue)	14.4	18.8	22.4	24.8%	9.1

Denta Water Infra and Solutions Ltd.

Financials vs Peers

Particulars	Market Cap (Rs Mn)	FY22-24			FY24				FY25*
		Revenue CAGR	EBITDA CAGR	PAT CAGR	Revenue (Rs Mn)	ROE	ROCE	EV/EBITDA (x)	PE (x)
Denta Water and Infra Solutions Limited	7,850	41.3%	75.3%	75.2%	2,386	36.4%	36.1%	9.8	13.1
Listed Peers									
VA Tech Wabag Lintied	94,741	-2.1%	25.1%	36.3%	28,564	14.0%	17.0%	11.6	33.7
EMS Limited	47,229	48.4%	34.4%	37.7%	7,933	19.1%	23.9%	13.4	24.2
Average								12.5	29.0

*Annualized

Key Risks:

- **High dependence on govt. projects:** Contribution to revenue from government projects has increased from 23.8% in FY22 to 63.4% in FY24. This increasing dependence, particularly on Government of Karnataka could affect revenues from operations if there are any changes in policies, budgetary allocation, change in the government or unfavorable terms and conditions.
- **KMP attrition:** The company is witnessing high Key Managerial Person attrition. Two CFOs and one director resigned in last one year. Failure to retain KMP including directors could result in decreasing efficiency. Furthermore, the company might be required to increase compensation to the employees thereby straining the financials.
- **Joint ventures:** The company is required to enter joint ventures to bid for some of the projects (especially larger size). Failure on the part of partner might lead to cost escalation, and assuming of complete responsibility of the project.
- **Revenue from Top 1 customer:** In FY24, the company derived 32.0% of its revenue from the top customer. Failure to retain the customers and/or execute orders in favorable conditions could result in financial losses.
- **Termination/Cancellation of order could affect revenue:** Revenue has improved sharply at 41.3% CAGR from Rs 1,196mn in FY22 to Rs 2,386mn in FY24. Revenue growth has been backed by solid order book of Rs 7.7bn. As per company, any cancellation, termination, or suspension at the discretion of the client at any stage of the contract could impact its revenues.
- **Any delay in completion could lead to invoking of Bank guarantees:** The company's projects are subject to specific completion schedule requirements. The company also provides bank guarantees to its clients which may be invoked if the company is unable to complete projects within a specified time frame and such guarantees may be extended owing to any change in such timelines.
- **Dependency on water/irrigation with high competition:** The company derived more than 90% of its FY24 sales from water management projects. Also, all its projects are won by winning tender based bids which is highly competitive in nature.

Strengths:

- ⇒ **In-house expertise in designing and engineering of water management infrastructure projects:** The company's in-house design and engineering team has necessary skills and expertise in designing capabilities for geographical complexities and critical aspects of the projects such as identification of potential ground water recharging sites, hydraulic flow calculations, drainage laying design, process flow diagram, hydraulic flow diagram, and water balance. This diverse capability enables them to offer tailor-made solutions of each and every client. It also enables them to correctly bid with project specifications and deliver projects in accordance with the requirements of clients.
- ⇒ **Strong order book:** As on November 30, 2024, 17 projects are ongoing, and the order book value stands at Rs 7,524.51mn. The unexecuted orders offer revenue visibility of over 2 years. In general, the average execution period for Ground Water Recharge (GWR) projects varies from 24-36months. The company is currently focusing on the state of Karnataka and accordingly all its projects are concentrated in Karnataka. The company's proven execution capabilities in executing GWR projects is expected to lead to new order wins and growth.
- ⇒ **Asset-light business model:** The company has adopted an asset-light business model while purchasing equipment which are critical to construction activities of the projects undertaken by the company. The focus is on development management and joint development agreements or joint ventures, which requires lower upfront capital expenditure compared to direct approach. Its asset light business model allows them to keep capital requirement low and in turn help them by reducing maintenance costs of equipment. It typically assigns a part of the work to the sub-contractors who provide them with manpower along with the equipment support.
- ⇒ **Execution capabilities:** Timely completion of the secured projects is essential for the company operating in EPC industry. This mitigates the risk of cost escalation (eg liquidated damages etc) and improves credibility and technical competency which further increases the probability of qualifying for future bids. The company's in-house design and engineering team, skilled manpower and track record of past completed projects add to its strength.

Denta Water Infra and Solutions Ltd.

