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**IPO Report**

21<sup>st</sup> Jan '25

**Snapshot**

Established in 2016, Denta Water and Infra Solutions Limited, 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 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.

**VALUATION**

Company is bringing the issue at price band of Rs 279-294 per share at p/e multiple of 16x on post issue annualized FY25 PAT basis.

Company is established expertise in water management projects with special focus on ground water recharging. Company has expertise in in-house designing and engineering of water management infrastructure projects. Along , with strong management team & strong order book, company has established track record for project execution & efficient business model. Hence looking after all above , we recommend "Subscribe" on issue.

<b>Price Band (Rs./Share)</b>	<b>279-294</b>
<b>Opening date of the issue</b>	<b>22<sup>nd</sup> Jan '2025</b>
<b>Closing Date of the issue</b>	<b>24<sup>th</sup> Jan '2025</b>
<b>No of shares pre issue</b>	1,92,00,000 Eq Shares
<b>Issue Size</b>	Rs 209-221 Cr
<b>Fresh Issue</b>	75,00,000 Eq Shares
<b>Face Value (Rs/ share)</b>	Rs 10/share
<b>Bid Lot</b>	50
<b>BIDDING DETAILS</b>	
<b>QIBs (Including Anchor)</b>	50% of the offer (Approx 37,50,000 Eq Shares)
<b>Non-Institutional</b>	15% of the offer (Approx 11,25,000 Eq Shares)
<b>Retail</b>	35% of the offer (Approx 26,25,000 Eq Shares)
<b>Lead managers</b>	SMC Capitals Ltd
<b>Registrar to the issue</b>	Integrated Registry Management Services Pvt. Ltd

**WHAT WE LIKE**

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

Since incorporation, company have completed 32 water management infrastructure projects for Government of Karnataka ("GoK"). Company have established its credentials as a water management solutions provider, particularly, in the field of ground water recharge projects ("GWR projects") and lift irrigation projects.

***Strong order book***

As on November 30, 2024, company have 17 ongoing projects being implemented either directly by company or under consortium arrangements with other entities and Company's share in the aggregate contract value comprises of ₹ 11,004.36 million, out of which ₹ 10,667.52 million is in relation to water management projects. As on November 30, 2024, out of total contract value of ₹ 11,004.36 million company have completed work amounting to ₹ 3,479.85 million and company's outstanding order book is of ₹ 7,524.51 million.

***Established track record for project execution***

One of the important differentiators in water management infrastructure solution provider companies is its capacity to timely complete the project within the given budget. A project's timely or early completion results in greater credibility and technical competency, which is advantageous when a company is being evaluated technically before being awarded the contract. Owing to the nature of the industry in which company operate, company place a heavy emphasis on its operational activities to ensure that projects are completed on time.



## COMPANY BACKGROUND

Company's significant involvement in the "Jal Jeevan Mission" of the Government of India reflects its commitment to critical water management initiatives. Furthermore, Denta Water 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. Their growth is inherently linked to the nation's infrastructure development, with a focus on design and engineering consultancy that aligns with the ongoing and anticipated projects in the Karnataka Government's water management sector. As water remains a critical resource, Denta Water is poised to continue making substantial contributions to the industry's growth and development in the future.

