

Denta Water & Infra Solutions Ltd**Company Overview**

Denta Water & Infra Solutions Ltd is a Bengaluru-based water infrastructure company established in 2016. The company focuses on projects related to water supply, groundwater recharge, sewage treatment, and water infrastructure development. Its core objective is to manage water resources sustainably by supplying drinking water, treating sewage, and recharging groundwater. The company initially started with small government projects in Karnataka and gradually expanded into larger water infrastructure projects.

Groundwater Recharge Business

- One of the key areas of work for the company is groundwater recharge using treated sewage water. In cities like Bengaluru, large amounts of sewage water are generated every day. This water is treated by authorities and then supplied through pipelines to lakes, tanks, and water bodies in nearby districts. This process helps replenish groundwater levels.
- Management highlighted that in some regions of Karnataka where groundwater levels were earlier around 1,200–1,500 feet below ground, the water level improved to around 300–500 feet after implementing these projects. The impact of such projects has also been studied by research institutions like the Indian Institute of Science. Apart from improving water availability, the projects also help farmers by enabling irrigation, fish farming, livestock rearing, and crop cultivation.

Project Portfolio and Order Book

- The company has completed around 40 projects so far and currently has 26 projects under execution. The total outstanding order book stands at approximately INR 8,382 million, which provides strong revenue visibility for the next few years.
- Most of the order book is related to water management projects. Around 93% of the order book is from water-related infrastructure, while the remaining portion comes from roads, railways, and irrigation projects. The strong focus on water infrastructure reflects the company's core specialization in this segment.

Business Model

- Denta Water primarily operates on a DBOT model (Design, Build, Operate and Transfer). Under this model, the company first conducts surveys and designs the project. After finalizing the design, it executes the project by laying pipelines, installing pumping systems, and constructing water infrastructure.
- Payments from the government are received in stages based on project milestones. When materials are procured, a portion of the payment is received. Further payments are released as construction progresses and after testing and completion. Around 90–95% of the project value is usually received during execution, while the remaining portion is paid over several years as maintenance payments.

Project Execution Timeline

- The time required to complete projects depends on the size of the contract. Projects up to INR 100 crore are usually completed within about 12 months. Projects between INR 100 crore and INR 250 crore generally take around 24 months. Larger projects of up to INR 450 crore can take up to 36 months.
- Most of the company's current projects fall in the 24–36 month category. Management expects most of the existing projects to be completed by December 2026, while the full order book execution could extend up to FY28.

Revenue Growth Outlook

- The company expects revenue of around INR 210–230 crore for the current year. Management expects revenue growth of around 10–15% in the near term, and from the next year onwards they aim to grow at 20–30% annually.
- Based on this growth trajectory, the company expects revenue to reach around INR 300–350 crore by FY28, supported by new order inflows and expansion into new markets.

Profitability and Margins

- The company has reported strong profitability levels. Management mentioned that the company currently operates with around 36.5% EBITDA margin and 25.6% PAT margin, which are relatively high compared to many infrastructure companies.
- These margins are achieved because the company follows a cost-efficient operating model. It maintains a lean workforce, outsources many construction activities to subcontractors, and procures raw materials such as pipes and cement through long-term supplier relationships at competitive prices. The company also focuses on optimizing pipeline routes and pump capacities to reduce project costs.

Receivables and Billing Cycle

- Receivable days increased significantly to around 150 days in FY25 compared to about 39 days in FY24. Management explained that this increase is mainly due to billing cycle timing rather than payment issues.
- Under government projects, invoices must be certified by departmental engineers after verifying project progress and quality standards. This verification process can sometimes delay the billing cycle. Management indicated that only a small portion of payments is delayed and expects receivable cycles to improve in the future.

Industry Opportunity

- Water scarcity and groundwater depletion are major challenges in several Indian states. The company highlighted that states such as Karnataka, Maharashtra, Madhya Pradesh, Haryana, Gujarat, and Uttar Pradesh face significant groundwater exploitation.
- Because of these challenges, demand for groundwater recharge systems, water treatment plants, and sewage treatment infrastructure is expected to remain strong for many years. The company is already exploring opportunities in states like Madhya Pradesh and Uttar Pradesh to expand beyond Karnataka.

Government Schemes Supporting the Industry

- The water infrastructure sector is supported by several large government programs.
- The Jal Jeevan Mission aims to provide safe drinking water to rural households across India. The AMRUT scheme focuses on improving water supply and sewage systems in urban areas. The Swachh Bharat Mission focuses on sanitation and sewage treatment infrastructure.
- These programs ensure continuous investment by the government in water supply and wastewater treatment projects, creating long-term opportunities for companies operating in this sector.

Expansion into Sewage Treatment Plants

- The company is also entering the sewage treatment plant (STP) segment. Management mentioned that they have already secured five orders worth around INR 160 crore related to sewage treatment projects. These projects are currently in different stages of execution.
- This expansion allows the company to participate across the full water management cycle — from supplying drinking water to treating wastewater and recharging groundwater.

Asset-Light Operating Model

- Denta Water follows an asset-light operating model. The company owns only limited machinery such as excavators and pumping equipment required to qualify for tenders. Most construction activities are outsourced to subcontractors who specialize in those tasks.
- This approach helps the company reduce capital expenditure, minimize maintenance costs, and maintain a lean workforce, which ultimately supports higher profitability.

Competitive Landscape

- In the listed space, companies like EMS Limited and VA Tech Wabag operate in similar water infrastructure and treatment segments. However, Denta Water focuses strongly on groundwater recharge projects, which is a relatively niche segment within the broader water infrastructure industry.