Strategies:

- ⇒ **Leverage core competencies in execution of water management projects:** The company continues to maintain and strengthen its position in implementation of GWR Projects. It will continue to focus on construction of existing projects while seeking opportunities to expand its portfolio of GWR Projects. As on October 31, 2023, it has completed 16 GWR projects and presently executing 19 ongoing GWR projects. The company intends to draw on the experience, market position and ability to execute and manage multiple projects across various geographies, to further grow its portfolio of water management projects. Projects over the years have grown in size and complexity, and the company intends to concentrate its efforts on contracts of higher values and increased complexity. Additionally, to support its expansion goals, it plans to make investments in advanced technologies.
- ⇒ **Expanding geographical areas of operations:** The company aims to increase geographical diversification of its projects and reduce reliance on particular state, and this will allow them to capitalise on opportunities in water management field, especially in GWR projects. The company is confident that its strategy of concentrating on growing both its current markets and entering new ones with significant growth potential will allow them to target growth opportunities, broaden their revenue base, and lower the risk of unstable market conditions and price fluctuations brought on by the concentration of resources in a specific geographic area. It intends to expand into other geographies such as Gujarat, Madhya Pradesh, Maharashtra and Uttar Pradesh to unearth additional opportunities beyond the confines of Karnataka.
- ⇒ **Pursue other segments within infrastructure development space:** The infrastructure development will be a major driver for growth of the Indian industry in near term due to increasing levels of focus by the Government and increased investment in infrastructure in India. While the company continues to focus on water management projects as part of its growth strategy, its intends to diversify into and will continue to bid for projects related to the railways and highways. As on June 30, 2023, the company has executed various projects in the State of Karnataka. It currently has projects worth Rs. 75.40mn, which includes railways and highways. Currently, the Company is in the process of executing 3 projects in road construction segment on direct/ sub-contract basis for improvement to existing road and construction of new CC road.
- ⇒ **Expansion into other geographies for reuse of discharge water:** Water reuse and recycling has become increasingly important strategies in India due to the growing water scarcity and pollution challenges faced by the country. Several initiatives and practices have been implemented to address these issues and promote sustainable water management. Industries are encouraged to implement water recycling and reuse practices to minimize their impact on freshwater sources. Many industries, such as textile, paper, and chemical, have adopted technologies to treat and reuse their wastewater for production processes. Many cities in India have established wastewater treatment plants to treat and recycle domestic and industrial wastewater. These plants use various treatment processes to remove pollutants and pathogens from wastewater before releasing it into water bodies or reusing it for non-potable purposes such as irrigation and industrial processes.

Denta Water Infra and Solutions Ltd.
Order Book Characteristics

Order Book (Rs. In Mn.)	FY22		FY23		FY24		H1FY25	
	Order Received	Amount Realized	Order Received	Amount Realized	Order Received	Amount Realized	Order Received	Amount Realized
Water Management	2,005	884	7,965	1,421	40	1,929	2,078	339
Railways	0	0	0	0	190	2	96	13
Road	0	0	123	24	0	36	0	257
Irrigation	53	42	0	12	0	0	0	0
Total	2,058	927	8,088	1,456	229	1,967	2,174	609

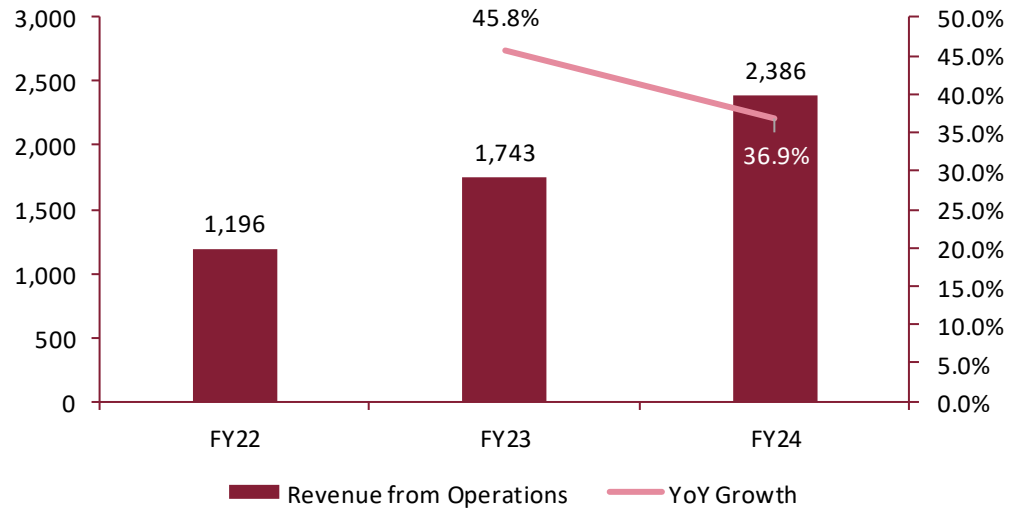
Contract Value of Order Book as on 30th November, 2024

