

IPO Details :

IPO Date	January 22, 2025 to January 24, 2025
Face Value	₹10 per share
Price Band	₹279 to ₹294 per share
Lot Size	50 Shares
Total Issue Size	75,00,000 shares (aggregating up to ₹220.50 Cr)
Fresh Issue	75,00,000 shares (aggregating up to ₹ 220.50 Cr)
Issue Type	Book Built Issue IPO
Listing At	BSE, NSE
Share holding pre issue	1,92,00,000 shares
Share holding post issue	2,67,00,000 shares
Investor Category	Shares Offered
QIB Shares Offered	Not less than 50% of the Net Issue
Retail Shares Offered	Not less than 35% of the Offer
NII (HNI) Shares Offered	Not more than 15% of the Net Issue
Retail (Min & Max) shares	50 shares & 650 shares
Retail (Min & Max) application amount	₹14,700 & ₹1,91,100
S-HNI (Min shares & application amount)	700 Shares & ₹2,05,800
S-HNI (Max shares & application amount)	3,400 Shares & ₹9,99,600
B-HNI (Min shares & application amount)	3,450 Shares & ₹10,14,300
Basis of Allotment	Monday, January 27, 2025
Initiation of Refunds	Tuesday, January 28, 2025
Credit of Shares to Demat	Tuesday, January 28, 2025
Listing Date	Wednesday, January 29, 2025
Cut-off time for UPI mandate confirmation	5 PM on January 24, 2025
Promoters	Mr. Sowbhagyamma, Sujith TR, C Mruthyunjaya Swamy and Hema HM.
Registrar	Integrated Registry Management Services Private Limited

Company Profile :

Incorporated in 2016, Denta Water and Infra Solutions is a well-established player in the water engineering, procurement, and construction (EPC) services sector, boasting a strong record in infrastructure project installations. Their accomplishments include projects like the Byrapura and Hiremagaluru LIS Project, Karagada LIS Project, and others, primarily carried out using lift irrigation systems. The company specializes in designing, installing, and commissioning water management infrastructure projects, particularly on groundwater recharging initiatives. Major projects that the company has successfully completed include Byrapura, Hiremagaluru LIS, and KC Valley. This will help manage Bengaluru's wastewater and further the Government's Jal Jeevan Mission. It has significant involvement in the "Jal Jeevan Mission" of the Government of India reflects its commitment to critical water management initiatives, under which it was awarded three projects i.e. "Kerehalli Drinking Water Project" and "Chikkabenakal Drinking Water Project" and Rehabilitation of MVS to Doddakowlande and other 55 Villages of Nanjangud Taluk which are located in the State of Karnataka. The company has 98 acres of land in Madikeri, Karnataka, where it grows coffee, pepper, and cardamom. As of 30 Nov. 2024, the company has implemented 32 water management projects 11 as prime contractor, 1 joint venture, and 20 as sub-contractor. In addition to that, the company undertakes railway and highway construction projects. The company reported revenue of ₹241.84 crores in 2024 against ₹175.75 crores in 2023. The company reported a profit of ₹59.73 crores in 2024 against a profit of ₹50.11 crores in 2023 respectively.

Object of the issue :

- To meet working capital requirements of the company- ₹150 cr
- General corporate purposes

Financial Details:

Particulars (Amount in Crores)	30 Sep 2024	31 March 2024	31 March 2023	31 March 2022
Income				
Revenue from Operations (Net)	97.78	238.60	174.32	119.57
Other Income	0.73	3.23	1.42	0.06
Total Income	98.51	241.83	175.74	119.63
Expenses				
Cost of Raw Materials Consumed	60.31	151.98	104.50	66.88
Employee Benefits Expense	2.65	3.62	1.13	0.10
Finance Costs	0.11	0.51	0.09	0.00
Depreciation and Amortization Expenses	0.26	0.49	0.37	0.09
Other Expenses	2.06	3.86	1.74	0.78
Total Expenses	65.38	160.45	107.83	67.85
Profit / (Loss) Before Tax	33.13	81.38	67.92	51.79
Tax Expense	8.93	21.66	17.81	13.45
Profit / (Loss) After Tax	24.20	59.73	50.11	38.34
Basic EPS (in Rs.)	₹ 12.60	₹ 31.11	₹ 26.10	₹ 19.97

Competitive Strengths :

