

# Water Sector - Thematic

08-Oct-2024

## Higher Budgetary Allocation – Bodes Well; Rising Demand Warrants Recycle & Reuse

### Water Treatment – Key Catalysts

- With 18% of global population and only 4% of water resources, India faces rising water demand over the years, which is projected to grow from 1,040 BCM to 1,447 BCM by 2050 due to urbanization and industrial growth.
- Rising water demand is exacerbated by groundwater depletion, climate change and insufficient water recycling. Substantial investment in water and wastewater infrastructure is essential to ensure clean water access to all.
- Jal Jeevan Mission (JJM) has transformed fund allocation for Jal Shakti Ministry, with rural drinking water capital allocation surging by 520%, which created a Rs1,000bn opportunity every year under the Ministry.
- There is a decline in average receivable days to 110-150 from >300 earlier, led by better planning, streamlining of DPRs prior to tenders, fund flow from central and state governments, and introduction of multilateral funding agencies.

### Hydro Power – Key Catalysts

- The government's focus on increasing solar power generation over the past 20 years has led to grid imbalances. To ensure a sustainable power source with energy storage, the government has now shifted its efforts towards expanding hydro power capacity in NE states and developing Pumped Storage Projects (PSPs).
- With a 30GW tender likely to be rolled out in next 2–3 years, we expect opportunities of at least Rs1,500bn in the coming year, including hydropower and PSPs.

**Receivable Days Expected to Decline Further:** Receivable days of the water EPC companies fell from >300 days to 110-150 days in the past 2-3 years. Now, the bills are generated monthly and submitted to the government with the payments expected within 90 days. As a result, we anticipate receivable days to further decline to 100 days the next 2-3 years, which would further improve cash flows of the EPC companies.

**Favourable Arbitration Awards:** Over the past 6-12 months, the EPC companies have started winning long-pending arbitration awards under Vivad Se Vishwas-II scheme. The companies like SPML Infra, Patel Engineering, VA Tech Wabag, Om Infra and ITD Cementation have significantly benefited from this initiative in the recent times.

**Thrust on Energy Storage:** According to CEA, India's peak electricity demand is likely to reach 334.8GW (~2,280bn units) by 2029-30, which requires energy storage for utilization in peak hours. While 41.65GW of BESS is required, 18.98GW of PSP is also needed for grid stability, which is expected to create opportunities of Rs950bn.

**FY25 Union Budget:** As per FY25 Union Budget, water supply, sewage treatment and solid waste management projects will be prioritized in 100 large cities. Further, the states like Assam, Bihar, Himachal Pradesh, Sikkim and Uttarakhand will receive support for flood management projects. This is expected to further increase allocation toward Jal Shakti initiative, ensuring visibility and funding for the next 10 years.

**Preferred Picks:** VA Tech Wabag, Patel Engineering, SPML Infra and EMS.

### Major companies in water sector

Companies' Name	Order Book	Order Book/Sales	Rating
VA Tech Wabag	107,000	3.7	BUY
Welspun Ent.	116,000	4.0	NC
EMS Ltd	18,000	2.3	NC
SPML Infra	20,000	1.5	NC
VPRPL	49,150	3.3	NC
Triveni Engg*	11,859	4.8	NC
Ion Exchange*	33,940	2.4	NC
Patel Engg	179,019	3.9	NC
HCC	95,340	1.4	NC
Kalpataru Projects	98,000	2.8	NC
Thermax*	38,660	1.0	NC
WPIL*	33,141	2.0	NC
Praj Industries*	2,426	0.8	NC

Source: Companies' concalls, investor presentations, annual reports, management meetings \*water related projects as per 1QFY25

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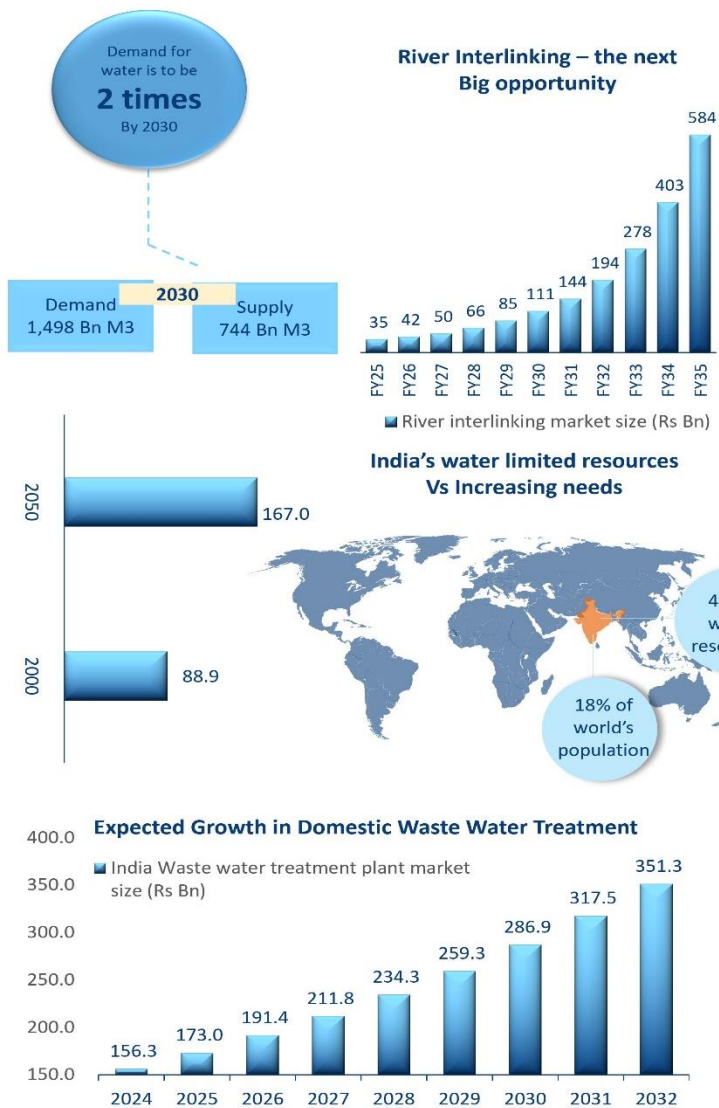
## Companies in Water Space

Companies' Name	Industry	Mkt. Cap	Revenue (Rs mn)		EBITDA (Rs mn)		EBITDA Margin (%)		PAT (Rs mn)		PAT margin (%)		P/E (at CMP)	
		(Rs mn)	FY24	FY25E	FY24	FY25E	FY24	FY25E	FY24	FY25E	FY24	FY25E	FY24	FY25E
Va Tech Wabag	Water treatment EPC - WWT, SWT, Desalination	91,357	28,564	32,849	3,757	4,599	13.2	14.0	2,504	3,416	8.8	10.4	36.5	26.7
Welspun Enterprise		74,743	28,723	35,904	4,254	6,391	14.8	17.8	3,194	3,776	11.1	10.5	23.4	19.8
Ion Exchange*		92,547	23,917	25,831	3,158	3,435	13.2	13.3	1,954	2,130	8.2	8.2	47.4	43.4
Triveni Engg.*		98,723	52,201	58,465	6,264	7,016	12.0	12.0	3,952	4,022	7.6	6.9	25.0	24.5
EMS Ltd		42,569	7,933	9,916	2,038	2,380	25.7	24.0	1,527	1,710	19.2	17.2	27.9	24.9
Power Mech*		99,540	42,067	52,583	4,961	6,257	11.8	11.9	2,487	3,659	5.9	7.0	40.0	27.2
Vishnu Prakash R	Water supply, Sewerage and Sanitation	32,034	14,739	16,949	2,099	2,458	14.2	14.5	1,222	1,392	8.3	8.2	26.2	23.0
Ion Exchange*		92,547	23,917	25,831	3,158	3,435	13.2	13.3	1,954	2,130	8.2	8.2	47.4	43.4
EMS Ltd		42,569	7,933	9,916	2,038	2,380	25.7	24.0	1,527	1,710	19.2	17.2	27.9	24.9
Power Mech*		99,540	42,067	52,583	4,961	6,257	11.8	11.9	2,487	3,659	5.9	7.0	40.0	27.2
Triveni Engg.*		98,723	52,201	58,465	6,264	7,016	12.0	12.0	3,952	4,022	7.6	6.9	25.0	24.5
SPML Infra		14,599	13,190	11,501	133	104	1.0	0.9	(16)	580	(0.1)	5.0	-	25.2
WPIL		42,402	16,644	18,308	2,983	3,076	17.9	16.8	6,838	1,335	41.1	7.3	6.2	31.8
SEPC Ltd		43,939	5,610	-	263	-	4.7	-	228	-	4.1	-	192.9	-
Kalpataru Projects*		214,754	196,264	235,517	18,146	19,312	9.2	8.2	5,159	5,573	2.6	2.4	41.6	38.5
Welspun Corp	Water supply pipes and pumps	182,509	173,396	171,662	15,614	16,823	9.0	9.8	11,360	8,069	6.6	4.7	16.1	22.6
Jindal saw		238,856	209,577	-	33,210	-	15.8	-	15,929	-	7.6	-	15.0	-
Shakti Pumps		89,757	13,707	17,134	2,248	2,570	16.4	15.0	1,417	1,619	10.3	9.4	63.3	55.4
Kirloskar Bros		137,060	40,012	44,013	5,196	5,502	13.0	12.5	3,497	3,404	8.7	7.7	39.2	40.3
WPIL		42,402	16,644	18,308	2,983	3,076	17.9	16.8	6,838	1,335	41.1	7.3	6.2	31.8
Roto Pumps		16,206	2,745	-	655	-	23.9	-	394	-	14.4	-	41.1	-
Electrosteel Castings		116,837	74,780	-	11,784	-	15.8	-	7,402	-	9.9	-	15.8	-
Jai Balaji		194,674	64,138	75,683	9,063	13,623	14.1	18.0	8,796	9,363	13.7	12.4	22.1	20.8
KSB (For CY)		154,860	22,472	25,843	2,936	3,489	13.1	13.5	2,087	-	9.3	-	74.2	-
Patel Engg.	Hydro power EPC	46,441	45,441	49,985	6,903	5,998	15.2	12.0	3,016	1,133	6.6	2.3	15.4	41.0
Om Infra		15,794	11,138	14,123	893	1,455	8.0	10.3	471	792	4.2	5.6	33.5	19.9
Jash Engg.	Hydro mechanical components	26,613	5,157	6,085	985	1,187	19.1	19.5	668	712	12.9	11.7	39.9	37.4
Om Infra		15,794	11,138	14,123	893	1,455	8.0	10.3	471	792	4.2	5.6	33.5	19.9
Texmaco (Hydromechanical)*		76,800	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Praj Industries	Water for Semiconductor (Ultrapure water), water for green hydrogen	137,492	34,663	38,129	3,878	4,766	11.2	12.5	2,834	3,158	8.2	8.3	48.5	43.5
Thermax (Industrial Products)*		619,613	40,552	-	-	-	-	-	3,970	-	9.8	-	156.1	-
Va Tech Wabag		91,357	28,564	32,849	3,757	4,599	13.2	14.0	2,504	3,416	8.8	10.4	36.5	26.7
Taylormade		5,284	469	1,000	161	-	34.3	-	106	-	22.6	-	49.8	-
Ion Exchange*	Water treatment chemicals	92,547	23,917	25,831	3,158	3,306	13.2	12.8	1,954	2,032	8.2	7.9	47.4	45.5
Thermax (Chemical)*		619,613	6,634	-	-	-	-	-	1,238	-	18.7	-	500.6	-
Chembond Chem		8,082	4,620	-	493	-	10.7	-	443	-	9.6	-	18.2	-
Praj Industries	Zero liquid discharge	137,492	34,663	38,129	3,878	4,766	11.2	12.5	2,834	3,158	8.2	8.3	48.5	43.5
Ion Exchange		92,547	23,917	25,831	3,158	3,435	13.2	13.3	1,954	2,130	8.2	8.2	47.4	43.4
Thermax (Industrial Products)*		619,613	40,552	-	-	-	-	-	3,970	-	9.8	-	156.1	-
Triveni Engg.*		98,723	52,201	58,465	6,264	7,016	12.0	12.0	3,952	4,022	7.6	6.9	25.0	24.5
Taylormade	5,284	469	1,000	161	-	34.3	-	106	-	22.6	-	49.8	-	

Source: Companies' concalls, investor presentations, annual reports, management meetings \*water related projects

# Sector at a Glance

## Why Is There A Need for Water Treatment?



### Why Surge in Water Treatment Industry?

**Stars Aligning:** Budgetary allocation to Jal Jeevan Mission has increased with CAGR of 48% between FY2020-2025.

91mn people (6% of the population) lack access to safe water, and 746mn people (54%) lack access to safely managed household sanitation facilities. As per NITI Aayog, 40% of India's population will not have access to drinking water by 2030.