Project Segment	No. of Projects (#)	Contract Value* (Rs. in Mn.)
Road	1	59
Water Management	11	10,668
Railways	5	278
Total	17	11,004

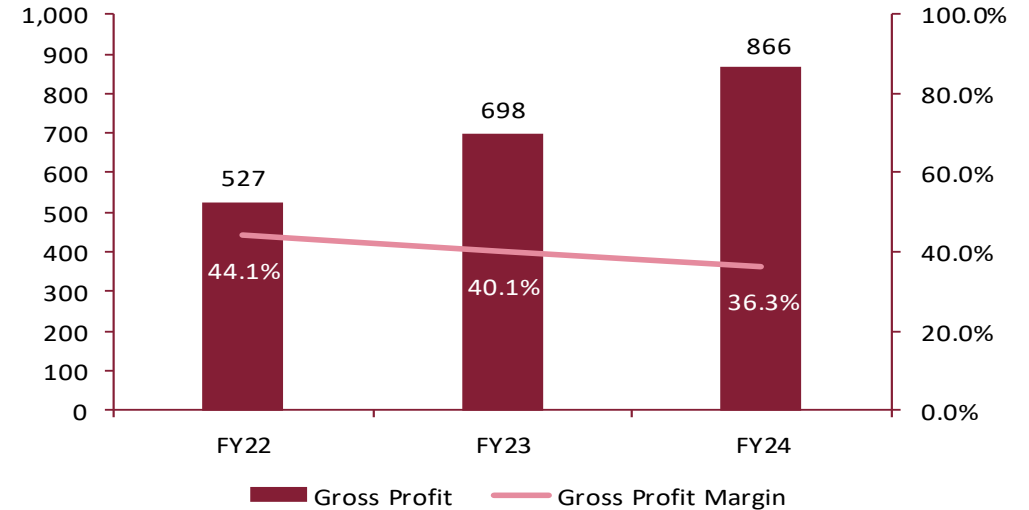
*Excluding Taxes

Denta Water Infra and Solutions Ltd.

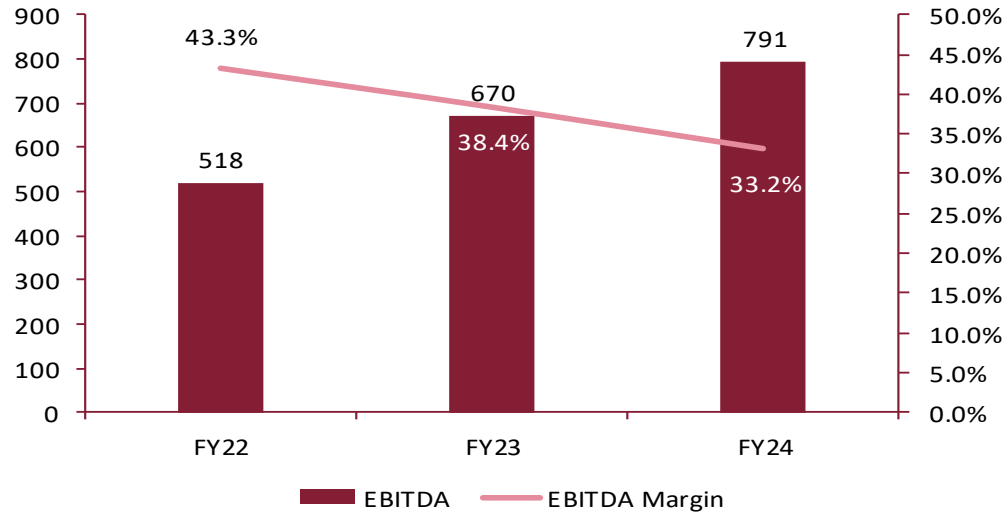
Revenue from Operations (Rs. Mn)



