

Denta Water and Infra Solutions Limited

January 21, 2025



Established in 2016, Denta Water and Infra Solutions Ltd., commonly known as "Denta Water," 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 has been a contributor to addressing the rising demand for water-related solutions in the country. Denta's 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 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.

Investment Rationale:

Company's Market Opportunity:

- The India Water and Wastewater Treatment market is expected to grow at a CAGR of 6.20% in terms of value, reaching USD 23,849.806 million in 2033 from USD 13,101.158 million in 2023.
- Based on the region, South India is expected to have a major share in the water and wastewater treatment market, with a CAGR of 6.24% in terms of value. Further, the construction market is expected to grow to USD 1.42 trillion by 2027, expanding at a CAGR of 17.26% during the 2022-2027 forecast period.
- The Indian construction industry serves as a pivotal driver of the nation's economic growth. It plays an indispensable role in propelling overall development by laying the foundation for various projects.
- A monumental leap is seen in the allocation for the Railways sector, with a capital outlay of ₹2.40 lakh crore (USD 29 billion)—the highest ever recorded. This substantial increase, approximately nine times since the 2013-14 allocation, underscores the Government's commitment to modernizing and expanding the country's rail network, presenting the company with a significant opportunity to expand into other infrastructure sub-sectors.

Established expertise in water management projects with special focus on ground water recharging:

- Since incorporation, Denta has completed 32 water management infrastructure projects for the Government of Karnataka (GoK).
- The company has established its credentials as a water management solutions provider, particularly in the field of groundwater recharge projects (GWR projects) and lift irrigation projects.
- Denta has successfully completed projects involving the filling up of numerous tanks and check dams, showcasing its proficiency in managing water resources efficiently.
- As of November 30, 2024, Denta has procured direct contracts (as a consortium partner) worth ₹7,740 million, direct contracts (independent) worth ₹469.97 million, and sub-contracts worth ₹4,657.19 million in GWR projects.

Strong order book:

- As of November 30, 2024, Denta has 17 ongoing projects being implemented either directly or under consortium arrangements with other entities.
- The company's share in the aggregate contract value comprises ₹11,004.36 million, out of which ₹10,667.52 million is related to water management projects.
- As of November 30, 2024, out of the total contract value of ₹11,004.36 million, Denta has completed work amounting to ₹3,479.85 million, leaving an outstanding order book of ₹7,524.51 million.
- The average period of completion for GWR projects ranges from 24 to 36 months.

Expanding geographical area of operations:

- Denta believes that the geographical diversification of its projects will reduce reliance on particular states and enable the company to capitalize on opportunities in the water management field, especially in GWR projects.
- Denta intends to expand into other geographies such as Gujarat, Madhya Pradesh, Maharashtra, and Uttar Pradesh to uncover additional opportunities beyond the confines of Karnataka.

Expansion into other geographies for reuse of discharge water:

- With 1.38 billion inhabitants, India is the world's most populous country. According to the United Nations (2021), 67% of the population lives in rural areas, while 33% is connected to metropolitan centers.
- The country's urban cities are expanding rapidly as a result of economic development and reforms. This increase in urban population is unsustainable without effective city planning and the supply of utility services, particularly clean and inexpensive water. Water is often allocated in cities from a shared pool with multiple sectoral needs.
- It is projected that by 2050, around 1,450 km³ of water will be required, with approximately 75% being utilized in agriculture, 7% for drinking water, 4% in industry, and 9% for energy generation.

Valuation and Outlook: Denta is poised for significant growth, benefiting from the strong expansion prospects within the water and wastewater treatment market in India, which is projected to grow at a CAGR of 6.20%, reaching USD 23.85 billion by 2033. With South India expected to dominate the market, Denta's regional presence, particularly in Karnataka, positions it advantageously for capturing the expanding opportunities in water management. The company's ongoing commitment to diversifying into other geographies such as Gujarat, Maharashtra, Madhya Pradesh, and Uttar Pradesh further strengthens its growth prospects. As of November 30, 2024, Denta has secured a robust order book totalling ₹11,004.36 million, with ₹10,667.52 million attributed to water management projects, offering strong visibility into future revenues. The company has already completed ₹3,479.85 million worth of projects, leaving an outstanding order book of ₹7,524.51 million, expected to be executed within the next 24 to 36 months. This timeline for project completion aligns well with the projected growth in water and infrastructure projects driven by government initiatives, including substantial allocations for the Railways and water reuse projects. With the Indian construction market growing rapidly at a CAGR of 17.26%, Denta's strategic positioning in key infrastructure segments and its ability to execute large-scale water management projects provides an attractive investment opportunity. The strategic focus on high-growth regions and evolving technologies ensures that the company remains at the forefront of the water treatment industry amongst peers. We recommend subscribe to the issue as with a robust order book, strong execution capabilities, and an expanding TAM, Denta is well-positioned to deliver sustained growth amongst peers.

