

# Denta Water & Infra Solutions Ltd.

## Subscribe

Nifty: 23,025 | Sensex: 75,838

IPO Note | 21<sup>st</sup> January 2025

Sector: Capital Goods

Price Range: ₹279 - ₹294

## An expert in ground water recharge solutions

Denta Water and Infra Solutions Ltd. (DWISL) specializes in the design, installation, and commissioning of water management projects, with a primary focus on groundwater recharge solutions. Established in 2016 and based in Bangalore, Karnataka, DWISL also undertakes construction projects within the railway and highway sectors, leveraging its expertise to deliver high-quality infrastructure solutions.

- ◆ The Indian water and wastewater treatment market is expected to grow at a CAGR of 6.20% in terms of value to reach USD 24 billion in 2033 from USD 13 billion in 2023. (Source: Marketysers Global Report, RHP)
- ◆ Denta's revenue increased from ₹119.6cr in FY22 to ₹238.6cr in FY24, achieving a CAGR of 41.3%, primarily driven by an increase in revenue from ongoing projects as well as the completion of pending orders during the year.
- ◆ The company's EBITDA grew from ₹51.8cr in FY22 to ₹79.1cr in FY24 with a CAGR of 23.6%. PAT increased to ₹59.7cr, reflecting a CAGR of 24.8% over the same period.
- ◆ The company primarily relies on government contracts, with 63.4% of its revenue in 2024 coming from the Government of Karnataka.
- ◆ As of late 2024, Denta Water has an order book worth ₹784.2cr. The order book to sales ratio for FY24 is 3.2x, ensuring healthy revenue visibility over the medium term.
- ◆ Denta's ROE stood at 36.3% and EBITDA margin is 33% in FY24, which is superior compared to its peers. The debt-to-equity ratio is 0.01x in FY24, reflecting strong financial stability.
- ◆ DWISL operates on an asset-light business model by outsourcing equipment requirements, focusing on joint development agreements or joint ventures that require lower upfront capital expenditure, and assigning part of the work to subcontractors.
- ◆ At the upper price band of ₹294, Denta is available at a P/E of 16.2 (FY25 Annualised), which is at a discount compared to its listed peers. The company's focus on water management projects and growing market opportunities present significant prospects for the company's future growth. With a robust order pipeline and consistent financial performance featuring industry-leading margins, the company is set for future success. We recommend subscribing to this issue for short- to medium-term investment.

Issue Details	
Date of opening	January 22, 2025
Date of closing	January 24, 2025
Total No. of shares offered (cr.)	0.75
Post Issue No. of shares (cr)	2.7
Face Value	₹10
Bid Lot	50 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 14,700
Maximum application for retail (upper price band for 13 lot)	₹ 1,91,100
Listing	BSE,NSE
Lead Managers	Smc Capitals Limited
Registrar	Integrated Registry Management Services Private Limited

Issue size (upper price)	Rs. cr
Fresh Issue	220.5
OFS	-
Total Issue	220.5

Shareholding (%)	Pre-Issue	Post Issue
Promoter & Promo. Group.	100.0	72.0
Public & others	-	28.0
Total	100.0	100.0

Issue structure	Allocation (%)	Size Rs. cr
Retail	35	77.2
Non-Institutional	15	33.1
QIB	50	110.3
Emp. Reservation	-	-
Total	100	220.5

Y.E March (Rs cr) Consol.	FY23	FY24	H1FY25
Sales	174.3	238.6	97.8
Growth YoY(%)	45.8	36.9	
EBITDA	67	79.1	32.8
Margin(%)	38.4	33.2	33.5
PAT Adj.	50.1	59.7	24.2
Growth (%)	30.7	19.2	-
EPS	18.8	22.4	9.1
P/E (x)	15.7	13.1	16.2*
EV/EBITDA (x)	11.7	9.9	12*
P/BV(x)	7.5	4.8	4.2

\*Annualised

## Purpose of IPO

The IPO consists of fresh issue of ₹220.5cr. The proceeds from its fresh issuance will be utilised for (i) meeting working capital requirements of the Company (₹150 cr), (ii) General corporate purposes, subject to the applicable laws.

## Key Risks

- ◆ Rely substantially on the government contracts.
- ◆ Any delays in project completion or time overruns could adversely affect the company's business prospects and operational performance.