### India's Water distribution

With ~10lakh crores opportunities In next 10 years, for water and sanitation related projects. The market landscape is ripe with opportunities.

## PLAYERS IN WATER INFRASTRUCTURE VALUE CHAIN

<p><b>Water Treatment and Desalination</b></p>	<p><b>Water Supply, Sewerage</b></p>	<p><b>Water Supply Pipes and Pumps</b></p>	<p><b>Hydro EPC</b></p>
<p><b>Hydro Mechanical Components</b></p>	<p><b>Ultra Pure Water</b></p>	<p><b>Water Treatment Chemicals</b></p>	<p><b>Zero Liquid Discharge</b></p>

Source: Modor intelligence, CRISIL estimates, SPML Infra annual report, VA Tech Wabag annual report

## Segment-wise Analysis

### Water Treatment EPC, WWT, SWT and Desalination Industry

Company	Order book as on FY24	3-Yr Revenue CAGR as on FY24	3-Yr PAT CAGR as on FY24	Key Highlights	Key Triggers
Va Tech Wabag	114,000	(1.4)	23.8	<ul style="list-style-type: none"> <li>Won contract for 400MLD and 300MLD desalination plant in Chennai and Saudi</li> <li>L1 bidder of Rs60bn in 1QFY25</li> <li>&gt;95% projects are multilateral-funded</li> </ul>	<ul style="list-style-type: none"> <li>Order book stands at ~3.5x of FY24 revenue</li> <li>Higher share of O&amp;M and rising orders from Arabian countries could aid margin.</li> </ul>
Welspun Ent	122,000	28.9	36.3	<ul style="list-style-type: none"> <li>Won EPC for 2,000MLD water treatment plant in Maharashtra</li> <li>Won order worth Rs1.6bn for sewer lines</li> <li>65:35 Oil &amp; Gas JV with Adani Welspun</li> </ul>	<ul style="list-style-type: none"> <li>Order book ~4x of FY24 revenue</li> <li>Water order book increased to 77% of revenue</li> <li>Welspun Michigan is likely to aid profitability.</li> </ul>
Ion Exchange*	35,460	13.9	6.5	<ul style="list-style-type: none"> <li>New order inflows from Saudi Arabian nations</li> <li>Water treatment chemical plant is likely to commission by 4QFY25 with 2x asset T/O</li> <li>New order inflow for demineralization</li> </ul>	<ul style="list-style-type: none"> <li>Focus on highest margin business (chemical) with 25% PBIT margin to drive profitability</li> <li>Focus on standardized products to boost engineering segment revenue</li> </ul>
Triveni Engg*	12,234	5.9	(2.3)	<ul style="list-style-type: none"> <li>Order book mostly consists of is HAM, multilateral-funded projects</li> <li>Order inflow from water biz to rise in FY25</li> <li>Water order book stood at Rs12.23bn in FY24</li> </ul>	<ul style="list-style-type: none"> <li>Order inflow likely to increase from Europe</li> <li>Target for 20% ethanol blending by ESY26</li> <li>Multi-feed ethanol distillery set up in UP</li> </ul>
EMS	18,000	30.1	24.5	<ul style="list-style-type: none"> <li>Record EBITDA margin of 24-25%; rise in the share of HAM/multilateral-funded projects</li> <li>50% of assets are owned.</li> </ul>	<ul style="list-style-type: none"> <li>Book-to-bill ratio stands at 2.3x as on 1QFY25</li> <li>Robust bid pipeline of &gt;Rs40bn</li> <li>Raised equity of Rs4bn</li> </ul>
Power Mech*	53,308	15.8	21.5	<ul style="list-style-type: none"> <li>Rising share of non-power biz over past 5 years to 40%</li> <li>To benefit from expansion of Adani Power, BHEL etc.</li> </ul>	<ul style="list-style-type: none"> <li>Bid pipeline of Rs750bn; likely to get orders worth ~Rs110bn in FY25</li> <li>Shift in focus to industrial plants, O&amp;M, Railway and water business</li> <li>Sand mining and water EBITDA to increase</li> </ul>

### Water Supply, Sewerage and Sanitation Industry

Company	Order book as on FY24	3-Yr Revenue CAGR as on FY24	3-Yr PAT CAGR as on FY24	Key Highlights	Key Triggers
Vishnu Prakash	47,170	165.7	39.7	<ul style="list-style-type: none"> <li>Enjoys highest EBITDA margin in JJM projects</li> <li>Asset heavy model</li> <li>Full backward integration to aid EBITDA margin</li> </ul>	<ul style="list-style-type: none"> <li>Book-to-bill ratio stands at 3.4x</li> <li>Plans to venture into sewerage project</li> <li>Expects 14-15% EBITDA margin from new biz</li> <li>Increasing geographical diversification with new orders from Goa, TN and Telangana</li> </ul>
Ion Exchange*	35,460	13.9	6.5	<ul style="list-style-type: none"> <li>New order inflow from Saudi Arabian nations</li> <li>Water treatment chemical plant is likely to commission by 4QFY25 with 2x asset T/O</li> <li>New order inflow for demineralization</li> </ul>	<ul style="list-style-type: none"> <li>Focus on highest margin business (chemical) with 25% PBIT margin to drive profitability</li> <li>Focus on standardized products to boost engineering segment revenue</li> </ul>
EMS	18,000	30.1	24.5	<ul style="list-style-type: none"> <li>Record EBITDA margin of 24-25%; rise in the share of HAM/multilateral-funded projects</li> <li>50% of assets are owned.</li> </ul>	<ul style="list-style-type: none"> <li>Book-to-bill ratio stands at 2.3x as on 1QFY25</li> <li>Robust bid pipeline of &gt;Rs40bn</li> <li>Raised equity of Rs4bn</li> </ul>
Power Mech*	53,308	15.8	21.5	<ul style="list-style-type: none"> <li>Rising share of non-power biz over past 5 years to 40%</li> <li>Expected to benefit from expansion of Adani Power, BHEL etc.</li> </ul>	<ul style="list-style-type: none"> <li>Bid pipeline of Rs750bn; likely to get orders worth ~Rs110bn in FY25</li> <li>Shift in focus to industrial plants, O&amp;M, Railway and water business</li> <li>Sand mining and water EBITDA to rise further</li> </ul>
Triveni Engg.*	12,234	5.9	(2.3)	<ul style="list-style-type: none"> <li>Order book mostly consists of is HAM, multilateral-funded projects</li> <li>Order inflow from water biz to rise in FY25</li> <li>Water order book stood at Rs12.23bn in FY24</li> </ul>	<ul style="list-style-type: none"> <li>Order inflow likely to increase from Europe</li> <li>Target for 20% ethanol blending by ESY26</li> <li>Multi-feed ethanol distillery set up in UP</li> </ul>
SPML Infra	13,000	11.5	(126.1)	<ul style="list-style-type: none"> <li>Prequalified to bid for Rs5-10bn projects</li> <li>Pending arbitration awards of Rs40.9bn, out of which Rs15-16bn is likely to be converted; to utilized for paring debt</li> </ul>	<ul style="list-style-type: none"> <li>Old orders have less margin, while new orders have EBITDA margin of &gt;10%</li> <li>Raised Rs3.53bn fund to bid for new project</li> <li>Expects to create a bid pipeline of &gt;Rs3bn</li> </ul>
WPIL*	34,017	12.1	79.5	<ul style="list-style-type: none"> <li>Major focus on water supply projects (JJM) with expectation to increase irrigation projects</li> <li>The company expects increase in irrigation projects in FY25 and FY26</li> </ul>	<ul style="list-style-type: none"> <li>Increase in South Africa revenue in FY25</li> <li>Gruppo Autria (subsidiary) won some large pump orders be executed in H2FY25</li> <li>Plans to up export revenue thru acquisitions</li> </ul>
SEPC	11,660	19.4	29.0	<ul style="list-style-type: none"> <li>MarkAB infused Rs3.5bn in the company, and submitted resolution plan to PNB</li> <li>Margins remained muted in FY24 due to execution of low-margin old orders</li> </ul>	<ul style="list-style-type: none"> <li>To benefit from the Government of India's focus on water and waste water treatment</li> <li>Weak book-to-bill ratio of 1.7x with order book of Rs9.5bn.</li> </ul>
Kalpataru Projects*	10,667	9.9	(1.2)	<ul style="list-style-type: none"> <li>Targets to bring down working capital days from 120 to 100 in FY25</li> <li>Targets new order inflow of Rs220-230bn</li> </ul>	<ul style="list-style-type: none"> <li>Cash-flow from water biz is likely to improve</li> <li>Bagged orders worth Rs120bn in 1QFY25 with book-to-bill ratio of 0.6x in 1Q</li> <li>Robust book-to-bill ratio of 3x of FY24 revenue</li> </ul>

Source: Companies' concalls, investor presentations, annual reports, management meetings \*water related projects

## Water Supply Pipes Industry

Company	Order book as on FY24	3-Yr Revenue CAGR as on FY24	3-Yr PAT CAGR as on FY24	Key Highlights	Key Triggers
Welspun Corp	90,560	38.7	36.8	<ul style="list-style-type: none"> <li>EBITDA margin of \$200-\$250/ton in Oil &amp; Gas</li> <li>Total capacity: 1.8MTPA</li> <li>Order book for DI pipes: 300kt; visibility of 9-10-month</li> </ul>	<ul style="list-style-type: none"> <li>Greenfield expansion in Saudi with Rs5bn capex</li> <li>Foray into plastic pipes biz by acquiring BAPL</li> <li>Bagged orders of Rs1.65bn from ARAMCO</li> <li>Rs23.5bn capex in PVC division</li> </ul>
Jindal Saw	125,000	16.4	61.8	<ul style="list-style-type: none"> <li>Total pipes and tubes capacity: ~2.5MTPA</li> <li>Acquisition of Sathavana Sipat for Rs10.0bn</li> <li>Larger diameter pipes are used in river interlinking and river to reservoir section</li> </ul>	<ul style="list-style-type: none"> <li>\$251mn worth projects from the UAE</li> <li>Rise in DI pipes capacity with acquisition of Sathavana Sipat; DI pipes (210KTPA), pig iron (250KTPA).</li> </ul>
Shakti Pumps	24,000	5.2	29.8	<ul style="list-style-type: none"> <li>Plans to increase execution and reduce cost</li> <li>Focus on expanding to new geographies</li> <li>Raised Rs2.0bn via QIP</li> <li>Plans to invest Rs2.5bn for EV in FY25 and FY26</li> </ul>	<ul style="list-style-type: none"> <li>Key beneficiary of Maharashtra Govt's initiative to allot 8.5lakh solar pumps in state budget</li> <li>Plans to expand EV business without debt</li> <li>Key beneficiary of PM KUSUM Scheme</li> </ul>
Kirloskar Bros.	30,000	9.4	54.8	<ul style="list-style-type: none"> <li>Recent investment for technological improvement to aid operational efficiency.</li> </ul>	<ul style="list-style-type: none"> <li>Focus on high-margin value-added products</li> <li>No plan to aggressively expand into solar pumps</li> <li>Higher orders for pumps for flood control/irrigation</li> </ul>
WPIL	34,017	12.1	79.5	<ul style="list-style-type: none"> <li>Major focus on water supply projects (JJM)</li> <li>Expects rise in irrigation projects in FY25 and FY26</li> </ul>	<ul style="list-style-type: none"> <li>Increase in South Africa revenue in FY25</li> <li>Gruppo Atria (subsidiary) has received orders for large pump to be executed in 2HFY25</li> <li>Plans to increase export revenue via acquisition</li> </ul>
Roto Pumps	-	16.1	9.2	<ul style="list-style-type: none"> <li>Major chunk of revenue comes from centrifugal pumps</li> <li>Phase-wise capex for manufacturing solar pumping systems</li> </ul>	<ul style="list-style-type: none"> <li>Margin is expected to rise due to focus on value added products</li> <li>Expected to benefit from government outlay for irrigation systems</li> </ul>
Electrosteel Castings	45,000	12.3	28.7	<ul style="list-style-type: none"> <li>Bagged large government and private orders</li> <li>Invested in R&amp;D to improve manufacturing process and product quality</li> </ul>	<ul style="list-style-type: none"> <li>Rs7bn capex underway to increase capacity to 1MTPA by FY26 (spent Rs4.1bn till 1QFY25)</li> <li>Expected to receive major order from AP Govt</li> <li>India needs DI pipes of 5-6mn ton annually</li> </ul>
Jai Balaji	-	11.0	163.5	<ul style="list-style-type: none"> <li>Investing Rs10bn for capacity expansion. 70% of capex is already in current and the rest is likely to spent in FY26</li> <li>Low cost producer of DI pipes with conversion cost of Rs13-14/kg from pig iron to DI pipes</li> </ul>	<ul style="list-style-type: none"> <li>DI pipe capacity is likely to double to 660KTPA by FY26</li> <li>Contribution of specialized products (DI pipes and ferroalloys) is expected to increase</li> </ul>
KSB (For CY)	11,948	14.5	11.8	<ul style="list-style-type: none"> <li>The third largest player in pumps and valves globally; to incur Rs1bn capex in CY24</li> <li>Bagged Rs63mn orders for waste water projects</li> </ul>	<ul style="list-style-type: none"> <li>Solar pumps are likely to contribute to Rs1.4bn revenue in CY24</li> <li>EBITDA margin is likely to increase due to increasing O&amp;M</li> </ul>