Key Financial & Operating Metrics (Consolidated)

In INR mn	Revenue	YoY (%)	EBITDA	EBITDA %	PAT	EPS	ROE	ROCE
FY22	1195.72	73.18	518.11	43.33	383.37	19.97	108.72	146.79
FY23	1743.24	45.79	669.60	38.41	501.11	26.10	63.04	84.95
FY24	2385.98	36.87	791.37	33.17	597.25	31.11	36.36	76.99

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Issue Snapshot

Issue Open	22-January-25
Issue Close	24-January-25
Price Band	INR 279 - 294
Issue Size (Shares)	75,00,000
Market Cap (mln)	INR 7850

Particulars

Fresh Issue (INR mln)	INR 2205
OFS Issue (INR mln)	-
QIB	50%
Non-institutionals	15%
Retail	35%

Capital Structure

Pre Issue Equity	19200000
Post Issue Equity	2,67,00,000
Bid Lot	50 Shares
Minimum Bid amount @ 279	INR 13950
Maximum Bid amount @ 294	INR 14700

Share Holding Pattern

	Pre Issue	Post Issue
Promoters	100.00%	71.91%
Public	0.00%	28.09%

Particulars

Face Value	INR 10
Book Value	INR 144.1
EPS, Diluted	INR 31.11

Objects of the Issue

1. To meet working capital requirements- INR 1500 million
2. General Corporate Purposes

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Established in 2016, Denta Water and Infra Solutions Ltd., commonly known as "Denta Water," 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 has been a contributor to addressing the rising demand for water-related solutions in the country. Denta's 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 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.

The company's significant involvement in the "Jal Jeevan Mission" of the Government of India reflects its commitment to critical water management initiatives. Furthermore, Denta secured contracts for lift irrigation projects in various regions, such as Makali, Makali Hosahalli, Krishnapura, Karnataka, and neighbouring villages in the Channapatna Taluk of Ramanagar District, Karnataka. Denta's growth is inherently linked to the nation's infrastructure development, with a focus on design and engineering consultancy that aligns with ongoing and anticipated projects in the Karnataka Government's water management sector. As water remains a critical resource, Denta is poised to continue making substantial contributions to the industry's growth and development in the future.

Segmental 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	
Unbilled Revenue							
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%	-	-	-	-
Total	449.25	422.63	17.71%	77.42		12.27	
Grand Total	977.80	2,385.98		1,743.24		1,195.72	

Order Book:

(₹ in million)					
Particulars	September 30, 2024	March 31, 2024	March 31, 2023	March 31, 2022	March 31, 2021
Revenue from Order Book*	974.08	2,308.16	1,603.46	987.32	
Contribution to Revenue from business of Government of Karnataka	818.03	1,463.37	292.64	235.36	
% Contribution to Revenue from business of Government of Karnataka	83.98%	63.40%	18.25%	23.84%	
<i>*Inclusive of unbilled revenue</i>					
(₹ in million)					
Particulars	Six months period ended September 30, 2024	March 31, 2024	March 31, 2023	March 31, 2022	March 31, 2021
Contract value of order book	11,004.36	9,727.21	9,636.28	2,833.10	
Revenue recognition from the contract value of order					
Billed	528.54	1,963.35	1,665.82	1,183.45	
Unbilled	449.25	422.63	77.42	12.27	

Industry Overview:

India current key practices in water and wastewater management: India accounts for 2.45% of the world's land area and 4% of its water resources, while representing 16% of the global population. With a population growth rate of 1.9% per year, India is expected to surpass 1.5 billion inhabitants by 2050. The Planning Commission of India has projected an increase in water demand from 710 BCM in 2010 to nearly 1180 BCM by 2050, with domestic and industrial water consumption expected to grow by 2.5 times.

The trend of urbanization in India is placing significant pressure on civic authorities to provide essential utilities such as safe drinking water, sanitation, and infrastructure. The rapid population growth has increased the demand for potable water, necessitating the exploration of raw water sources and the development of advanced treatment and distribution systems.