## Peer Valuation

Company	MCap(₹ cr)	Sales (₹ cr)	EBITDA(%)	PAT (%)	EPS(₹)	RoE (%)	P/E(x)	EV/EBITDA	P/BV	Mcap/sales	CMP(₹)
Denta Water	785	239	33.17	25	22.4	36.3	13.1	9.9	4.8	3.3	294
VA Tech Wabag Limited	9,591	2,856.4	13.2	8.6	37.8	14.5	40.8	12.1	5.3	3.4	1,542
EMS Limited	4,688	793.3	25.7	19.2	28.5	23.6	29.6	11.1	6.0	5.9	844

Source: Geojit Research, Bloomberg; Valuations of Denta are based on upper end of the price band (post issue), Financials as per FY24 consolidated.



## Business Description:

**Denta Water & Infra Solutions Ltd. (DWISL)** has emerged as one of the key players in the field of water engineering, procurement, and construction (“EPC”) services. With a meritorious track record in infrastructure project installations, including groundwater recharging through recycled water. Denta Water has been a contributor to addressing the rising demand for water-related solutions in the country. Their notable achievements encompass pivotal projects like the Byrapura and Hiremagaluru LIS Project, Karagada LIS Project, and others, primarily executed through lift irrigation systems. Notably, Denta Water played a substantial role in the first phase of the KC Valley project, contributing to Bengaluru’s reputation as the second-largest city globally in terms of treated wastewater quantity.

- Denta has experience and expertise in design, installation, commissioning, operations and maintenance of ground water recharging using recycled water. In addition, the company also undertake construction projects in the field of railways and highways.
- The water management projects are concentrated in the state of Karnataka and have completed 32 water management projects (as main contractors and sub-contractors) and are presently undertaking 11 water management projects, which are in various stages of implementation.
- 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.
- The company renders range of services from “concept-to-commissioning” and beyond to various water management projects to clients by leveraging diverse experience, core competencies and using the technical know-how.
- The concept-to-commissioning services cater to a variety of sub-sectors and services in the domain areas, including some of the key areas comprising of ground water recharging, dams and reservoir engineering, lift irrigation, water supply and sanitation and urban and rural development.
- Denta is currently undertaking assignments in relation to services in the water, power and infrastructure sectors comprising of second stage lifting or pumping secondary treated water, construction of intake channels, design engineering services, tender engineering services, project management consultancy activities, quality assurance, construction supervision, commissioning support, operations and maintenance and rehabilitation.

## Segmental Revenue is set out below:

(₹ in million, unless stated otherwise)

Particulars	Six months period ended September 30, 2024	Fiscal 2024		Fiscal 2023		Fiscal 2022	
<b>Billed Revenue</b>							
Water management	509.29	1,834.43	76.88%	1,488.28	85.37%	942.7	78.84%
Irrigation	0	0.54	0.02%	12.93	0.74%	44.36	3.71%
Roads	0	45.41	1.90%	23.93	1.37%	Nil	-
Operations and maintenance	0	3.36	0.14%	1.44	0.08%	Nil	-
Miscellaneous	6.46	77.83	3.26%	139.24	7.99%	196.39	16.42%
Railway Work	12.80	1.77	0.07%	-	-	-	-
<b>Total</b>	<b>528.55</b>	<b>1,963.34</b>		<b>1,665.82</b>		<b>1,183.45</b>	
<b>Unbilled Revenue</b>							
Water management	444.23	398.87	16.72%	75.35	4.32%	12.27	1.03%
Irrigation	-	-	-	-	-	-	-
Roads	14.63	9.83	0.41%	1.53	0.09%	-	-
Operations and maintenance	-	-	-	-	-	-	-
Miscellaneous	-	-	-	0.54	0.03%	-	-
Railway Work	(9.60)*	13.93	0.58%	-	-	-	-
<b>Total</b>	<b>449.25</b>	<b>422.63</b>	<b>17.71%</b>	<b>77.42</b>		<b>12.27</b>	
<b>Grand Total</b>	<b>977.80</b>	<b>2,385.98</b>		<b>1,743.24</b>		<b>1,195.72</b>	

\*Revenue recognized for the period has been transferred from the unbilled portion to the billed portion, reflecting the billing of previously recognized unbilled revenue.