## Hydro Power EPC Industry

Company	Order book as on FY24	3-Yr Revenue CAGR as on FY24	3-Yr PAT CAGR as on FY24	Key Highlights	Key Triggers
Patel Engg.	186,630	10.4	63.6	<ul style="list-style-type: none"> <li>Payment cycle has improved in terms of payables</li> <li>Book to bill ratio of ~4x</li> <li>It expects 30GW tenders to be out by FY28</li> </ul>	<ul style="list-style-type: none"> <li>Increasing capacity of pump storage hydro projects as a water battery with an expected capacity addition of at least 5-10GW</li> <li>It also expects new tenders for river interlinking</li> </ul>
Om Infra	22,350	52.7	77.1	<ul style="list-style-type: none"> <li>Pre-qualified for small scale hydro and irrigation projects</li> <li>Market leader in EPC of hydro mechanical components in India</li> </ul>	<ul style="list-style-type: none"> <li>Book-to-bill ratio of 2.2x</li> <li>New opportunism from pump storage hydro projects</li> <li>Expected to add new orders of Rs10bn in FY25</li> </ul>
HCC*	27,235	(13.1)	(5.3)	<ul style="list-style-type: none"> <li>Bid pipeline of Rs400bn</li> <li>Focus on decreasing debt</li> </ul>	<ul style="list-style-type: none"> <li>L1 bidder of Rs46.3bn</li> <li>Raised Rs6bn via QIP</li> </ul>

## Hydro Mechanical Components Industry

Company	Order book as on FY24	3-Yr Revenue CAGR as on FY24	3-Yr PAT CAGR as on FY24	Key Highlights	Key Triggers
Jash Engg.	8,160	11.9	27.5	<ul style="list-style-type: none"> <li>Market leader in water control gates in India and among Top-5 in world</li> <li>Diversification into water screening and coarse screening equipment and valves</li> </ul>	<ul style="list-style-type: none"> <li>Subsidiaries are turning profitable</li> <li>EBITDA margin is expected to expand further</li> <li>New Chennai unit with Rs200mn capex is likely to commission in FY25</li> </ul>
Om Infra	22,350	52.7	77.1	<ul style="list-style-type: none"> <li>It has PQ for small hydro and irrigation projects</li> <li>Market leader in EPC of hydro-mechanical components in India</li> </ul>	<ul style="list-style-type: none"> <li>Book-to-bill ratio of 2.2x</li> <li>New opportunities in pump storage hydro projects; likely to add another Rs10bn in FY25</li> </ul>
Texmaco Rail*	11,000	NA	-	<ul style="list-style-type: none"> <li>1. Hydro mechanical component contributes to less than 10% of revenue. While majority of revenue comes from wagon business</li> </ul>	<ul style="list-style-type: none"> <li>No growth plans in hydro mechanical equipment business</li> </ul>

Source: Companies' concalls, investor presentations, annual reports, management meetings \*water related projects

**Water for Semiconductor (Ultrapure Water), Water for Green Hydrogen**

Company	Order book as on FY24	3-Yr Revenue CAGR as on FY24	3-Yr PAT CAGR as on FY24	Key Highlights	Key Triggers
Praj Industries	38,550	13.9	23.6	<ul style="list-style-type: none"> <li>Commands ~55% market share in ethanol EPC</li> <li>Capable to produce ethanol from ~9,000 different feedstock</li> </ul>	<ul style="list-style-type: none"> <li>Rs1,000mn capex for Mangalore unit</li> <li>Government's target for 20% ethanol blending</li> </ul>
Thermax (Indu. Products)*	35,000	16.3	29.8	<ul style="list-style-type: none"> <li>It offers clean air, energy and water solution under industrial products business</li> </ul>	<ul style="list-style-type: none"> <li>New facility inaugurated in Pune, waste water solutions business</li> <li>Acquisition of TSA process equipment's for ultrapure water solutions</li> </ul>
Va Tech Wabag	114,000	(1.4)	23.8	<ul style="list-style-type: none"> <li>Won contract for 400MLD and 300MLD desalination plant in Chennai and Saudi</li> <li>L1 bidder of Rs60bn in 1QFY25</li> <li>&gt;95% projects are multilateral-funded</li> </ul>	<ul style="list-style-type: none"> <li>Order book stands at ~3.5x of FY24 revenue</li> <li>Higher share of O&amp;M and rising orders from Arabian countries could aid margin.</li> </ul>

**Water treatment chemicals**

Company	Order book as on FY24	3-Yr Revenue CAGR as on FY24	3-Yr PAT CAGR as on FY24	Key Highlights	Key Triggers
Ion Exchange*	NA	13.9	6.5	<ul style="list-style-type: none"> <li>New order inflow from Saudi Arabian nations</li> <li>Water treatment chemical plant is likely to commission by 4QFY25 with 2x asset T/O</li> <li>New order inflow for demineralization</li> </ul>	<ul style="list-style-type: none"> <li>Focus on highest margin business (chemical) with 25% EBIT margin to drive profitability</li> <li>Focus on standardized products to boost engineering segment revenue</li> </ul>
Thermax (Chemical)*	1,380	7.2	25.7	<ul style="list-style-type: none"> <li>It manufactures various resins, water treatment and construction chemicals</li> <li>Setting up new manufacturing plant is underway for ion exchange resins in Gujarat</li> </ul>	<ul style="list-style-type: none"> <li>Secured order from large OEMs for industrial water treatment</li> <li>Received orders for drinking water applications</li> </ul>
Chembond chemicals	-	9.8	46.9	NA	NA

**Zero Liquid Discharge**

Company	Order book as on FY24	3-Yr Revenue CAGR as on FY24	3-Yr PAT CAGR as on FY24	Key Highlights	Key Triggers
Praj Industries	38,550	13.9	23.6	<ul style="list-style-type: none"> <li>Commands ~55% market share in ethanol EPC</li> <li>Capable to produce ethanol from ~9,000 different feedstock</li> </ul>	<ul style="list-style-type: none"> <li>Rs1,000mn capex for Mangalore unit</li> <li>Government's target for 20% ethanol blending</li> </ul>
Ion Exchange*	35,460	13.9	6.5	<ul style="list-style-type: none"> <li>New order inflow from Saudi Arabian nations</li> <li>Water treatment chemical plant is likely to commission by 4QFY25 with 2x asset T/O</li> <li>New order inflow for demineralization</li> </ul>	<ul style="list-style-type: none"> <li>Focus on highest margin business (chemical) with 25% PBIT margin to drive profitability</li> <li>Focus on standardized products to boost engineering segment revenue</li> </ul>
Thermax*	35,000	16.3	29.8	NA	NA
Triveni Engg.*	12,234	5.9	(2.3)	<ul style="list-style-type: none"> <li>Order book mostly consists of is HAM, multilateral-funded projects</li> <li>Order inflow from water biz to rise in FY25</li> <li>Water order book stood at Rs12.23bn in FY24</li> </ul>	<ul style="list-style-type: none"> <li>Order inflow likely to increase from Europe</li> <li>Target for 20% ethanol blending by ESY26</li> <li>Multi-feed ethanol distillery set up in UP</li> </ul>

Source: Companies' concalls, investor presentations, annual reports, management meetings \*water related projects

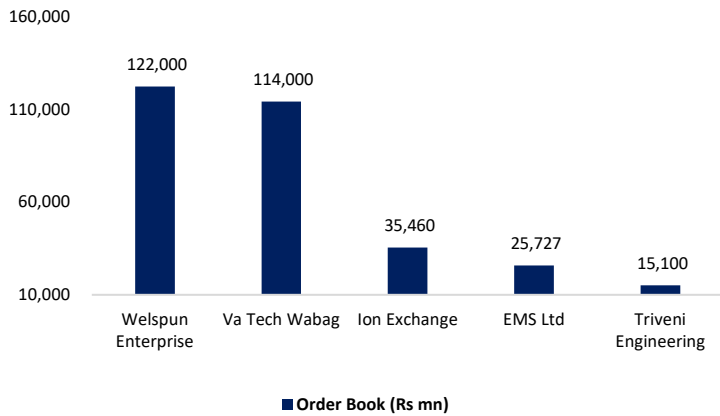
**Budgetary Allocation (BA) to the Ministry of Jal Shakti (Rs bn)**

Department	2019-20 BA	2020-21 BA	2021-22 BA	2022-23 BA	2023-24 BA	2024-25 BA	Change from FY21 to FY25 (%)
<b>Drinking Water and Sanitation</b>							
Jal Jeevan Mission	100.0	115.0	500.1	600.0	700.0	701.6	510.1
SBM-G	99.9	100.1	100.1	72.2	71.9	71.9	(28.2)
Total	200.0	215.2	600.3	672.2	772.2	773.9	259.6
<b>Water Resources</b>							
PMKSY	-	51.8	55.9	109.5	85.9	93.4	80.3
River Interlinking	-	-	-	14.0	35.0	35.0	Introduced in 2023
Namami Gange	-	8.0	6.0	28.0	40.0	33.4	317.5
Atal Bhujal Yojana	-	8.4	9.5	7.0	10.0	17.8	111.9
Others	-	28.4	18.8	7.9	5.0	5.0	(82.4)
Total	-	89.6	90.2	189.7	200.5	213.2	137.9
<b>Grand Total</b>	<b>200.0</b>	<b>304.8</b>	<b>690.5</b>	<b>861.9</b>	<b>972.7</b>	<b>987.1</b>	<b>223.9</b>