India's geographical expanse of 3.287 million square kilometers relies heavily on rivers, oceans, and lakes for its water reserves. Rivers such as the Ganga, Yamuna, and Brahmaputra in the north, and the Cauvery, Krishna, and Godavari in the south, form the backbone of the nation's water supply. Large-scale dam projects like the Tehri Dam in Uttarakhand and the Bhakra Nangal Project in Himachal Pradesh play a vital role in optimizing water usage for energy generation.

Despite accumulating approximately 4000 BCM of water annually, nearly 80-95% of this is received during the monsoon season (June to September), making the country heavily rain-dependent. Factors such as population growth, urbanization, agricultural demands, and industrial progress have contributed to a 20% decline in per capita water availability from 2000 to 2020. Although an individual requires only 2 liters of water daily for survival, India's population of 1.4 billion is facing an acute water crisis.

According to the National Commission for Integrated Water Resources Development (NCIWRD), the proportion of water allocated for agriculture has been decreasing over the past two decades, with an increasing share being diverted toward industrial use. While agriculture accounted for 83.30% of total water storage, projections indicate this will reduce to 72.48% by 2025 as resources are redirected to industrial and infrastructural developments.

The Central Pollution Control Board (CPCB) estimates that 500 BCM of water is utilized annually by processing and manufacturing industries. Unfortunately, improper disposal of chemical residues and industrial effluents into rivers and lakes has severely deteriorated water quality. Toxic materials like phenols, arsenic, cadmium, and lead, categorized as persistent bioaccumulative toxins, have been detected in wastewater. These pollutants pose significant risks to aquatic ecosystems, agriculture, and human health, with 70% of the country's surface water contaminated.

As a result of poor sanitation and water hygiene, waterborne diseases such as cholera and typhoid affect an estimated 37.7 million people annually, according to UNICEF. Urbanized industrial zones like the Gurgaon-Delhi-Meerut corridor and the Mumbai-Pune region face pressing wastewater management challenges.

The company recognizes these challenges and the growing demand for advanced water and wastewater treatment solutions. With increasing governmental initiatives and private-sector participation, there is significant momentum in developing mechanical components for treatment plants and advancing purification technologies. Furthermore, global awareness of sustainable development and investments in research and development are accelerating growth in this sector.

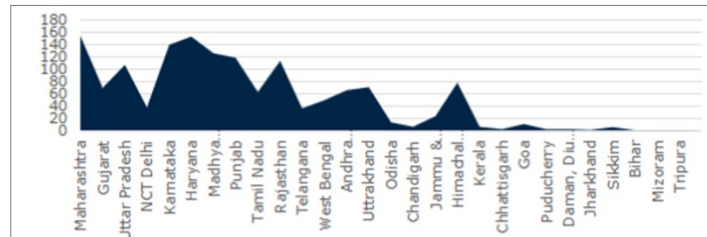
Denta sees an opportunity to leverage these developments by expanding its footprint in the water and wastewater treatment industry. With the growing emphasis on environmental conservation and industrial efficiency, the company aims to contribute to addressing India's water management challenges while promoting sustainable practices.

REGION-WISE SEWAGE GENERATION AND TREATMENT CAPACITY OF URBAN CENTERS-INDIA, 2020 (MLD)

Region	Generation (MLD)	Treatment Capacity (MLD)	Surplus (MLD)	Deficit (MLD)
East India	12,226	1,345	1,553	440
West India	19,212	13,356	3,161	11,332
South India	20,851	6,114	23	4,869
North India	16,894	11,026	90	10,228
TOTAL	72,368	31,841	4,827	26,869

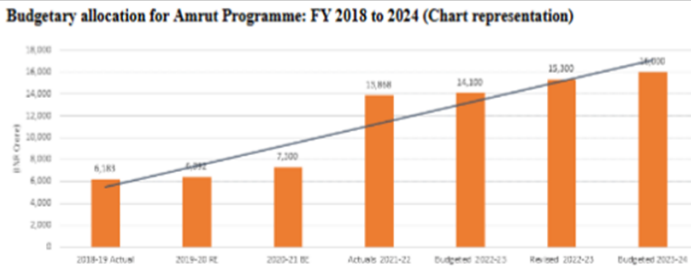
Source: Central Pollution Control Board, National Inventory of Sewage Treatment Plants, Ministry of Jal Shakti

State wise installed Sewage Treatment Plants (STPs)