Source: RHP, Geojit Research

## Market Opportunity

The Indian Water and Wastewater Treatment market is expected to grow at a CAGR of 6.20% in terms of value to reach USD 23,849.806 Million in 2033 from USD 13,101.158 Million in 2023. (Source: Marketysers Global Report, RHP). India is the largest user of ground water (GW), with 50% of its rural population relying on it for basic needs. It is estimated that 17% of ground water blocks is overexploited due to excessive extraction of GW, reducing annual recharge from 447 billion cubic meters to 432 billion cubic meters. And to prevent further depletion, long term water management strategies are crucial, with artificial GWR methods such as the use of rainwater and treated wastewater for improving the GW (Source: IISc Report). The overexploitation and insufficient replenishment of ground water (GW) have resulted in pressing need to conserve fresh water and re-use of treated waste-water. To address this issue, the Government of Karnataka launched a large scale re-cycling (440 ML per Day) scheme to indirectly recharge GW using secondary treated municipal waste water (STW) in drought prone areas of State of Karnataka (Source: IISc Report). Denta’s water management projects are concentrated in the state of Karnataka and it has completed 32 water management projects (as main contractors and sub-contractors) and are presently undertaking 11 water management projects, which are in various stages of implementation.



### Key strengths:

- ◆ Established expertise in water management projects with special focus on ground water recharging.
- ◆ In-house expertise in designing and engineering of water management infrastructure projects.
- ◆ Strong order book and efficient business model.

### Key strategies:

- ◆ Leverage core competencies in execution of water management projects.
- ◆ Expansion into other geographies for reuse of discharge water.

### Industry Outlook

In India, the total installed capacity to treat wastewater (domestic sewage) from urban areas is 44%, or 31,841 MLD, compared to an estimated daily sewage output of 72,368 MLD. The actual treatment rate is only 28%, or 20,236 MLD. Even in class I (populations over 100,000) and class II (populations 50,000-100,000) towns, which account for 72% of the urban population, only 30% of the wastewater gets treated, i.e., 11,787 MLD vs the 38,254 MLD created. According to a recent CPCB report (March 2021), India's present water treatment capacity is 27.3% and its sewage treatment capacity is 18.6% (with an additional 5.2% capacity being built).

### India water & wastewater treatment market revenue estimates and forecast, by type, 2019-2033(USD million)

Type	2019	2022	2023	2024	2027	2030	2033	CAGR% (2024-33)
Water Treatment	5,366.400	6,276.633	6,654.796	7,061.210	8,462.992	10,205.567	12,366.881	6.42%
Sewage Treatment	4,073.319	4,734.731	5,008.400	5,301.836	6,309.080	7,552.189	9,082.591	6.16%
Effluent Treatment	1,201.160	1,369.422	1,437.961	1,510.793	1,756.056	2,049.906	2,400.334	5.28%
Total	10,640.878	12,380.787	13,101.158	13,873.839	16,528.128	19,807.663	23,849.806	6.20%

Source: RHP, Geojit Research

### Promoter and promoter group

The Promoters of the company are Sowbhagyamma, Sujith T R, C Mruthyunjaya Swamy and Hema H M.

### Brief Biographies of directors

- **Manish Shetty** is the Managing Director of the Company. Prior to joining the Company, he was working as the head at Shri J N Shetty, Class-I Contractors (Firm).
- **Sujith T R** is the Whole-time Director and Chief Financial Officer of the Company. In the past, he was associated with Johnson & Johnson Private Limited. He has been associated with the Company since incorporation.
- **Nista U Shetty** is the non-executive director of the Company. She has experience in the field of wellness and hospitality.
- **Gopalakrishna Kumaraswamy** is the Independent Director of the Company. He is an Indian army veteran and has experience in military services.
- **R. Narendra Babu** is the Independent Director of the Company. He has experience in the field of construction, groundwater recharging, lift irrigation and water management. Prior to joining the Company, he was working as Executive Engineer at the Minor Irrigation Division, Government of Karnataka.
- **Pradeep N** is the Independent Director of the Company. He is also an associate member of the Institute of Chartered Accountants of India and is a practising chartered accountant.
- **Sujata Gaonkar** is the Company Secretary and Compliance Officer of the Company. Prior to joining the Company, she was working as associate company secretary at M / s. N K Hebbar & Associates and as whole-time company secretary with Liwayway Foods India Pvt. Ltd.