Source: Demands for grants 2024-25, Ministry of Jal Shakti

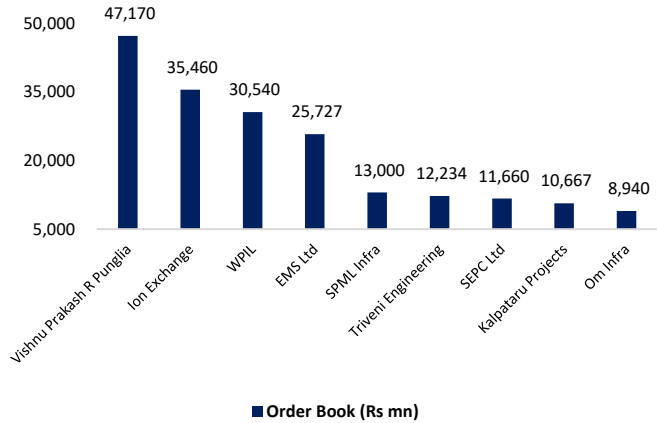
## A Snapshot of Order Book

### Water Treatment EPC - WWT, SWT and Desalination Players



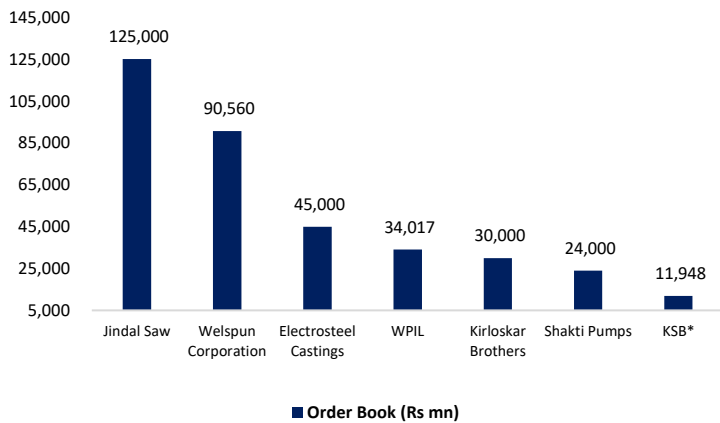
Source: Company, Ashika Institutional Research

### Water Supply, Sewerage and Sanitation Players



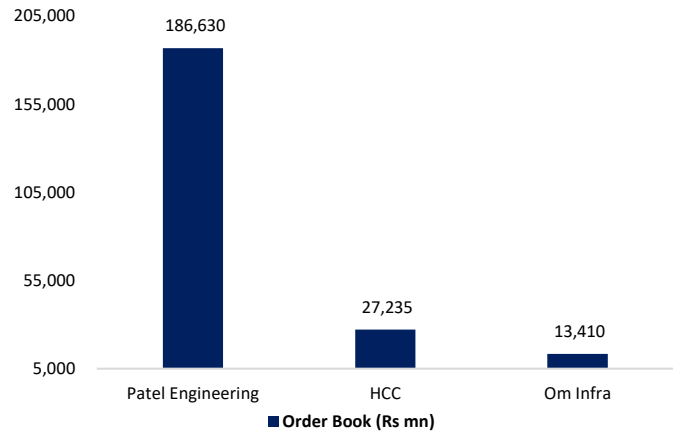
Source: Company, Ashika Institutional Research

### Water Supply Pipes and Pumps Players



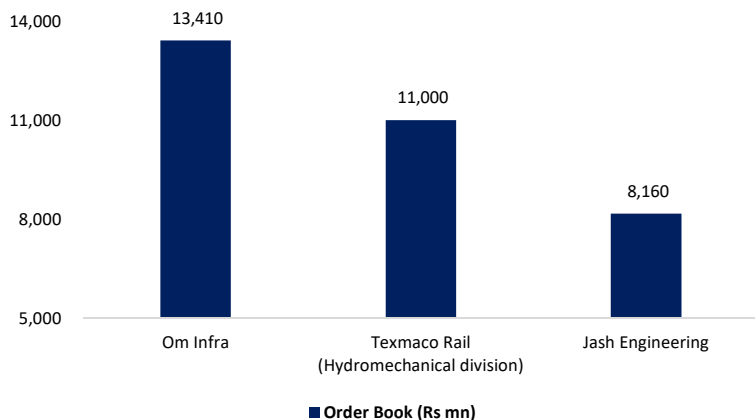
Source: Company, Ashika Institutional Research

### Hydro Power EPC Players



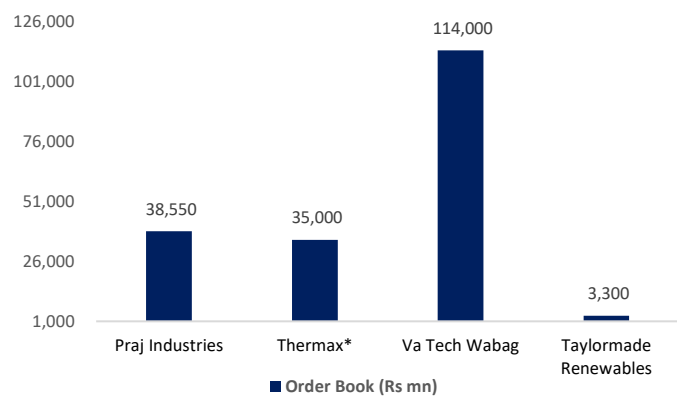
Source: Company, Ashika Institutional Research

### Hydro Mechanical Components Players



Source: Company, Ashika Institutional Research

### Semiconductor (Ultrapure Water), Water for Green Hydrogen Players



Source: Company, Ashika Institutional Research

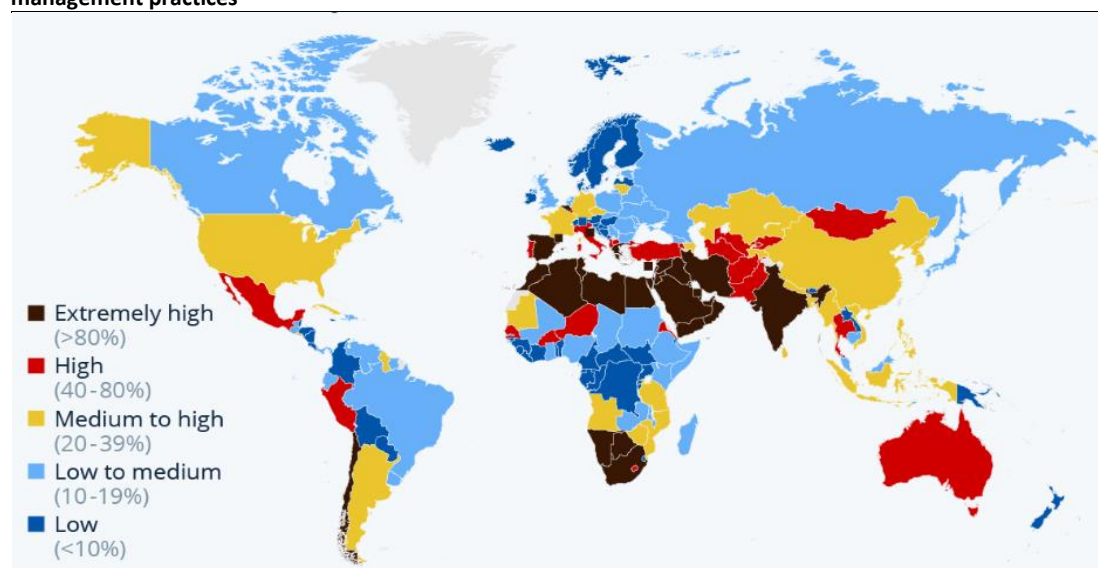
## India's Water Industry – At a Glance

### The Need for Water Treatment

*India needs investment to the tune of Rs10,000bn by 2035 to bridge the expected water supply gap.*

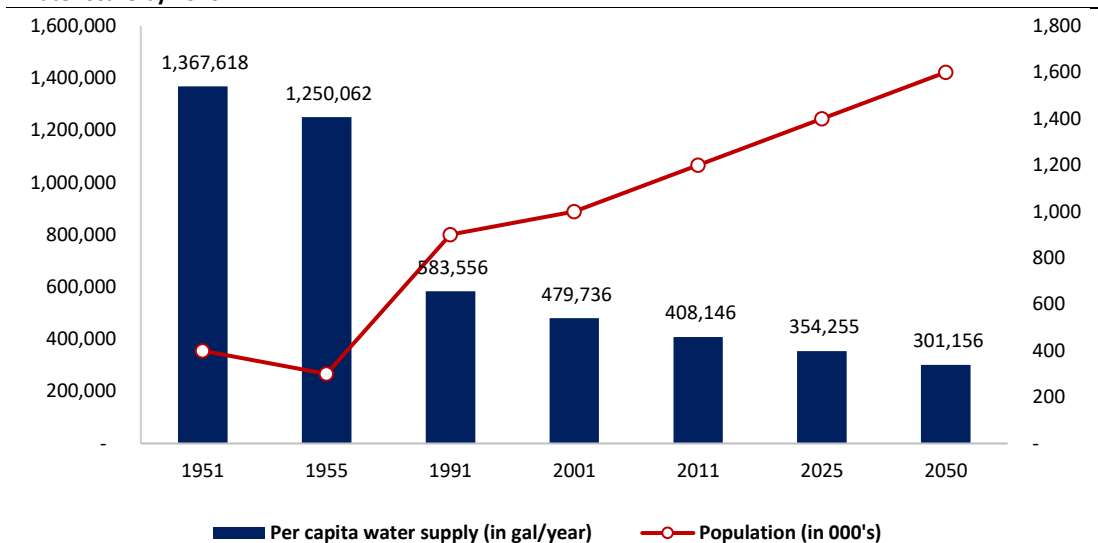
As per a NITI Aayog report, India is one of the most water-stressed regions in the world with 600mn Indians facing extreme water stress with annual per capita water availability of <1,700 cubic metres. The report warns that by 2030, water demand could be twice the existing supply, which could lead to severe water scarcity and ~6% loss to the country's GDP. India's growing population, industrialisation, emergence of new sectors to sustain energy and food security will drive increased demand for drinking water, sanitation and industrial grade waters, while increasing water pollution and uneven rainfall could make things even worse. With inadequate waste water treatment and water management facilities, the surface water continues to get excessively contaminated with sewage, agricultural runoff and even industrial waste. This situation is expected to create demand for circular economy of recycle and reuse of water.

**India's water demand to double by 2030 due to industrialisation, energy generation, agriculture, inefficient water management practices**



Source: Statista, Ashika Institutional Research

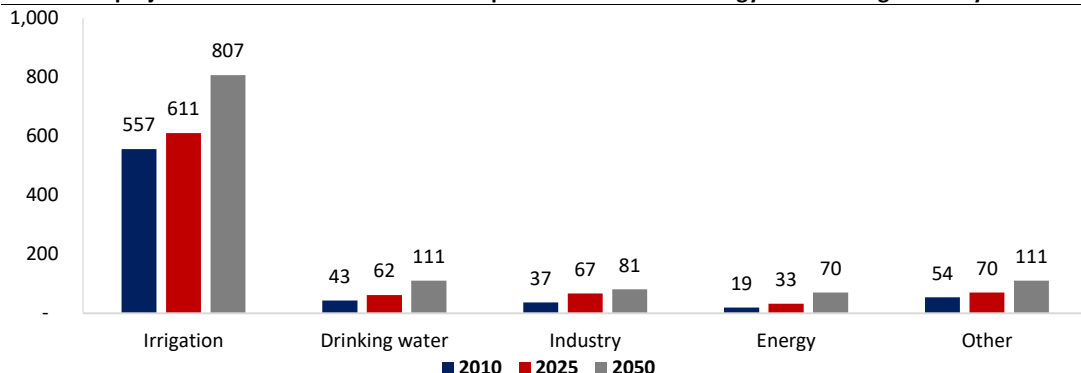
**India annual average per capita of water likely to fall to ~1,367 cum (from ~1,486 cum), making it close to water score by 2040**



Source: VA Tech Wabag Annual Report, Ashika Institutional Research



**Sectorwise projected water demand in India is expected to double in energy and drinking water by 2050**



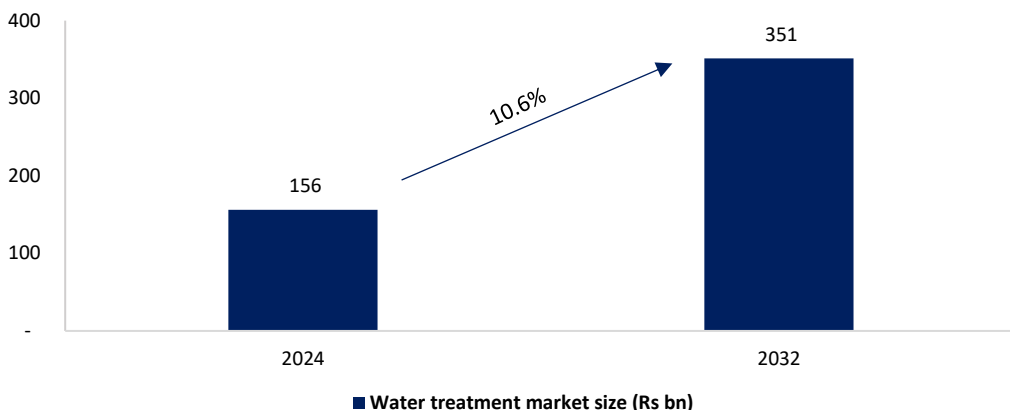
Source: VA Tech Wabag Annual Report, Ashika Institutional Research

**The Size of Water Treatment Industry in India**

India’s current population is ~1.4bn out of which, 65% live in rural areas and 35% are concentrated in urban centers. Currently only 28% (20,236 MLD) of wastewater is treated, which implies that 72% of the wastewater is disposed off into the rivers/lakes/groundwater. Thus, the estimated wastewater generation is ~39,604 MLD in rural areas, while in urban centers, the waste water generation is pegged at 72,368 MLD.