Company is a growing water and infrastructure solutions company engaged in design, installation and commissioning of water management infrastructure projects with expertise in ground water recharging projects. In addition, company also undertake construction projects in the field of railways and highways. Company is one of the few companies in India having experience and expertise in design, installation, commissioning, operations and maintenance of ground water recharging using recycled water. As per the IISc Report, 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). As of the date of this Red Herring Prospectus, company's water management projects are concentrated in the state of Karnataka and company 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. Company is awarded contracts through transparent competitive bidding process undertaken by the State and Central Governments. Further, company also undertake contracts as sub-contractors from various private parties. Company participate in tenders for developing projects such as infrastructure for ground water recharging, lift irrigation, infrastructure for supplying drinking water to various habitations under "Jal Jeevan Mission" on a competitive basis. Under the "Jal Jeevan Mission", company was awarded three projects i.e. "Kerehalli Drinking Water Project" and "Chikkabenaikal Drinking Water Project" and Rehabilitation of MVS to Doddakowlande and other 55 Villages of Nanjangud Taluk which are located in the State of Karnataka. As on November 30, 2024, company have successfully covered 445.77 km of infrastructure for water management, pumping of secondary treated sewage water from adjoining cities of Bangalore, Mysore in the State of Karnataka, to replenish the dried lakes in adjoining districts such as Kolar, Chikkaballapura and Ramanagara in the State of Karnataka and supplying of drinking water to peripheral habitations from reservoirs. 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.

Company render range of services from "concept-to-commissioning" and beyond to various water management projects to its clients by leveraging company's diverse experience, core competencies and using the technical know-how. Over the years, company have developed the expertise for servicing its clients at each stage of project development cycle. C services for any given project include any one or a combination of (i) preliminary investigations and reconnaissance; (ii) feasibility studies, (iii) planning and project formulation; (iv) field surveys and testing of soil; (v) design; (vi) tender bidding consultancy; (vii) project management and construction supervision; (viii) formulation of operation and maintenance guidelines; (ix) engineering procurement consultancy, turnkey projects; etc. regarding water management projects. Company's concept-to-commissioning services cater to a variety of sub-sectors and services in its 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.



<b>INVESTMENT RATIONALE</b>	
<i>In-house expertise in designing and engineering of water management infrastructure projects</i>	<p>Company have a competent team with expertise in projects such as ground water recharging, lift irrigation etc. Company has an in-house design and engineering team which focusses on design 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 capability enables company to correctly bid with project specifications. Company’s engineering expertise and core capability of the designing and implementation aspects of GWR projects has enabled company to deliver projects in accordance with the requirements envisaged by the principal employer of these projects. Company have diverse capabilities that enable company to offer tailor-made solutions for meeting exigencies due to extreme changes in project, design and installation. Company offer bespoke solutions taking into consideration the geographical and the gradient of each location for designing the GWR Projects which are then implemented either by company directly or through sub-contracting. Company have an asset light model, whereby company outsource certain parts of the work to subcontracts, however for jobs like design, planning, quality control and supervision, company have dedicated teams and the necessary expertise for implementation.</p>
<i>Strong Management Team</i>	<p>Company is led by qualified and experienced Promoters, that have the expertise and vision to manage and grow its business. Company’s Promoter, C Mruthyunjayaswamy, has over 38 years of experience in the civil sector. He has held various positions in the Government and has been involved in planning, preparing project reports, and executing projects in the water sector, road sector, irrigation sector, and rural development sector. He has also conducted onfield training and awareness programs in critical areas such as water conservation, water harvesting, agriculture, and horticulture practices, as well as efficient use of available water resources. He has been recognized for significant contributions to improving ground water recharging through innovative projects. Company’s Promoters are ably supported by its management team’s collective experience and capabilities which enables company to understand and anticipate market trends, manage company’s business operations and growth, leverage customer relationships, and respond to changes in customer preferences. Company’s management team continues to focus on production, marketing and new growth areas. The knowledge and experience of company’s Promoter and directors, along with team of skilled personnel, provides it with a significant competitive advantage, as it seek to expand geographically in existing markets and new markets.</p>
<i>Efficient Business Model</i>	<p>Due to company’s business knowledge and expertise, it have been able to set up an efficient business model. Company understand that it is important for any business to efficiently manage its business operations which gradually leads to better financial and operational performance. Company is majorly concentrated in GWR (Water Management), Irrigation, O&amp;M pertaining to water projects. The projects which are undertaken by Company are either through joint venture, sub-contract basis or direct in the State of Karnataka. Focussing on selected segment aids company with a competitive advantage at the time of award evaluation. Asset light model – Company’s business model relies on the strength of its project execution and management capabilities as well as established relationships with company’s clients, architects and contractors. Leveraging these capabilities and relationships, company seek to transition to a combination of designing and execution based business model. As a part of this model, company focus on development management and joint development agreements or joint ventures, which requires lower upfront capital expenditure compared to direct approach.</p>



