

One Stop Investment Avenue

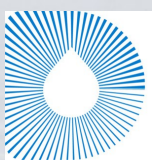


GEPL
CAPITAL

IPO Note

DENTA WATER & INFRA SOLUTIONS LIMITED

JAN 22, 2025



Denta
Water Revitalizing Experts





Jan 22, 2025

Details of the Issue

Price Band	₹ 279 - ₹ 294
Issue Size	₹ 220.5 Cr
Face Value	₹ 10
Bid Lot	50
Listing on	BSE, NSE
Post Issue Mcap	₹ 784.9 Cr
Investment Range	₹ 13,950- ₹ 14,700

Important Indicative Dates (2025)

Opening	22 - Jan
Closing	24 - Jan
Basis of Allotment	27 - Jan
Refund Initiation	28 - Jan
Credit to Demat	28 - Jan
Listing Date	29 - Jan

Lead Manager

SMC Capitals Limited

Offer Details

Offer Size	₹ 220.5 Cr
Fresh Issue	₹ 220.5 Cr
OFS	-

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	110.2	3.9	3.8	50
NII	33.1	1.2	1.1	15
Retail	77.2	2.8	2.6	35
Em- ploy.	-	-	-	-
Total	220.5	7.9	7.5	100

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Company Profile

Established in 2016, Denta Water is one of the key player in Water Engineering, Procurement, and Construction (EPC) services. The company is engaged in design, installation, and commissioning of water management infrastructure projects with expertise in ground water recharging projects. Additionally, it also undertake construction projects in the field of railways and highways. The company's notable projects include Byrapura and Hiremagaluru LIS Project and Karagada LIS Project, which were executed through lift irrigation systems. Denta Water also played a pivotal role in the first phase of KC Valley Project, contributing to Bengaluru's reputation as second largest city globally in terms of treated wastewater quantity.

GEPL's Insights & Investment Thesis:

- Denta Waters currently has an order book of ₹ 750 crore, which is 3x of the revenue recognized in FY2024. This healthy pipeline of orders serves as a strong foundation for sustained revenue growth in the years ahead.
- The company achieved healthy financial growth with topline and bottom line increasing by 41% and 25% over the last two years driven by completion of projects such as Hiremagaluru LIS project.
- Over the next five years, the water and wastewater treatment industry in India is expected to grow at a CAGR of 6.2% given the rising urbanization and increasing water scarcity issue in India.
- Based on the FY24 earnings relative to the company's post-IPO paid-up equity capital, the issue is priced at a P/E ratio of 13.14x. We believe the company is fairly valued compared to its peers and has strong order book, asset light business model, and improving margins. Therefore, we recommend a "subscribe" rating for the issue.

Business Highlights & Services

Currently, Denta Waters' water management projects are concentrated in the state of Karnataka (approximately 84% of the total revenue). The company has completed 32 water management projects as main contractors and sub-contractors and are presently undertaking 11 water management projects. Most of the projects are being awarded through bidding processes undertaken by State and Central Governments. The company participates in tenders for developing projects such as infrastructure for ground water recharging, lift irrigation, and supplying drinking water under "Jal Jeevan Mission". The company operates through an asset light business model and only purchases equipment that are critical to the construction activities. This approach lowers the need for capital requirement and in turn reduces maintenance costs of equipment.

As of November 2024, the company had 17 ongoing projects with an aggregate contract value of ₹ 1100.4 crore, out of which ₹1,066.7 crore is related to water management (GWR) projects. Of the 17 projects, one project is related to roads, 11 projects is from water management, and 5 projects is from railways. Out of the total contract value of ₹ 1100.4 crore, the company has completed work amounting to ₹ 347.9 crore and the current outstanding order book is of ₹ 752.4 crore. The average period of completion of GWR projects varies from 24 months to 36 months.



Order Book (as of November 2024)

(₹ in million)

Sr.No	Project Segment	No of Projects	Contract Value*
1.	Road	1	58.50
2.	Water Management	11	10,667.52
3.	Railways	5	278.34
Total			11,004.36