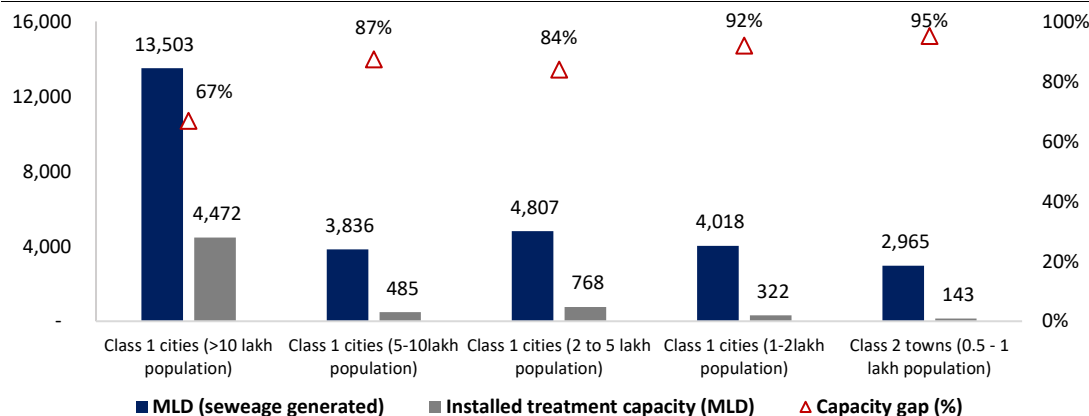
**India’s water and wastewater treatment market is expected to clock 10.6% CAGR, driven by agriculture, industry and urbanization**

India’s water and waste water treatment market is set to increase from \$1.9bn in 2024 and is likely to rise to \$4.2bn in 2032.



Source: VA Tech Wabag Annual Report, Ashika Institutional Research, Jal Shakti

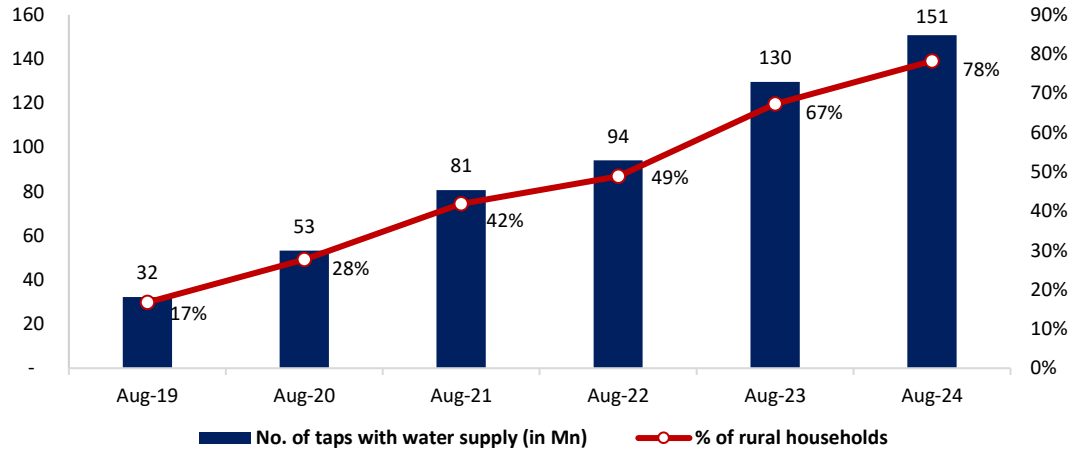
**Sewage treatment gap of 79% in cities presents major opportunity for water treatment companies**



Source: VA Tech Wabag Annual Report, Ashika Institutional Research, Jal Shakti

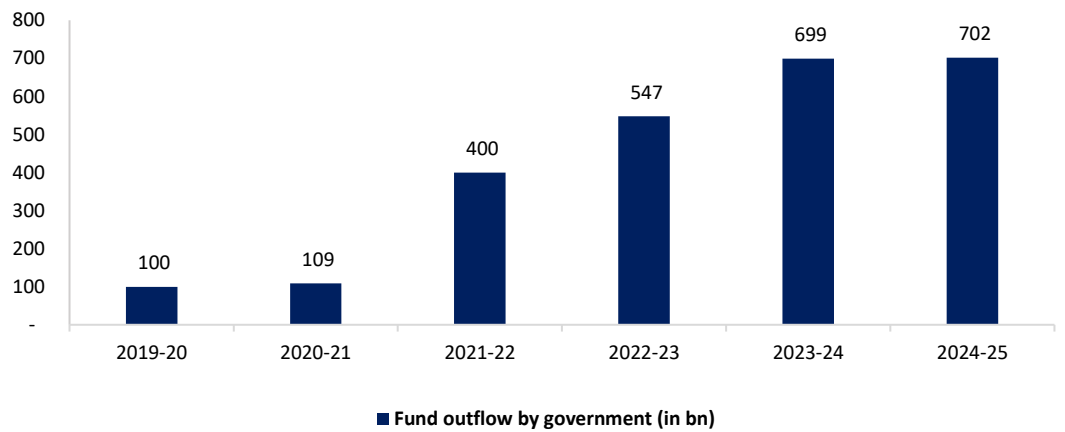
### A Snapshot of Jal Jeevan Mission (JJM)

JJM started with 32.3mn households in Aug'19 to 150.7mn households in Aug'24 with 78% of India's rural households have water supply



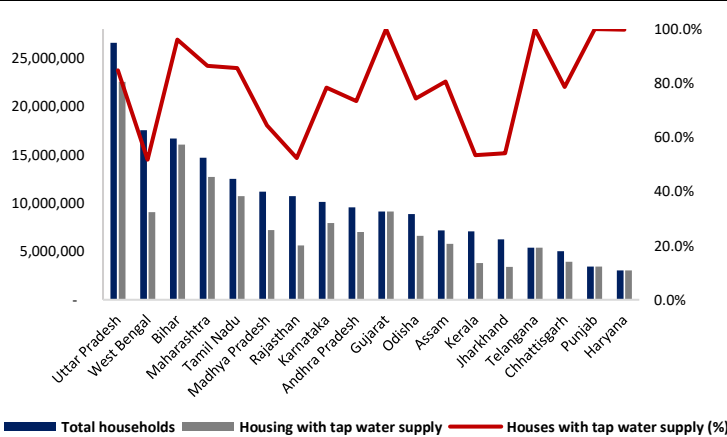
Source: Company, Ashika Institutional Research, Jal Shakti

JJM has seen 266.5% YoY surge in capital outlay in 2021-22; UP being highest of 13.6% of total funds, followed by Assam with 10.5%



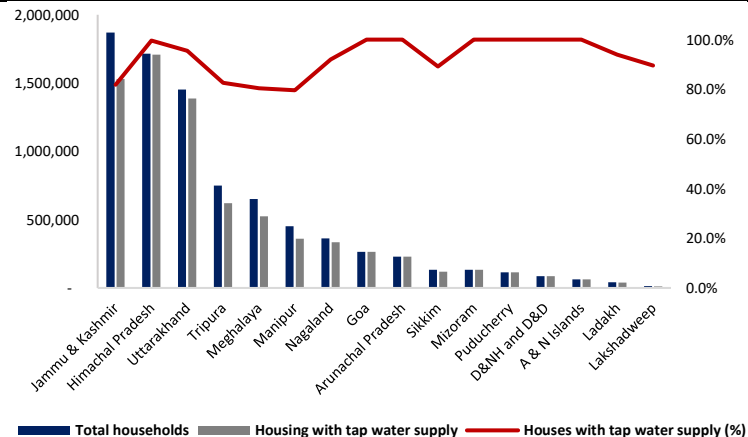
Source: Company, Ashika Institutional Research, Jal Shakti

#### WB & Jharkhand lag behind with only ~50% of tap water connections,



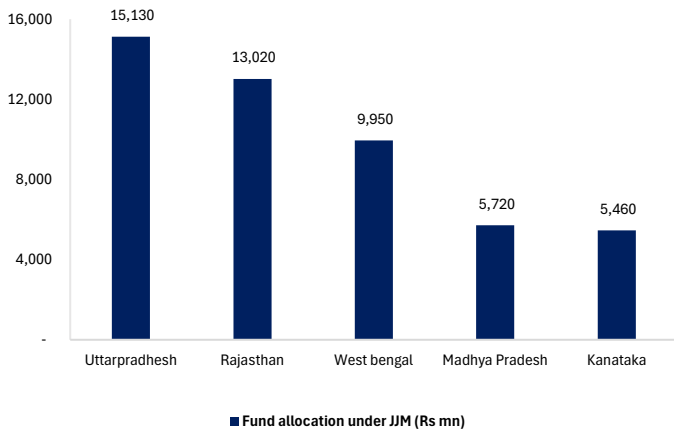
Source: Company, Ashika Institutional Research, Jal Shakti

#### All NE states have >90% of tap water supply in rural areas



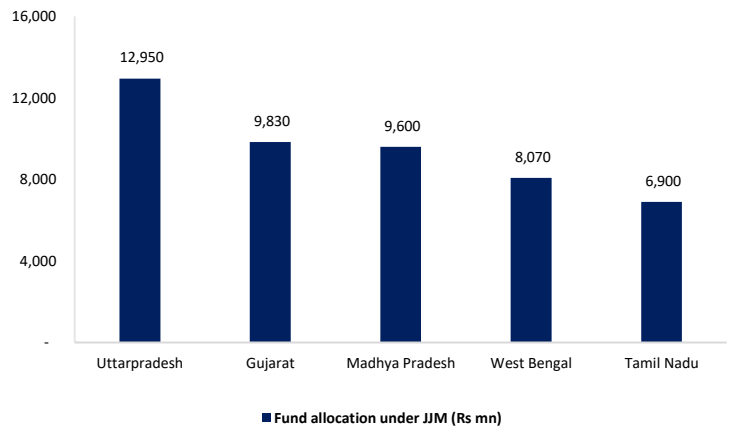
Source: Company, Ashika Institutional Research, Jal Shakti