## CONSOLIDATED FINANCIALS

### PROFIT & LOSS

Y.E March (Rs cr)	FY23	FY24	H1FY25
<b>Sales</b>	<b>174.3</b>	<b>238.6</b>	<b>97.8</b>
% change	45.8%	36.9%	-
<b>EBITDA</b>	<b>67</b>	<b>79.1</b>	<b>32.8</b>
% change	29%	18%	-
Depreciation	0.4	0.5	0.3
<b>EBIT</b>	<b>66.6</b>	<b>78.7</b>	<b>32.5</b>
Interest	0.1	0.5	0.1
Other Income	1.4	3.2	0.7
Exceptional items	-	-	-
PBT	67.9	81.4	33.1
% change	31%	19.8%	-
Tax	17.8	21.7	8.9
Tax Rate (%)	26%	27%	27%
Reported PAT	50.1	59.7	24.2
Adj	-	-	-
<b>Adj. PAT</b>	<b>50.1</b>	<b>59.7</b>	<b>24.2</b>
% change	30.7%	19.2%	-
<b>Post issue No. of shares (cr)</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>
Adj EPS (Rs)	18.8	22.4	9.1
% change	30.7%	19.2%	-

### CASH FLOW

Y.E March (Rs cr)	FY23	FY24	H1FY25
PBT Adj.	67.9	81.39	33.13
<i>Non-operating &amp; non cash</i>	<i>-0.2</i>	<i>-0.8</i>	<i>-0.1</i>
Changes in W.C	1.4	-38.4	-70.8
<b>C.F. Operating</b>	<b>51.47</b>	<b>26.98</b>	<b>-47</b>
Capital expenditure	-14.6	-0.7	0
Change in investment	-8.9	-0.3	-
Sale of investment	-	-	4.65
Other invest.CF	-6	1.5	-2.80
<b>C.F - investing</b>	<b>-29.6</b>	<b>0.56</b>	<b>1.8</b>
Issue of equity	-	-	-
Issue/repay debt	.86	-0.3	0
Dividends paid	-	-	-
Other finance.CF	0	-0.5	-0.2
<b>C.F - Financing</b>	<b>0.8</b>	<b>-0.815</b>	<b>-0.3</b>
Change. in cash	22.8	26.7	-45.2
Opening Cash	13.6	36.3	62.96
Closing cash	36.3	63	17.8

### BALANCE SHEET

Y.E March (Rs cr)	FY23	FY24	H1FY25
<b>Cash</b>	<b>36.3</b>	<b>63</b>	<b>17.7</b>
Accounts Receivable	23.2	25.5	10.2
Inventories	6.5	19.5	22.4
Other Cur. Assets	11.9	66.4	126.2
Investments	-	-	-
Deff. Tax Assets	-	-	-
Net Fixed Assets	24.3	24.5	24.3
CWIP	-	-	-
Intangible Assets	0	0	0
Other Assets	21.1	21	9.5
<b>Total Assets</b>	<b>123</b>	<b>220</b>	<b>220</b>
Current Liabilities	15.8	23.0	5.9
Provisions	0.5	24.2	17.8
Debt Funds	1.2	0.9	0.7
Other Fin. Liabilities	-	-	-
Deferred Tax liability	1.2	7.5	7.4
Equity Capital	104.5	164.3	188.5
Reserves & Surplus	-	-	-
Shareholder's Fund	104.6	164.3	188.5
<b>Total Liabilities</b>	<b>123</b>	<b>220</b>	<b>220</b>
BVPS (Rs)	39.2	61.5	70.6

### RATIOS

Y.E March	FY23	FY24	H1FY25
<b>Profitab. &amp; Return</b>			
EBITDA margin (%)	38.4	33.2	33.5
EBIT margin (%)	38.2	33	33.2
Net profit mgn.(%)	28.7	25	24.7
ROE (%)	47.9	36.3	12.8
ROCE (%)	62.6	44.4	25.7
<b>W.C &amp; Liquidity</b>			
Receivables (days)	38	37	5
Inventory (days)	17	31	17
Payables (days)	21	17	4
Current ratio (x)	4.8	3.7	7.9
Quick ratio (x)	3.8	3.9	4.7
<b>Turnover &amp; Levg.</b>			
Net asset T.O (x)	10.1	9.8	4.0
Total asset T.O (x)	1.9	1.4	0.9
Int. covge. ratio (x)	716	155.1	306.7
Adj. debt/equity (x)	0.0	0.0	0.0
<b>Valuation ratios</b>			
<b>EV/Sales (x)</b>	<b>4.5</b>	<b>3.3</b>	<b>8.0</b>
EV/EBITDA (x)	11.7	9.9	24
P/E (x)	15.7	13.1	32.4
P/BV (x)	7.5	4.8	4.2

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