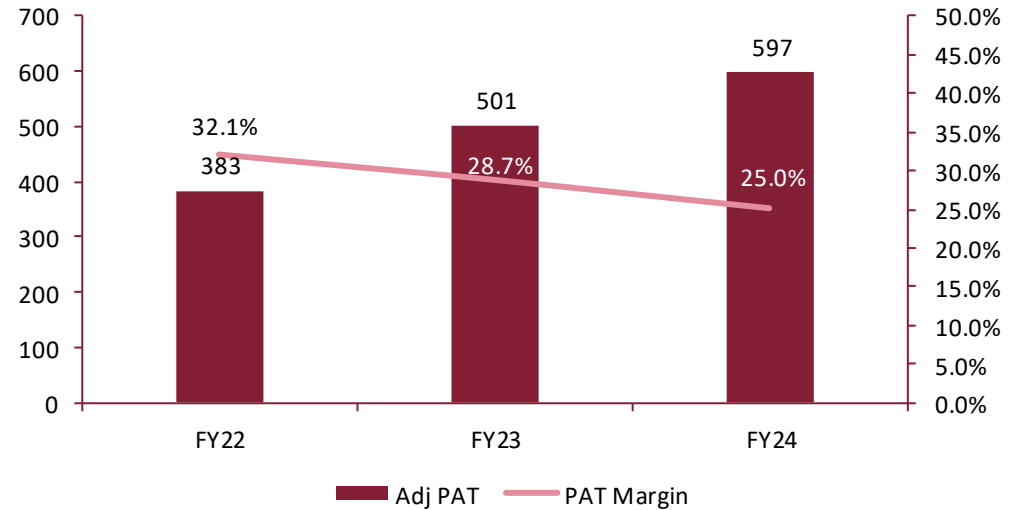
Gross Profit (Rs. Mn) & Gross Profit Margin (%)



EBITDA (Rs. Mn) & EBITDA Margin (%)

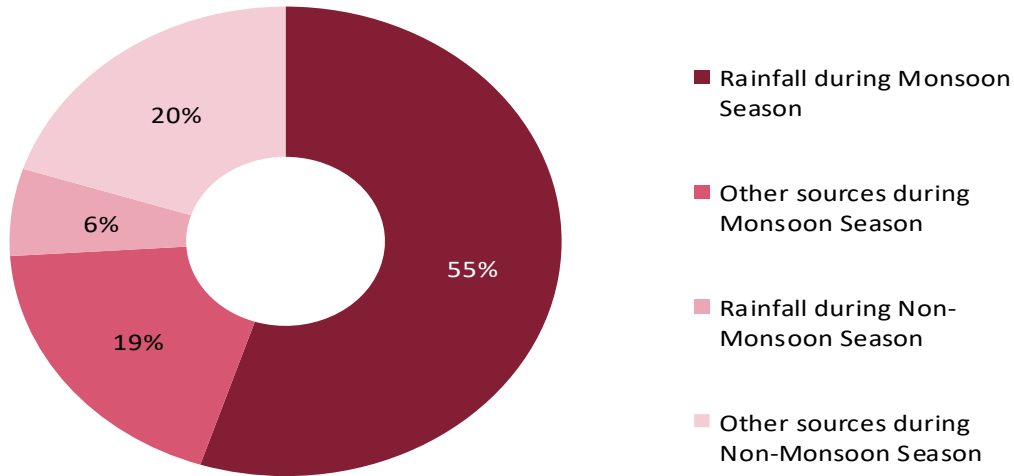


Adj. Profit after Tax (Rs. Mn) & Net Profit Margin (%)