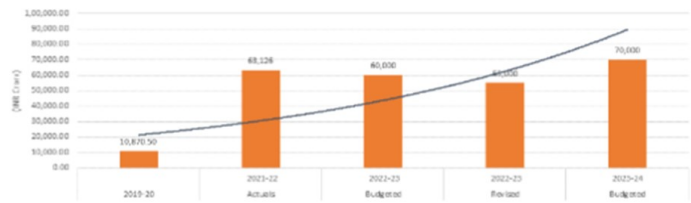
Source: Central Pollution Control Board, National Inventory of Sewage Treatment Plants

Budgetary allocation for Amrut Programme: FY 2018 to 2024 (Chart representation)



Source: Atal Mission for Rejuvenation and Urban Transformation (AMRUT), Press Information Bureau (PIB), Union Budget of India

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



Source: Ministry of Housing and Urban Affairs Lok Sabha, Ministry of Jal Shakti, Jal Jeevan Mission (JJM), National Mission for Clean Ganga, Press Information Bureau (PIB), Union Budget of India

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%

INDIA WATER & WASTEWATER TREATMENT MARKET REVENUE ESTIMATES AND FORECASTS, BY OFFERING, 2019-2030, (USD MILLION)

Offering	2019	2022	2023	2024	2027	2030	2033	CAGR % (2024-33)
Treatment Technologies	1,887.272	2,200.950	2,331.020	2,470.657	2,951.203	3,546.564	4,282.431	6.30%
Activated Sludge Process	715.327	831.030	878.887	930.190	1,106.218	1,323.330	1,590.445	6.14%
Membrane Bio Reactor	388.825	452.207	478.442	506.577	603.196	722.517	869.314	6.19%
Moving Bed Bio Reactor	293.292	343.771	364.773	387.361	463.402	562.660	683.600	6.51%
Sewage Batch Reactor	173.776	204.628	217.503	231.375	279.475	339.745	415.113	6.71%
Low Flow Anaerobic Sludge Blanket Reactor	141.170	163.808	173.164	183.190	217.558	259.892	311.903	6.43%
Submerged Aerated Fixed Film Reactor	121.197	141.767	150.314	159.499	191.183	230.573	279.433	6.93%
Other Treatment Technologies	53.683	63.739	67.939	72.466	88.171	107.848	132.423	6.08%
Treatment Chemicals	1,368.002	1,587.168	1,677.738	1,774.781	2,107.399	2,516.994	3,020.093	6.00%
Corrosion Inhibitors	360.870	417.800	441.293	466.445	552.514	658.239	787.768	6.00%
Scale Inhibitors	23.433	27.033	28.506	30.080	35.449	42.011	50.008	5.81%
Biocides & Disinfectants	318.102	368.561	389.393	411.706	488.096	582.015	697.185	6.03%
Coagulants & Flocculants	94.112	109.961	116.341	123.610	147.973	178.222	215.693	6.38%
Chlorine Agents	193.332	227.969	241.509	256.049	306.115	368.196	444.993	5.94%
Anti-Foaming Agents	268.383	310.310	327.597	346.096	409.330	486.885	581.749	6.41%
PH Adjusters and Stabilizers	67.216	78.595	83.322	88.401	105.916	127.680	154.664	6.41%
Others	40.534	46.939	49.576	52.394	62.006	73.746	88.030	5.93%
Process Control and Automation	3,447.321	4,005.099	4,240.167	4,489.020	5,343.394	6,398.142	7,697.036	6.44%
Design, Engineering, and Construction Services	2,401.085	2,809.630	2,979.416	3,161.918	3,791.625	4,574.857	5,546.857	5.87%
Operation and Maintenance Services	1,537.198	1,774.939	1,872.816	1,977.462	2,334.806	2,771.105	3,303.389	5.87%

Investment Rationale:

Company's Market Opportunity: The India Water and Wastewater Treatment market is expected to grow at a CAGR of 6.20% in terms of value, reaching USD 23,849.806 million in 2033 from USD 13,101.158 million in 2023. Based on the region, South India is expected to have a major share in the water and wastewater treatment market, with a CAGR of 6.24% in terms of value.

Several factors contribute to South India's anticipated dominance in this sector. The region's expanding population, a rapid urbanization rate exceeding 33% annually, and robust industrial growth are creating an unprecedented demand for advanced water management solutions. With growing environmental consciousness and stringent regulatory frameworks, the imperative for sustainable resource management has never been more critical. This scenario underscores the urgent need for innovative treatment technologies.