## OBJECTS OF OFFER

Company proposes to utilize the Net Proceeds raised through the Issue for the following objects:

1. To meet working capital requirements of Company; and
2. General corporate purposes, subject to the applicable laws

## RISKS

Company's revenue contribution from government clients has increased from 18.25% in FY 2023 to 63.40% as of FY 2024, and company currently rely substantially on its government clients for its revenues.

Source:RHP

## INDUSTRY OVERVIEW

### OVERVIEW OF GROUNDWATER RECHARGING

The 2023 assessment of India's dynamic ground water resources, conducted jointly by the Central Ground Water Board (CGWB) and State Ground Water Departments, indicates that the Total Annual Ground Water Recharge is 449.08 billion cubic meters (bcm), with natural discharges amounting to 41.89 bcm. Consequently, the Annual Extractable Ground Water Resources are 407.21 bcm. The primary source of this recharge is rainfall, contributing 270.78 bcm or 60% of the total recharge, with 54% occurring during the monsoon and 6% during the 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, oa, 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 favorable 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. Overall, the 2023 assessment reveals an increase of 11.48 bcm in annual ground water 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. JSA is being implemented in India by the government. The first JSA was launched in 2019 in water stressed blocks of 256 districts, with the primary goal of effectively harvesting monsoon rainfall through the creation of artificial recharge structures, watershed management, recharge and reuse structures, intensive afforestation, and awareness generation, among other things. In addition, The World Bank is assisting the government's national groundwater program, the Atal Bhujal Yojana, in its efforts to enhance groundwater management. This is the world's biggest community-led groundwater management initiative, with 8,220-gram panchayats spread across seven Indian states. Because groundwater conservation is in the hands of hundreds of millions of people and communities, the initiative assists villagers in understanding their water availability and consumption trends so that they may manage their water use properly



**Consolidated Financials**

(Rs in Mn)

<b>Financials</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>H1 FY 2025</b>
Total Revenue (A)	1195.72	1743.24	2385.98	977.80
Total Expenditure (B)	677.61	1073.64	1594.61	650.14
EBIDTA	518.11	669.60	791.37	327.66
EBIDTA Margin	43.33	38.41	33.17	33.51
Other Income	0.63	14.23	32.39	7.30
Depreciation	0.86	3.71	4.85	2.58
EBIT	517.88	680.12	818.91	332.38
Interest	0.00	0.93	5.07	1.06
PBT	517.88	679.19	813.84	331.32
Share of profit in Asso	0.00	0.00	0.00	0.00
PBIT	517.88	679.19	813.84	331.32
Exceptional	0.00	0.00	0.00	0.00
PBT	517.88	679.19	813.84	331.32
Tax	134.51	178.08	216.59	89.33
PAT	383.37	501.11	597.25	241.99
NPM	32.06	28.75	25.03	24.75
ROE%	70.43	47.93	36.36	12.84
EPS	19.97	26.10	31.11	12.60
Eq Cap	48.00	48.00	192.00	192.00
Net Worth	544.31	1,046.11	1,643.26	1,884.72

(Source: RHP)

**Peer Comparison**

<b>Company Name</b>	<b>Face Value</b>	<b>EPS</b>	<b>P/E</b>	<b>ROE %</b>	<b>NAV</b>
<i>Company</i>	<i>10.00</i>	<i>31.11</i>	<i>--</i>	<i>36.36</i>	<i>85.55</i>
<b>Peers</b>					
VA Tech Wabag	2.00	39.49	38.41	13.77	292.43
EMS Limited	10.00	29.38	27.47	19.13	143.73

(Source: RHP)



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