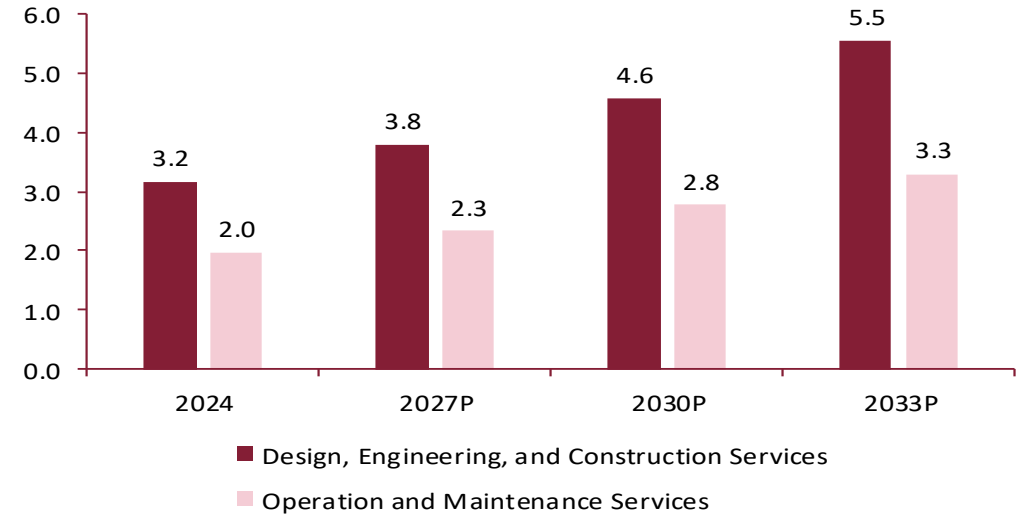


Industry Overview

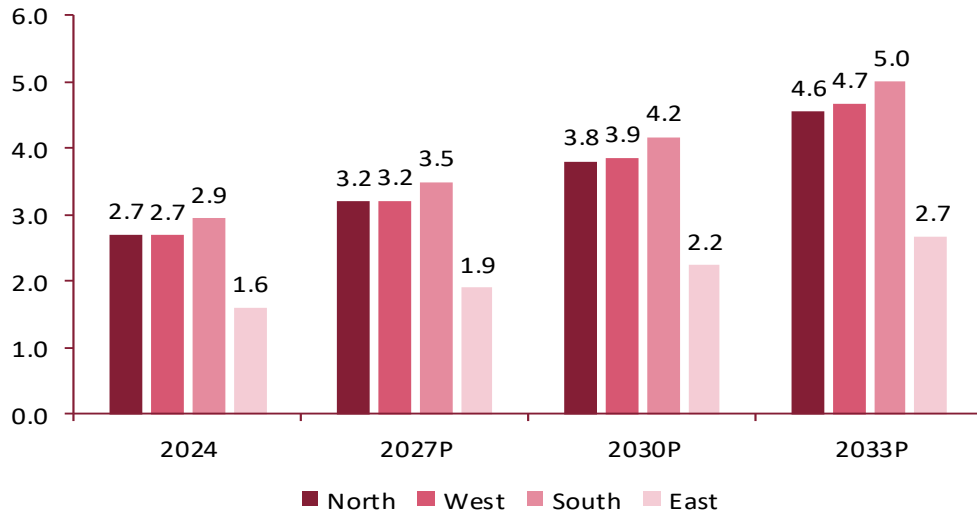
Sources of Groundwater Recharge in India



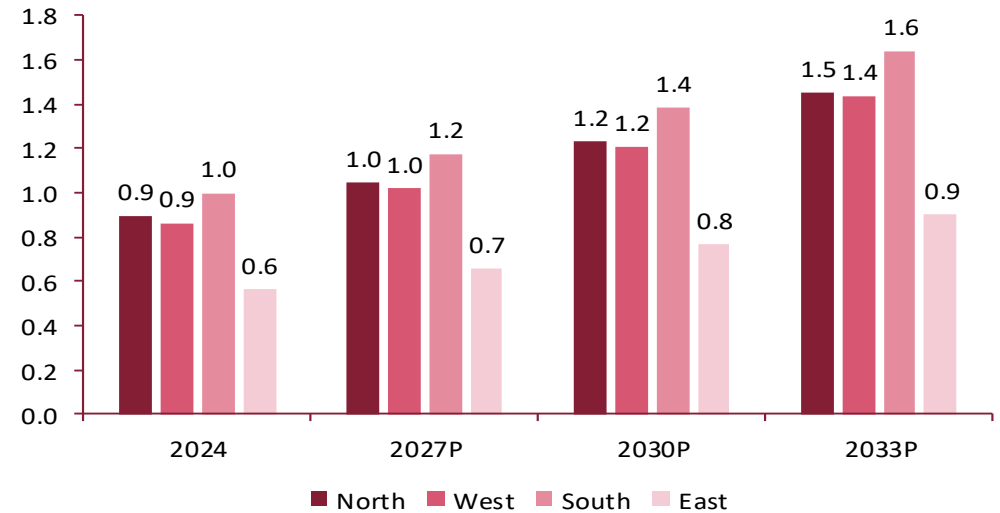
India Water And Wastewater Treatment Market (\$ in Bn.)



India Water & Wastewater Treatment For Municipal (\$ in Bn.)



India Water & Wastewater Treatment For Local Communities (\$ in Bn.)



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