South India's geographical diversity, encompassing dense urban areas and scattered rural communities, presents a multifaceted water treatment challenge. This diversity necessitates flexible and scalable solutions capable of catering to diverse needs and infrastructural setups. As a result, the market is witnessing a surge in cutting-edge technologies designed to address these complexities.

Water scarcity affects over 40% of India's population, highlighting the pressing need for effective water management solutions in regions like South India. This statistic underscores the region's pivotal role in driving innovation and investment in water treatment technologies. In response to these challenges, stakeholders are increasingly investing in state-of-the-art treatment facilities and sustainable practices. The convergence of technology and regulatory momentum is shaping South India's water treatment landscape into a dynamic arena for innovation and growth.

The water management segment is expected to hold a significant share of the water and wastewater treatment market, with a CAGR of 6.42% in terms of value. The water treatment sector plays a critical role in addressing the country's mounting water challenges, driven by factors such as population expansion, urbanization, and industrialization. As India grapples with issues of water scarcity and pollution, the demand for effective water treatment solutions is burgeoning.

The total annual groundwater recharge in India is 449.08 billion cubic meters (bcm), with natural discharges amounting to 41.89 bcm. Consequently, the annual extractable groundwater resources are 407.21 bcm. Rainfall is the primary source of this recharge, contributing 270.78 bcm or 60% of the total recharge, with 54% occurring during the monsoon and 6% during non-monsoon seasons. The remaining 40%, equivalent to 178.31 bcm, comes from secondary sources like canal seepage, irrigation return flow, and water conservation structures.

Certain states and Union Territories, including Assam, Goa, Gujarat, Jharkhand, Kerala, Madhya Pradesh, and others, see more than 70% of their groundwater recharge from monsoon rainfall. In contrast, areas like the Indus-Ganga-Brahmaputra belt experience significantly high recharge rates due to favourable climatic and geological conditions. The coastal alluvial belt also shows high recharge rates, whereas arid regions like Rajasthan and parts of Gujarat, as well as the hard rock terrains of southern India, exhibit lower recharge rates. The 2023 assessment reveals an increase of 11.48 bcm in annual groundwater recharge and 9.13 bcm in extractable resources compared to previous assessments, with a rise of 2.18 bcm in groundwater extraction for various uses.

Further, the construction market is expected to grow to USD 1.42 trillion by 2027, expanding at a CAGR of 17.26% during the 2022-2027 forecast period. The Indian construction industry serves as a pivotal driver of the nation's economic growth. It plays an indispensable role in propelling overall development by laying the foundation for various projects.

A monumental leap is seen in the allocation for the Railways sector, with a capital outlay of ₹2.40 lakh crore (USD 29 billion)—the highest ever recorded. This substantial increase, approximately nine times since the 2013-14 allocation, underscores the Government's commitment to modernizing and expanding the country's rail network, presenting the company with a significant opportunity to expand into other infrastructure sub-sectors.

Established expertise in water management projects with special focus on ground water recharging: Since incorporation, Denta has completed 32 water management infrastructure projects for the Government of Karnataka (GoK). The company has established its credentials as a water management solutions provider, particularly in the field of groundwater recharge projects (GWR projects) and lift irrigation projects. Denta has successfully completed projects involving the filling up of numerous tanks and check dams, showcasing its proficiency in managing water resources efficiently.

Owing to the company's technical expertise in GWR projects, it is now able to procure direct contracts as well as sub-contracts from successful bidders. As of November 30, 2024, Denta has procured direct contracts (as a consortium partner) worth ₹7,740 million, direct contracts (independent) worth ₹469.97 million, and sub-contracts worth ₹4,657.19 million in GWR projects.

As of November 30, 2024, Denta's order book primarily comprises GWR projects in the state of Karnataka. In addition, the order book also includes projects for supplying drinking water to various habitations in the state. The company believes that the consistent growth in its order book is the result of its continued focus on water management projects and its ability to successfully bid for and win new projects.

Further, Denta believes that its experience in executing water management infrastructure projects, technical capabilities, timely performance, reputation for quality, financial strength, and the price competitiveness of its bids have enabled it to successfully bid for and win projects. The company has developed long-standing relationships with its clients, including the Minor Irrigation Department, Government of Karnataka, owing to the trust built over the years through the successful execution of projects.