**In FY20, 15% of total fund for JJM was allocated for UP, 38% allocated to 3 states**



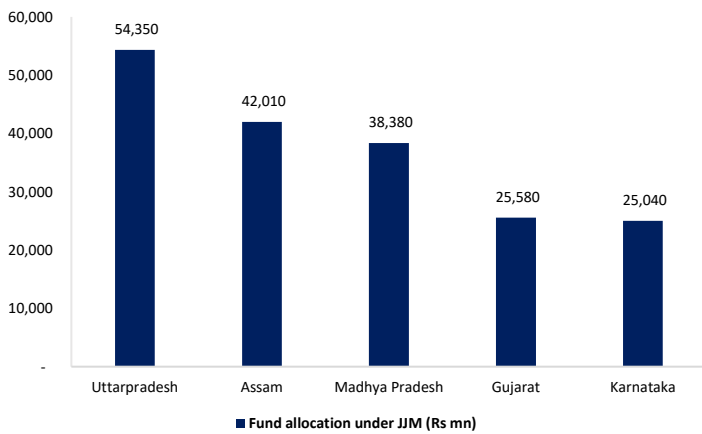
Source: Ashika Institutional Research, Jal Shakti

**In FY21, 9% of total fund for JJM was allocated for Gujarat, 30% allocated to 3 states**



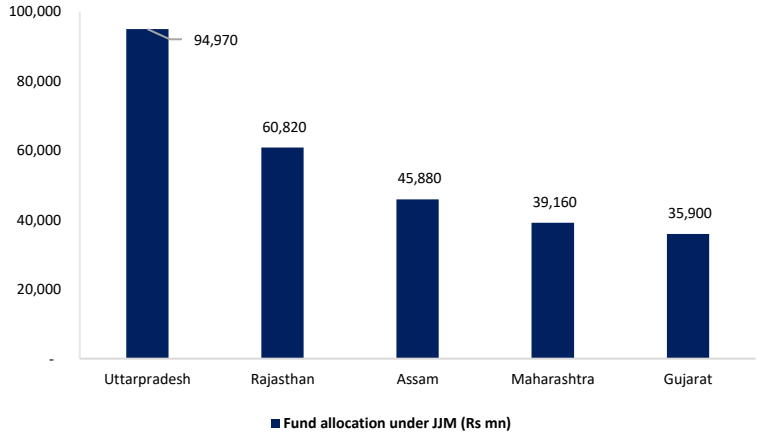
Source: Company, Ashika Institutional Research, Jal Shakti

**In FY22, 10% of total fund for JJM was allocated to Assam**



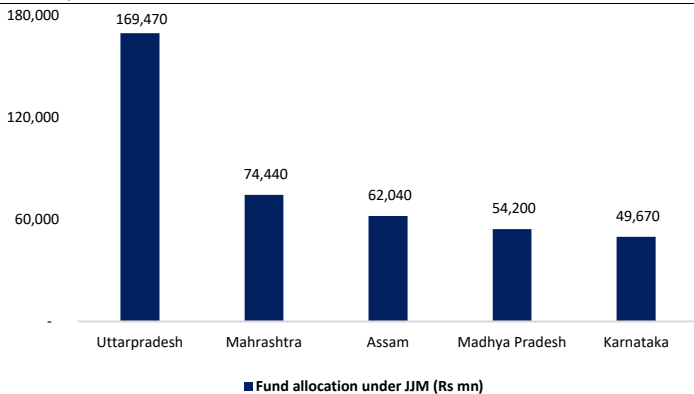
Source: Ashika Institutional Research, Jal Shakti

**In FY23, 17% of total fund for JJM was allocated to UP**



Source Ashika Institutional Research, Jal Shakti

**In FY24, 24% of total fund for JJM was allocated to UP**



Source: Ashika Institutional Research, Jal Shakti

**Whilst more than 70% of India's rural population have tap water supply, several states such as West Bengal, Jharkhand, Rajasthan and Kerala have only 50% tap water supply connections, which would unleash major opportunity in the next 4-5 years.**

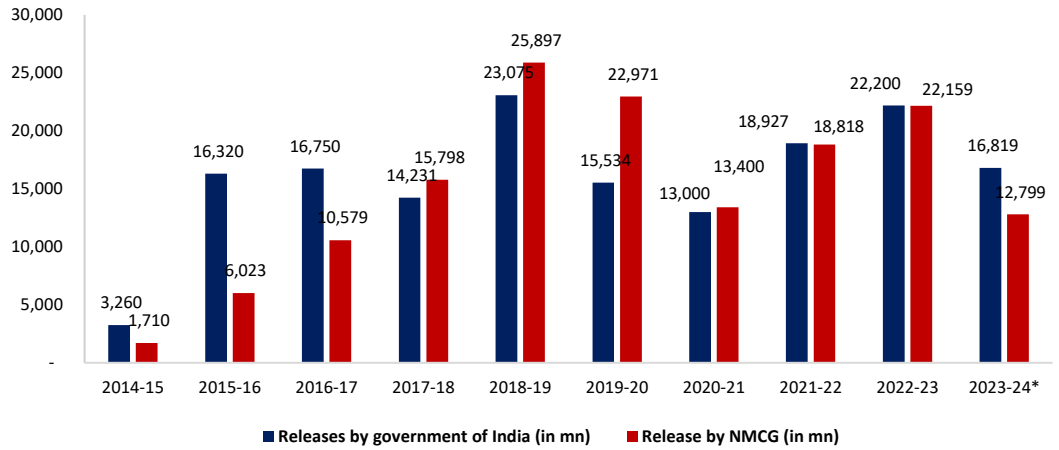
**A Snapshot of Namami Gange Programme**

Ganga basin covers 26% of India's total landmass, with 43% of India's population resides in ganga basin and contributes to 28% of India's water resources. Indian government has launched, Namami Gange Programme in Jun'14 with budget outlay of Rs200bn for abating pollution, conservation and rejuvenation of the river Ganga. Subsequently, the government launced Namami Gange-II with a budgetary allocation of Rs225bn.

Under the programme, 352 projects have been sanctioned so far. The projects consist of 157 sewage treatment (4,900 MLD) and sewer network (5,212 kms) with a sanctioned outlay of Rs304.58bn.

**The GoI released Rs160.1bn over FY15-FY24 of which Rs150.2bn has been spent for projects implementation**

*Namami Gange programme targets to sanction a total treatment capacity of 7,000 MLD by Dec'26, which is likely to generate opportunities of Rs13.8bn in the short-term.*

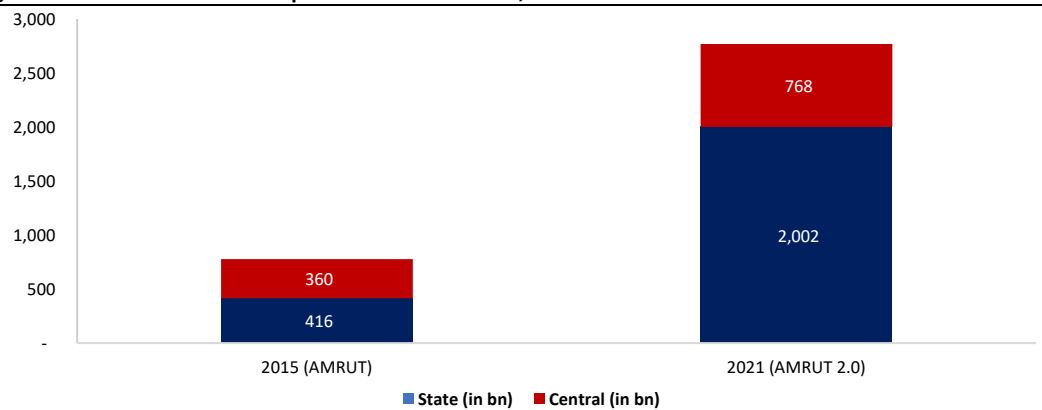


Source: Company, Ashika Institutional Research, NMCG

**A Snapshot of AMRUT - 2.0**

Atal Mission for Rejuvenation and Urban Transformation (AMRUT) was launched on 25th June 2015 in 500 selected cities across the country, covering around 60% of the urban population for enhancing basic infrastructure and implementing urban reforms for selected cities, encompassing water supply, sewerage, drainage, green spaces, non-motorised transport, and capacity building. The GoI launched AMRUT 2.0 scheme in Oct'21, subsuming AMRUT 1.0 for the period of 5 years i.e. from FY22 to FY26 for universal coverage of water supply from 500 cities to ~4,900 statutory towns in the country and coverage of sewerage/septage management in 500 cities covered in AMRUT - 0.1. AMRUT 2.0 aims to promote the circular economy of water through the development of a City Water Balance Plan (CWBP) by recycling/reuse of treated sewage, rejuvenation of water bodies and water conservation.

**Significant ~257% increase in capital allocation to ~Rs2,770bn for AMURUT 2.0**



Source: Company, Ashika Institutional Research, Ministry of Housing and urban affairs

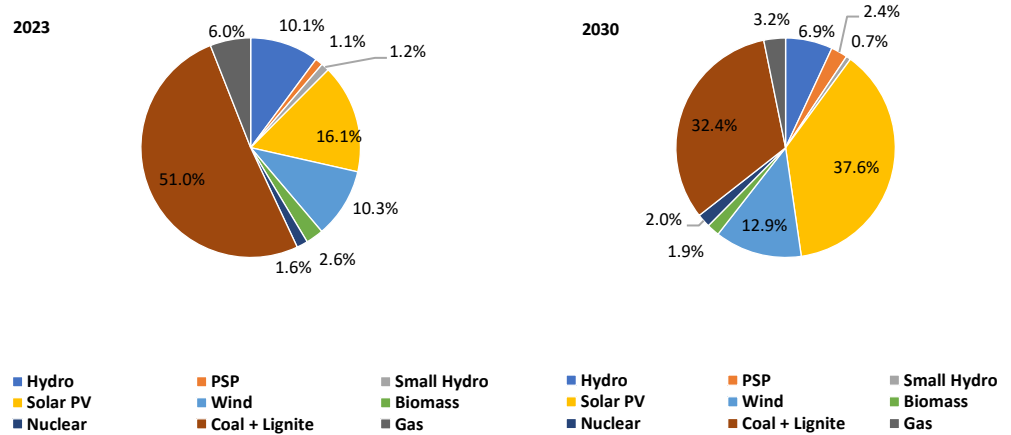
**National framework on recycle and reuse – safe reuse of treated water**

State	SRTW Policy
Gujarat	To reuse 70% TWW by 2025 & 100% by 2030
Haryana	To reuse 60% treated used water (TUW) by 2025 & 100% by 2033
Tamil Nadu	To reduce minimum 25% of freshwater consumption in local water body
Karnataka	100% recycle and reuse of treated wastewater in phased manner
Rajasthan	Recycle and reuse waste water up to 50% in 2024 & Above 50% by March, 2026

Source: Company, Ashika Institutional Research, Ministry of Housing and urban affairs

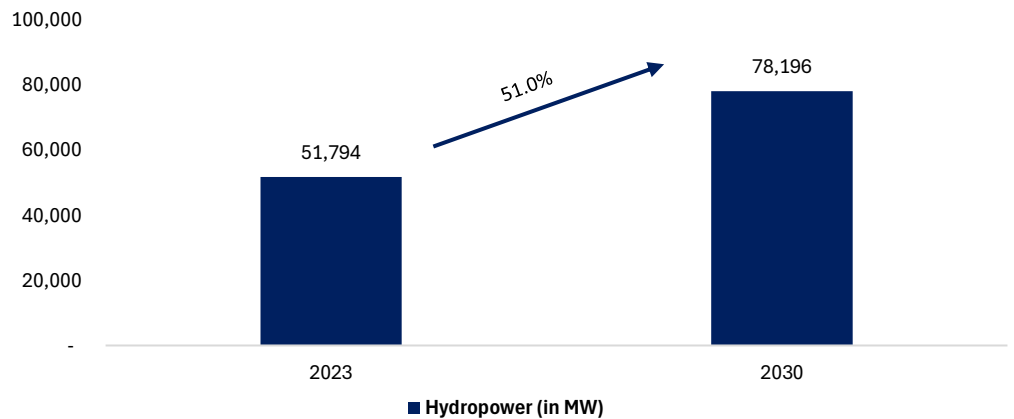
## Hydro Power & Water Battery Storage Industry – At a Glance