Product wise revenue

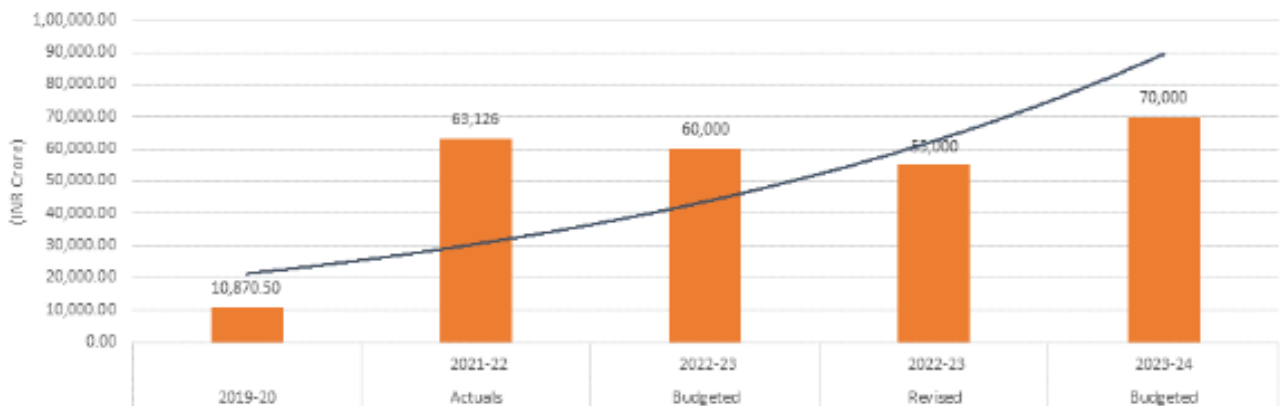
(₹ in million, unless stated otherwise)

Particulars	Six months period ended September 30, 2024	Fiscal 2024		Fiscal 2023		Fiscal 2022	
Billed Revenue							
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%	-	-	-	-
Total	528.55	1,963.34		1,665.82		1,183.45	

Industry Overview

As per a report published by Marketysers, the India Water and Wastewater Treatment market is projected to grow at a robust CAGR of 6.20%. In terms of value, the market is expected to reach USD 23,849.0 million by 2033, up from USD 13,101.2 million in 2023. Among the regions, South India is expected to capture the largest share of the market, with a CAGR of 6.24% in terms of value. Several key factors are driving South India's dominance in the water and wastewater treatment sector, including stringent regulatory measures, heightened environmental consciousness, and the region's diverse geography. According to the Ministry of Jal Shakti, Government of India (2023), water scarcity impacts over 40% of India's population, underscoring the urgent need for effective water management solutions, particularly in regions like South India. This statistic highlights the critical role of South India in driving innovation and investment in water treatment technologies, as the region faces unique challenges related to water availability. The demand for advanced water treatment solutions is expected to grow, positioning South India as a key player in shaping the future of sustainable water management in the country.

Budgetary allocation for Jal Jiwan Mission Har Ghar Jal FY 2019-2024 (Chart representation)



[Peers Comparison](#)

Name of the company	Face Value (₹)	Total Income (₹ Cr)	EPS	P/E	RoNW(%)
Denta Water & Infra Solutions Limited	10	238.6	31.1	NA	36.4%
Peers Group					
VA Tech Wabag	2	2856.4	39.5	38.4	13.8%
EMS Limited	10	538.1	29.4	27.5	19.1%

[Companies Competitive Strength :](#)

- Established expertise in water management projects with special focus on ground water recharging.
- Diversified portfolio of water and wastewater projects.
- In-house expertise in designing and engineering of water management infrastructure projects.
- Strong order book with majority of the projects in growing water infrastructure solutions.
- Promoter has more than four decades of experience in the sector.
- Established track record for project execution.
- Efficient business model with asset light approach.

[Key Strategies Implemented by Company](#)

- Leverage core competencies in execution of water management projects.
- Expanding our geographical area of operations.
- Pursue other segments within infrastructure development space.
- Expansion into other geographies for reuse of discharge water.

Particular (INR in Cr)	6M FY25	FY24	FY23	FY22
Borrowings	0.7	0.9	1.2	0
Net Worth	188	164	105	54
Revenue	98	239	174	120
Growth (%)		37%	46%	
EBITDA	33	79	67	52
EBITDAM (%)	34%	33%	38%	43%
PAT	24	60	50	38
PATM (%)	25%	25%	29%	32%
ROCE (%)	19%	77%	96%	127%
ROE (%)	13%	36%	48%	70%



Notes

GEPL Capital Pvt. Ltd

Head Office: D-21/22 Dhanraj Mahal, CSM Marg, Colaba, Mumbai 400001

Reg. Office: 922-C, P.J. Towers, Dalal Street, Fort, Mumbai 400001

Research Analyst – Mr. Vidnyan Sawant | + 022-6618 27687 | vidnyansawant@geplcapital.com

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