Historical data of order book:

Particulars	Six months period ended September 30, 2024		Fiscal 2024		Fiscal 2023		Fiscal 2022	
	Order received during the period	Actual amount realised	Order received during the period	Actual amount realised	Order received during the year	Actual amount realised	Order received during the year	Actual amount realised
Water management	2,078.02	338.60	39.90	1928.8	7,964.86	1,420.5	2,004.80	884.2
Railways	95.69	13.00	189.55	1.8	-	-	-	-
Road	-	257.40	-	36.3	123.00	23.9	-	-
Irrigation	-	-	-	-	-	11.5	53.31	42.3
Total	2,173.71	609.00	229.45	1966.9	8,087.86	1,455.9	2,058.11	926.5

Strong order book: Denta is a growing water and infrastructure solutions company engaged in the design, installation, and commissioning of water management infrastructure projects, with expertise in GWR projects. As of November 30, 2024, Denta has 17 ongoing projects being implemented either directly or under consortium arrangements with other entities. The company's share in the aggregate contract value comprises ₹11,004.36 million, out of which ₹10,667.52 million is related to water management projects.

As of November 30, 2024, out of the total contract value of ₹11,004.36 million, Denta has completed work amounting to ₹3,479.85 million, leaving an outstanding order book of ₹7,524.51 million. The total number and value of projects to be completed within the prescribed timeframe are captured in the order book. Continuous project addition is essential for the company to provide revenue visibility in the future.

As per the company's project contracts, the order book value can be realized within two years from the date of this RHP. Denta has proven its execution capabilities in GWR projects, such as the Byrapura & Hiremagaluru LIS Project and the Karagada LIS Project in Karnataka, which involve filling major tanks by lifting water through lift irrigation systems. The average period of completion for GWR projects ranges from 24 to 36 months.

Denta has grown steadily over the years and has been conservative in its execution activities. In an industry that requires working capital management, managing large equipment, materials, and manpower resources, it is vital for the company to be selective and careful while expanding its business. With its experienced team and expertise, Denta is currently focusing on projects in Karnataka.

Details of the company's contract value in its order book as of November 30, 2024, are as follows:

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

*Amount excluding applicable taxes.

Expanding geographical area of operations: Denta believes that the geographical diversification of its projects will reduce reliance on particular states and enable the company to capitalize on opportunities in the water management field, especially in GWR projects. Denta is confident that its strategy of focusing on growing both current markets and entering new

ones with significant growth potential will allow the company to target growth opportunities, broaden its revenue base, and lower the risks associated with unstable market conditions and price fluctuations caused by the concentration of resources in a specific geographic area.

Denta intends to expand into other geographies such as Gujarat, Madhya Pradesh, Maharashtra, and Uttar Pradesh to uncover additional opportunities beyond the confines of Karnataka. The company plans to diversify and expand its presence in these regions to support the growth of its business prospects. Denta aims to continue its strategy of selectively diversifying across industry segments and exploring new geographies where it can deliver quality services without experiencing significant delays and interruptions caused by local constraints.

With increasing experience and success, Denta expects steady growth in its business, with a rate of expansion comparable to or better than the number of new projects undertaken. By diversifying its operations geographically, the company aims to hedge risks associated with operations concentrated in specific areas and protect against fluctuations resulting from business concentration in limited geographic regions.

Expansion into other geographies for reuse of discharge water: Water reuse and recycling have 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.

With 1.38 billion inhabitants, India is the world's most populous country. According to the United Nations (2021), 67% of the population lives in rural areas, while 33% is connected to metropolitan centers. The country's urban cities are expanding rapidly as a result of economic development and reforms. This increase in urban population is unsustainable without effective city planning and the supply of utility services, particularly clean and inexpensive water. Water is often allocated in cities from a shared pool with multiple sectoral needs.

It is projected that by 2050, around 1,450 km³ of water will be required, with approximately 75% being utilized in agriculture, 7% for drinking water, 4% in industry, and 9% for energy generation. However, due to increasing urbanization, the need for drinking water will surpass rural water requirements. Many towns are located on riverbanks, where fresh water is used by the people, and wastewater is disposed of back into the river, contaminating the water supply and irrigation water. This has created significant difficulties for urban wastewater management, planning, and treatment.

According to the Central Pollution Control Board (CPCB), the predicted wastewater generation in rural areas was over 39,600 million liters per day (MLD), while in urban areas it was 72,368 MLD for the year 2020–21. The projected volume in big centers is about double that of rural areas due to the availability of more water for sanitation, which has raised the standard of living. As the country's population grows, so does the need for water and its management. Water scarcity is expected to become a serious issue in the future.