Whilst the contribution of hydro power is likely to fall to 10.1% of overall installed capacity in 2030 (from 12.5% in 2023), 26GW capacity is likely to be added till 2030, which offers a huge opportunity for sectoral EPC players



Source: Company, Ashika Institutional Research, CEA

Though hydropower may not get a major chunk in total RE, it is expected to clock 6.1% CAGR over 2023-2030



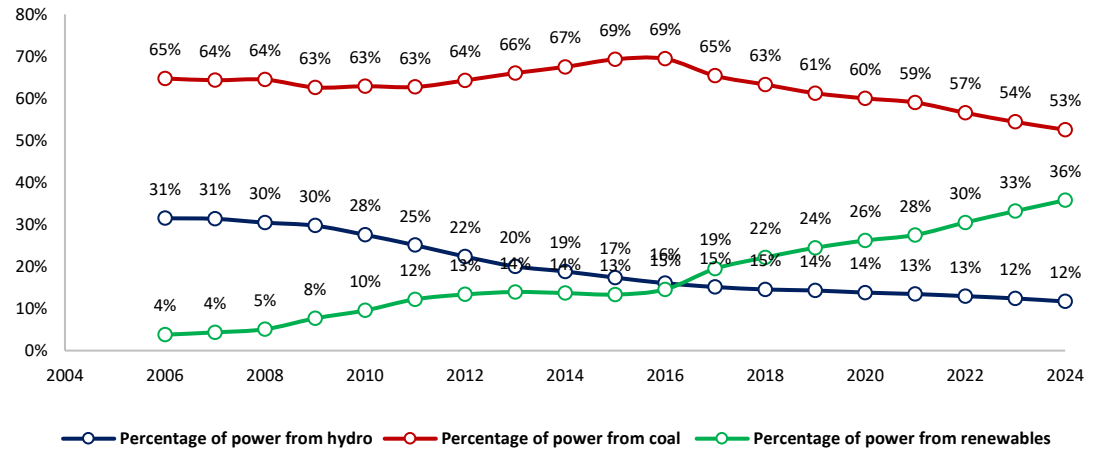
Source: Company, Ashika Institutional Research, CEA

### Region wise power generation in India

Region (as on 31.05.2024)	Thermal (in MW)	RES (in MW) (excluding hydro)	Hydro Power (in MW)	Total (in MW)
Northern region	64,233	39,505	20,829	1,26,188
<b>As % of total power from region</b>	<b>51</b>	<b>31</b>	<b>17</b>	
Western region	86,869	49,669	7,562	1,47,341
<b>As % of total power from region</b>	<b>59</b>	<b>35</b>	<b>5</b>	
Southern region	60,063	54,828	11,827	1,30,038
<b>As % of total power from region</b>	<b>46</b>	<b>42</b>	<b>9</b>	
Eastern region	28,769	2,012	4,764	35,546
<b>As % of total power from region</b>	<b>81</b>	<b>6</b>	<b>13</b>	
North Eastern region	2,943	597	1,944	5,483
<b>As % of total power from region</b>	<b>54</b>	<b>11</b>	<b>35</b>	
Islands	119	40	0	159
<b>As % of total power from region</b>	<b>75</b>	<b>25</b>	<b>0</b>	
All India	2,42,997	1,46,652	46,928	4,44,757
<b>As % of total power</b>	<b>55</b>	<b>33</b>	<b>11</b>	

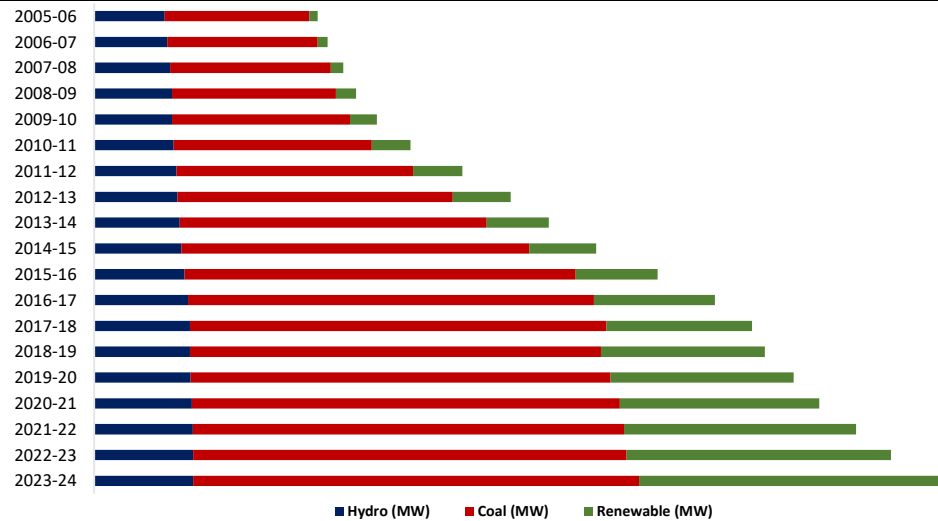
Source: Company, Ashika Institutional Research, CEA

Share of hydro power has gone down from 33% to ~10% in past 20 years due to government’s increased focus on solar and wind energy, while to have sustainable power mix increasing hydro power is essential



Source: Ashika Institutional Research, Economic Times

Hydropower capacity has slowed down in past 20 years, while coal and solar power has increased manifold; the government plans to increase hydel capacity in NE states



Source: Ashika Institutional Research, Economic Times

Ongoing and upcoming PSP projects in India

Schemes	On-River		Off-River		Total	
	Projects (Nos)	Installed Capacity (MW)	Projects (Nos)	Installed Capacity (MW)	Projects (Nos)	Installed capacity (MW)
<b>Existing schemes</b>						
Working in pumping mode	6	3,306			6	3,306
Not in pumping mode	2	1,440			2	1,440
<b>Sub-total</b>	<b>8</b>	<b>4,746</b>			<b>8</b>	<b>4,746</b>
Schemes under construction	3	1,580	1	1,200	4	2,780
DPRs concurred by CEA	1	1,000			1	1,000
Under examination	1	1,350			1	1,350
Schemes under survey & Investigation	6	8,200	27	33,950	33	42,150
Schemes under survey & investigation held up	3	4,500	2	820	5	5,320
<b>Grand Total</b>	<b>22</b>	<b>21,376</b>	<b>30</b>	<b>35,970</b>	<b>52</b>	<b>57,346</b>

Source: Ashika Institutional Research, CEA

In light of the current scenario, we expect the major demand for hydropower to come from pump storage hydro projects in states i.e., Maharashtra, Tamil Nadu and Andhra Pradesh and hydropower dams in NE states.

## Companies Section

# VA Tech Wabag (VATW IN)

BUY ▲17% | Target Price: Rs 1,720

## Sectoral Tailwinds to Drive Growth; Strategic Shift in Focus to Aid Margin Expansion

### Key Highlights

- O&M business increased from 13.4% in FY22 to 16.3% in FY24. Looking ahead, we expect the O&M share to sustain at 17% to 19% till FY26.
- The company has recently received orders from Saudi, which are expected to have higher margins compared to domestic orders. This is expected to aid in profitability.
- Being in the industry from 100 years, the company has executed >6,500 projects across 25 countries, which gives the company technical eligibility to bid for all kinds of projects globally.
- The company has been reporting consistent expansion in EBITDA margin from FY21, led by lower material and civil cost. It has shifted its focus to engineering and procurement from civil and construction activities, which is expected to aid in margin.
- Its order book stands at Rs106.7bn, to be executed in the next 2½-3½ years, which is expected to clock 15-20% CAGR over the next 2 years. Notably, its book-to-bill ratio of ~4x as of FY24 revenue.
- More than >90% projects are HAM and funded by multi-lateral funding agencies, which is expected to reduce the receivables and expected investment in the company.

**Shift in Focus to EP Projects:** The company has shifted its focus from being an EPC company to engineering and procurement and outsourcing civil construction from subcontractors. This helps the company to be asset light. On an average 10-15% of project cost is engineering and design, 15-20% is for procurement, 10% is for commission and installation and 60% is for construction. This strategy has helped the company to improve its EBITDA margin. With increasing O&M in revenue with 45% of revenue as revenue, the company's EBITDA margin is expected to improve to 14%.

**Order Book and Book-to-Bill Rati:** The company has an order book of Rs106.7bn (~4x of FY24 revenue) to be executed in the next 2½-3½ years. Domestic orders constitute 69% of total order book, while export orders account for the rest. The company has bid for worth projects \$1bn out of this at least half a billion is expected to be converted to order book. Looking ahead, we expect asset light model to lead to lean balance sheet, healthy RoCE and improved FCF. Besides, the company is already a preferred bidder for projects worth Rs60bn and aims to maintain book-to-bill ratio of 4x.

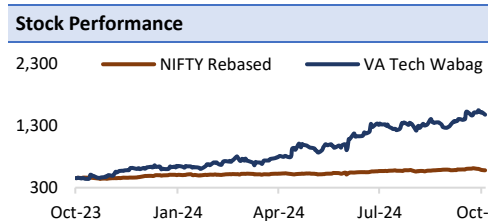
**Cash flow to Improve in FY25:** The company is expected to receive majority of cash from its debtors, which was deferred in FY24, which is expected to improve its OCF in FY25

### Outlook & Valuation – Assign BUY

The company has shown steady improvement in trends, with rising order book, pick-up in execution and improved cash flows. Focus on O&M and EP projects and evolving as a technology company, augur well for the company in terms of margin. We expect rising global demand for water treatment and circular economy to bode well for the company. **Hence, we assign BUY on VA Tech Wabag with a Target Price of Rs1,719, valuing the stock at 30.6x of FY26E EPS.**

Stock Information	
CMP (Rs)	1,469
52 Week H/L	1,569/435
Market Cap (Rs bn)	91.8
Free Float (%)	81.0
Shares O/S (mn)	62.2
6M Daily Avg Volume (mn)	8.3

Shareholding Pattern (%)			
	Dec-23	Mar-24	Jun-24
Promoters	19.1	19.1	19.1
FII / NRI	13.1	12.5	11.5
MF/DII	5.9	5.6	5.0
Others	61.9	62.8	64.4



Return (%)	3 Months	6 Months	1 Year
Absolute Return	10.6	83.9	224.7

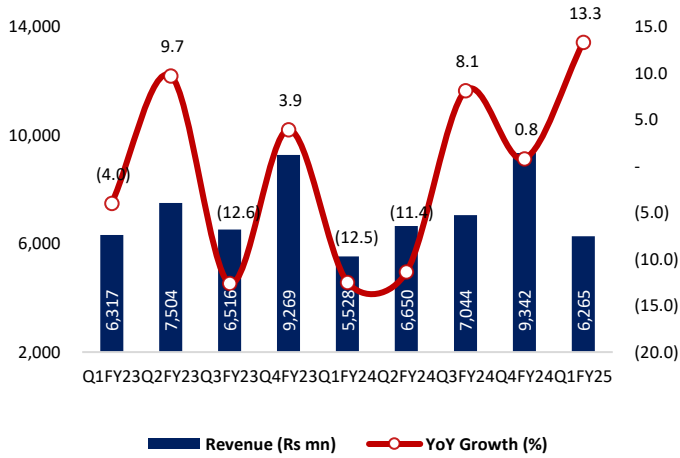
Valuation	FY24	FY25E	FY26E
P/E(x)	36.5	30.8	26.1
EV/EBITDA	23.9	18.2	14.4
RoE (%)	14.8	15.1	15.3
RoCE (%)	11.9	12.4	12.8

Financials (Rs mn)	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ (%)	FY24	FY25E	YoY (%)
Revenue	6,265	5,528	13.3	9,342	(32.9)	28,564	32,849	15.0
EBITDA	813	656	23.9	1,155	(29.6)	3,757	4,566	21.5
EBITDA Margin (%)	13.0	11.9	111	12.4	61	13.2	13.9	75
PAT	548	496	10.5	781	(29.8)	2,504	2,850	13.8
EPS (Rs)	8.8	8.0	10.5	12.6	(29.8)	40.3	45.8	13.8