- Established expertise in water management projects:** Since incorporation, the company has successfully completed 32 projects for the Government of Karnataka (GoK). The company has established its credentials as a water management solution provider, particularly in groundwater recharge projects (GWR projects) and lift irrigation projects. The company has successfully completed projects involving the filling up of numerous tanks and check dams, showing its efficiency in managing water resources.
- In-house expertise of designing and engineering of projects:** The company has an in-house team that specializes in designing and engineering and focuses on design capabilities for geographical complexities and critical aspects of projects. Its engineering expertise and core capability in designing and implementing projects enable the company to deliver projects as per the employer's requirements. The company has diverse capabilities that enable it to offer tailor-made solutions to clients.
- Denta Water & Infra Solutions secures strong order book:** As of November 2024, the company has a strong order book of projects including direct contracts and sub-contracts worth ₹1,100.43 cr, out of which, ₹1,066.75 cr is about water management projects. The company has completed ₹347.98 cr worth of projects out of the total order book and it generally takes an average of 24-36 months to complete the GWR projects.
- Efficient business model:** The company has set up an efficient business model. It follows the asset-light model in which it focuses on development management and joint development agreements or joint ventures which require low upfront capital expenditure compared to the direct approach. The company believes its asset-light model could result in generating a return on capital employed with a regular inflow of income and lower debt.

Key Risk Factors :

- ❑ **Company's promoter faces legal scrutiny:** In the past, one of the company's promoters C Mruthyunjaya Swamy, has worked as a Secretary in the Public Works Department (GoK), although he is currently retired from the services. The Lokayukta Police, Bangalore has initiated the inquiry against him. Any further development in legal proceedings could affect the company's business, operations, and cash flow.
- ❑ **Allegations of corrupt practices against Mruthyunjaya Swamy:** Some persons have filed complaints with SEBI and other authorities against the same promoter named C Mruthyunjaya Swamy, with allegations including corrupt practices, misusing of authority, influencing the officer in rewarding the projects, and others. Any further development in complaints filed with SEBI and other authorities could affect the business, operations, and cash flow of the company.
- ❑ **Company's revenue heavily reliant on government contracts :** The company's top line is highly dependent on the contracts which are awarded by the GoK. In the six month period ended September 2024, the company reported ~84% of the total revenue coming from the Karnataka government. Any delay or not awarded the contracts from the government could affect the company's revenue, operations and financial condition.
- ❑ **Joint agreements expose company to risks:** The company has entered into joint agreements to construct many projects. These agreements expose the risk and liabilities of partners' failure, underperformance, and premature termination could affect the company's business, operations, and financial condition.

Comparison with Listed Peers :

Name of the Companies	Market Price	Face Value (per Equity Share)	P/E Ratio	EPS (Basic)	EPS (Diluted)	RoNW (%)	NAV (per Equity Share)
Denta Water & Infra Solutions Limited	NA	10.00	NA	31.11	31.11	36.36%	85.55
Peers Group :							
VA Tech Wabag	1489.7	2.00	36.08	39.49	39.49	13.77%	292.43
EMS Limited	840.0	10.00	27.58	29.38	29.38	19.13%	143.73

SUMMARY :

The consolidated revenue grew with a CAGR of over 41% from ₹119.57 cr to ₹238.6 cr between FY 2022- 24 led by GWR projects in water management and FY 2024, the company's top line significantly rose by 36.87%. The operating profit grew by 18.19% to ₹79.14 cr in the last fiscal year compared with the same period a year ago. The operating margin tumbled by 524 bps in the same period which was 33.17% / 38.41% in FY24/FY23. The net profit of the company surged by 19.18% to ₹59.73 cr but the net profit margin declined by 372 bps in the last fiscal year vs. a year ago. As of Sep 2024, the company has unbilled revenue ₹44.93 cr, which means the projects were completed but the invoice was not raised.

The company reported last three fiscal average EPS and RoNW are ₹27.58 and 45.90, respectively. The issue is priced at a P/BV of 5.01x based on its NAV of ₹85.55 as of March 31, 2024. The company has utilized the capital of the shareholders and generated a 36.36% return (ROE) in the last fiscal. With this, the company has generated a 77% return on capital deployed in the business. The pre-IPO PE ratio is 9.45, based on FY24 earnings, which is lower than its peers.

Therefore, it is recommended to **"Subscribe"** to the IPO for long-term investment, and considering its valuation and growth potential.

DISCLAIMER

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