Furthermore, the impact of pollution on water supplies is a cause for concern. Some of the major causes of water pollution are the release of industrial waste, the discharge of untreated or partially treated municipal wastewater through drains, the discharge of industrial effluent, improper solid waste management, illegal groundwater abstraction, encroachments in floodplains/riverbanks, deforestation, improper watershed management, and agricultural runoff, among others. The Government of India has devised several initiatives that focus on water conservation and restoration.

As a consequence, the number of contaminated river lengths has decreased from 351 in 2018 to 311 in 2022, and water quality has improved in 180 of the 351 contaminated river lengths during 2018. A review of water quality over time reveals that in 2015, 70% of rivers examined were designated as contaminated; however, in 2022, just 46% of rivers studied are identified as polluted. The need for water is only expected to rise in the coming years.

The Government's major priority is to provide safe drinking water. Drinking water quality has been a serious problem in rural regions over the years. The Central Water Commission (CWC) examines the country's total water resources on a regular basis and has designated water supply for drinking purposes as the main priority in water distribution.

Denta believes that the Government's focus on water reuse and recycling projects presents the company with an attractive opportunity to further expand its footprint in such projects.

Valuation and outlook: Denta is poised for significant growth, benefiting from the strong expansion prospects within the water and wastewater treatment market in India, which is projected to grow at a CAGR of 6.20%, reaching USD 23.85 billion by 2033. With South India expected to dominate the market, Denta's regional presence, particularly in Karnataka, positions it advantageously for capturing the expanding opportunities in water management. The company's ongoing commitment to diversifying into other geographies such as Gujarat, Maharashtra, Madhya Pradesh, and Uttar Pradesh further strengthens its growth prospects. As of November 30, 2024, Denta has secured a robust order book totalling ₹11,004.36 million, with ₹10,667.52 million attributed to water management projects, offering strong visibility into future revenues. The company has already completed ₹3,479.85 million worth of projects, leaving an outstanding order book of ₹7,524.51 million, expected to be executed within the next 24 to 36 months. This timeline for project completion aligns well with the projected growth in water and infrastructure projects driven by government initiatives, including substantial allocations for the Railways and water reuse projects. With the Indian construction market growing rapidly at a CAGR of 17.26%, Denta's strategic positioning in key infrastructure segments and its ability to execute large-scale water management projects provides an attractive investment opportunity. The strategic focus on high-growth regions and evolving technologies ensures that the company remains at the forefront of the water treatment industry amongst peers. We recommend subscribe to the issue as with a robust order book, strong execution capabilities, and an expanding TAM, Denta is well-positioned to deliver sustained growth.

Peer Comparison

Particulars	Denta Water and Infra Solutions			VA Tech Wabug			EMS Limited		
	FY24	FY23	FY22	FY24	FY23	FY22	FY24	FY23	FY22
Key Financial Numbers									
Revenue From Operations	2,385.98	1,743.24	1,195.72	28,564.00	29,604.80	29,793.00	7,933.10	5,381.62	4,772.37
Total Income	2,418.37	1,757.47	1,196.35	28,998.00	30,140.80	30,116.90	8,090.68	5,432.77	4,814.16
Operating EBIDTA	794.37	669.6	518.11	3,662.00	3,435.80	2,370.00	2,038.47	1,500.08	1,127.09
Operating EBIDTA Margin	33.29%	38.41%	43.33%	12.82%	11.61%	7.95%	25.70%	27.87%	23.62%
PAT	597.25	501.12	383.37	2,504.00	109.3	1,320.60	1,526.63	1,088.51	790.29
PAT Margin (%)	25.03%	28.75%	32.06%	8.77%	0.36%	4.38%	19.24%	20.04%	16.42%
Operating Cash Flow	286.21	514.64	-78.03	1,335.00	849.8	116.4	-1,160.16	-122.76	276.01
Net Worth	1,642.56	1,045.47	544.31	18,186.00	15,746.30	15,258.60	7,981.30	4,907.22	3,828.88
Net Debt	-620.97	-351.67	-135.75	-1,593.00	326.6	1,074.80	-16.78	-362.79	-573.4
Debt Equity Ratio	0.01	0.01	-	0.15	0.14	0.28	0.09	0.09	0.01
ROCE	76.99%	95.98%	126.60%	21.56%	2.90%	13.40%	24.77%	19.00%	20.00%
ROE	36.36%	47.93%	70.43%	14.76%	0.70%	9.00%	23.69%	25.00%	23.00%
Unbilled Revenue	422.63	77.42	12.27	-	-	-	-	-	-

Company Name	Revenue	Diluted EPS for FY24	P/E
Denta Water & Infra Solutions Ltd.	2385.98	31.11	9.45
VA Tech Wabag	28564	39.49	38.57
EMS Ltd.	5381.61	29.38	29.03

Denta Water and Infra Solutions Limited

January 21, 2025



IPO Note

Income Statement					Balance Sheet				
Y/E (INR mn)	FY22	FY23	FY24	6MFY25	Y/E (INR mn)	FY22	FY23	FY24	6MFY25
Revenue	1,195.72	1,743.24	2,385.98	977.80	Source of funds				
Expenses:					Equity Share Capital	48.00	48.00	192.00	192.00
Raw Material	668.84	1045.02	1519.78	603.08	Reserves	496.31	997.47	1450.56	1692.63
Employee Cost	0.97	11.26	36.21	26.48	Total Share holders	544.31	1045.47	1642.56	1884.63
Total Expenses	677.61	1,073.64	1,594.61	650.14	Total Debt	-	11.52	8.62	7.09
EBITDA	518.11	669.60	791.37	327.66	Current Liabilities	58.71	173.98	544.08	308.56
EBITDA Margin %	43.33	38.41	33.17	33.51	Trade Payables	35.86	101.74	112.33	44.01
Interest	-	0.93	5.07	1.06	Total Non-Current	3.35	12.67	11.13	10.18
Depreciation	0.86	3.71	4.85	2.58	Total Liabilities	606.37	1,232.76	2,198.48	2,203.46
Other Income	0.63	14.23	32.39	7.30	Application of funds				
PBT	517.88	679.19	813.84	331.32	Fixed Assets	100.64	243.32	245.06	242.63
PAT	383.37	501.11	597.25	241.99	Cash and Bank	135.75	363.19	629.59	177.04
EPS	19.97	26.10	31.11	12.60	Current Assets	500.38	778.31	1742.88	1764.46
					Trade Receivables	134.54	231.52	254.63	101.87
					Other current assets	108.26	113.37	624.78	1248.80
					Total Assets	606.37	1,232.76	2,198.48	2,203.46
Cash Flow					Key Ratios				
Y/E (INR mn)	FY22	FY23	FY24	6MFY25	Y/E (INR mln)	FY22	FY23	FY24	FY25
Profit Before Tax	517.88	679.19	813.84	331.32	Growth Ratio				
Adjustment	0.25	-1.85	-7.84	-0.84	Net Sales Growth(%)	272.84	45.79	36.87	
Changes In working Capital	-449.88	14.37	-384.25	-47.46	EBITDA Growth(%)	253.25	31.80	18.19	
Cash Flow after changes in Working Capital	68.25	691.71	421.75	-377.94	PAT Growth(%)	245.32	30.71	19.19	
Tax Paid	-146.28	-177.07	-152.80	-89.65	Margin Ratios				
Cash From Operating Activities	-78.03	514.64	268.95	467.59	EBITDA	43.33	38.41	33.17	
Cash Flow from Investing Activities	-44.55	-295.54	5.60	18.37	PBT	43.31	38.96	34.11	
Cash from Financing Activities	-0.47	8.34	-8.15	-3.33	PAT	32.06	28.75	25.03	
Net Cash Inflow / Outflow	-123.05	227.44	266.40	-452.55	Return Ratios				
Opening Cash & Cash Equivalents	258.80	135.75	363.19	629.59	ROA	74.53	54.50	34.81	
Closing Cash & Cash Equivalent	135.75	363.19	629.59	177.04	ROE	108.72	63.04	36.36	
					ROCE	146.79	84.95	76.99	
					Turnover Ratios				
					Asset Turnover(x)	2.32	1.90	0.92	
					Inventory Turnover(x)	53.18	35.37	18.35	
					Fixed Asset Turnover (x)	15.07	9.96	5.65	
					Solvency Ratios				
					Total Debt/Equity(x)	0.00	0.01	0.00	
					Current Ratio(x)	8.52	4.47	1.39	
					Quick Ratio(x)	7.95	4.10	1.35	
					Interest Cover(x)	6474.50	731.31	505.97	
					Valuation Ratios				
					P/E	-	-	9.45	
					EV/EBITDA	-	-	9.12	

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