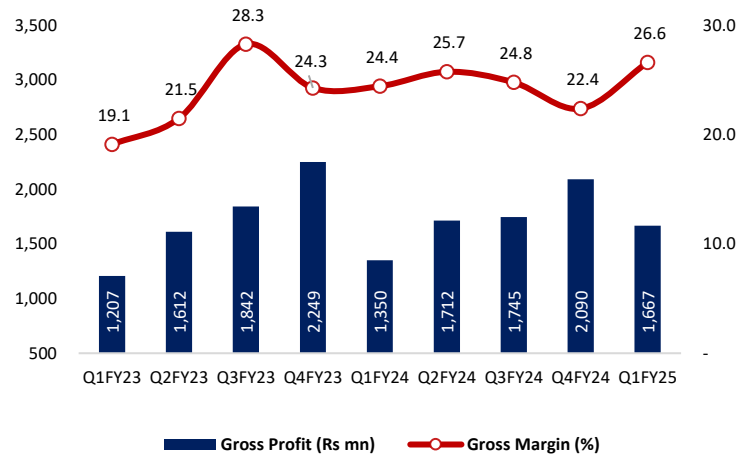
## Story in Charts

Revenue grew by 13.3% YoY to Rs6.26bn in 1QFY25



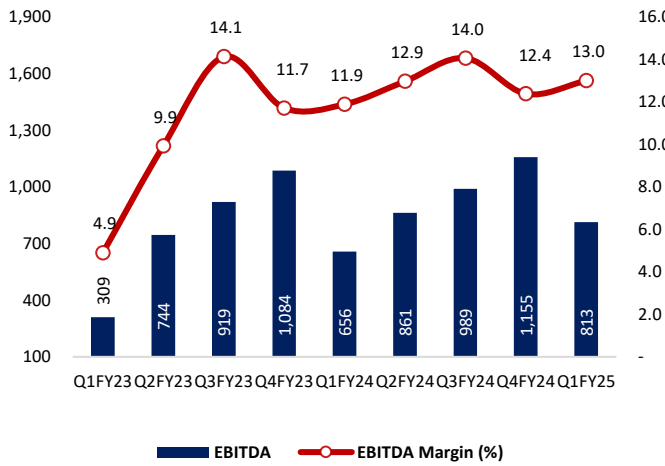
Source: Company, Ashika Institutional Research

Gross profit increased by 23.5% YoY to Rs1.67bn in 1QFY25



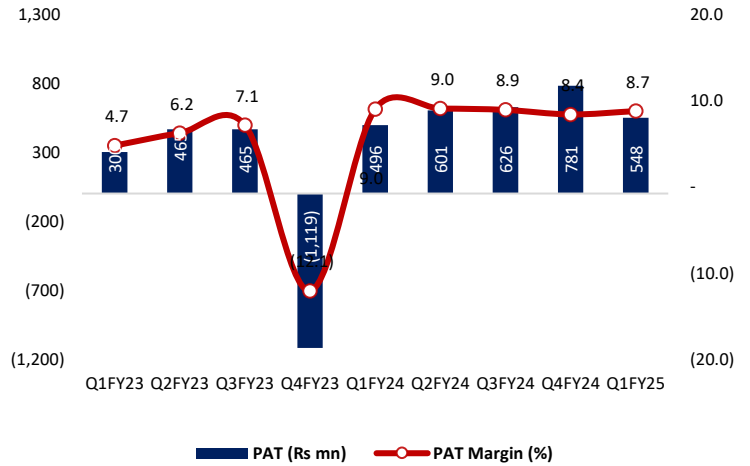
Source: Company, Ashika Institutional Research

EBITDA rose 23.9% YoY to Rs813mn, while EBITDA margin stood at 13% in 1QFY25 vs. 11.9% in 1QFY24



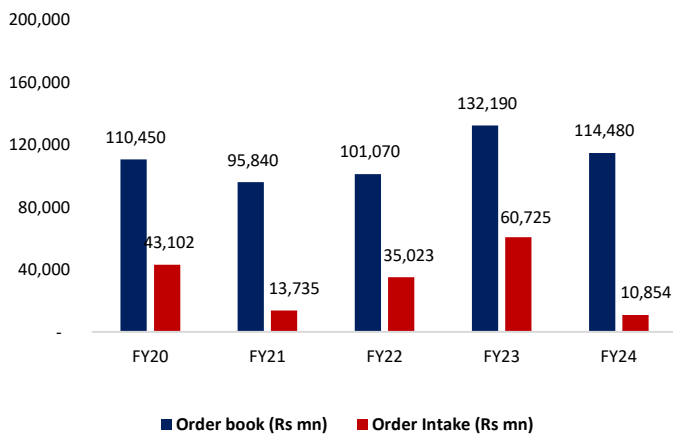
Source: Company, Ashika Institutional Research

PAT grew by 10.5% YoY to Rs548mn, while PAT margin fell by 22.5bps YoY to 8.7 in 1QFY25 from 9% in 1QFY24



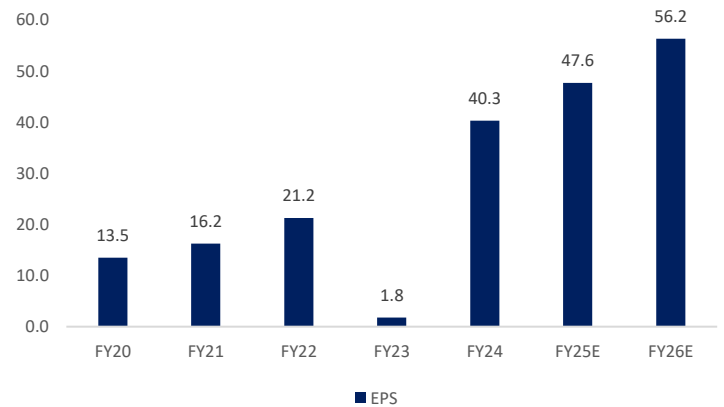
Source: Company, Ashika Institutional Research

Robust book-to-bill ratio of 4x to continue, going forward



Source: Company, Ashika Institutional Research

EPS is expected to grow to 56.2 in FY26E from 40.3 in FY24 (at 18.1% CAGR)



Source: Company, Ashika Institutional Research

## Plant Visit – Takeaways

### I. TTRO Plant

The TTRO plant was commissioned in 2019 with O&M contract of 15 years from 2020-2035. It treats sewerage water collected from the Chennai city to industrial grade water and supplies to nearby 565 Industries



TTRO Plant Design



Water from STP



Gravity Filter



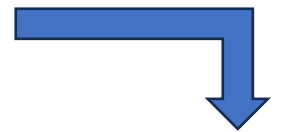
Equalization Tank



Ultra Filtration Section



High pressure RO pump



Ozonation section



RO Filtration Section



Major chunk of the project is funded by the GoI under AMRUT scheme. While the plant can achieve drinking/standard water from sewerage water, it is not being used for drinking water now.

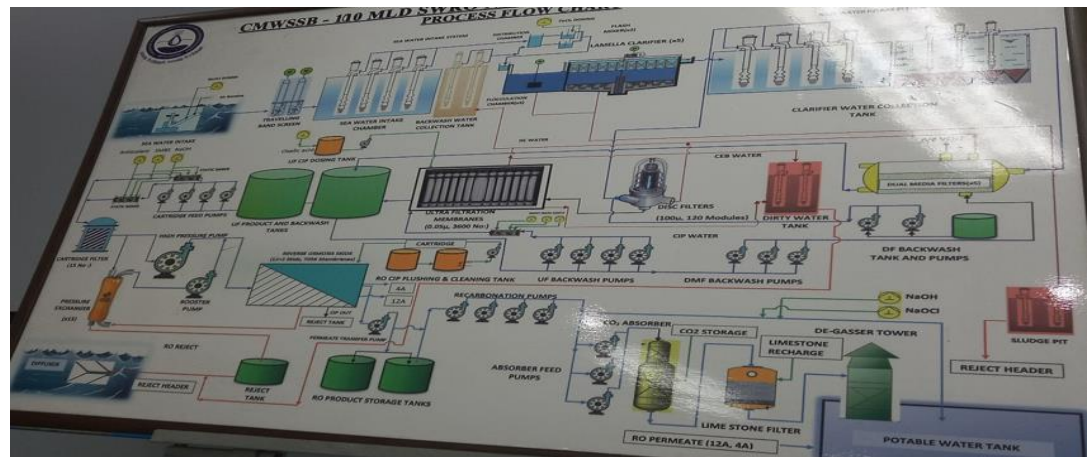
Description	Inlet water quality	Outlet water quality
pH	7.0 to 8.0	6.5 to 7.5
Turbidity	25 NTU	BDL (below detected limits)
BOD	20 mg/L	BDL (below detected limits)
COD	160 mg/L	BDL (below detected limits)
Total Dissolved Solids (TDS)	<1,500 mg/L	<70mg/L

Source: Company, Ashika Institutional Research

**Process Overview:** Sewerage water Chennai city is sent to a sewerage treatment plant for pre-treatment. Then it is sent through a pipeline to TTRO plant, where it is treated with using various steps i.e., equalization tank, gravity filters, ultrafiltration permeate tank, RO system and ozonation to make it suitable for industrial use. Then, the water is pumped to Oragadam (22MLD), Sriperumbudur (13.3MLD) and Irungattukottai (9.7 MLD).

**The company’s MOAT:** Although the company outsources the equipment i.e., water treatment chemicals, filters and membranes, its expertise lies in the water treatment process, as the precision needed is very crucial to ensure required water output and reducing the O&M cost.

## II. Nemelli Desalination Plant (100MLD + 10MLD backwash water)



The objective of the plant is to convert sea water into potable drinking water by reverse osmosis and supply to Chennai city. The plant uses 19MW per 100MLD water treatment (50% energy saving with energy recovery system). While the TDS of inlet water quality is 38,500 PPM, outlet water quality is <500 PPM.

### Treatment Section:

- Ocean water of 265MLD is taken through hi-density poly ethylene (HDPE) pipes and passed through a caisson filter where the fishes and plastics etc. are filtered.
- The water is pumped from sea to lamella clarifier; chlorination is also done here. Sedimentary particles, turbid particles etc. are removed by lamella clarifier and coagulation takes place here by adding FeCl.
- Then the water is passed through 100micron disc filter and 0.05 micron UF membrane, which removes colloidal particles and bacteria. The water coming out of the UF membrane is collected in UF tank.
- Rejected water from various process is sent back to lamella clarifier from where it is sent to UF membrane.
- In UF section – 1-hr filtration, 1-minute backwash, 25-sec forward flush, 25-sec backward flush, then CEB (Chemically enhanced backwash). The process is fully automatic. Can be controlled from control room.
- The sent to energy recovery system via cartridge filter, where the recovery is 45.4%, which means 45.4% of inlet water is purified water and 54.6% is rejected water (highly concentrated) and re-mineralization is done.

## Financials & Valuations

### P&L Statement

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net Revenue	29,793	29,605	28,564	32,849	39,418
<b>Change (YoY%)</b>	<b>5.1</b>	<b>(0.6)</b>	<b>(3.5)</b>	<b>15.0</b>	<b>20.0</b>
COGS	23,057	22,695	21,667	24,801	29,761
Gross Profit	6,736	6,910	6,897	8,048	9,657
<b>Change (YoY%)</b>	<b>12.0</b>	<b>2.6</b>	<b>(0.2)</b>	<b>16.7</b>	<b>20.0</b>
Employee Expenses	2,507	2,655	2,354	2,661	3,153
Other Expenses	1,860	1,077	786	821	985
Total Expenses	27,423	26,427	24,807	28,283	33,900
EBITDA	2,370	3,178	3,757	4,566	5,519
<b>Change (YoY%)</b>	<b>8.0</b>	<b>10.7</b>	<b>13.2</b>	<b>13.9</b>	<b>14.0</b>
Depreciation	101	88	84	90	92
EBIT	2,269	3,090	3,673	4,476	5,427
<b>Change (YoY%)</b>	<b>9.8</b>	<b>36.2</b>	<b>18.9</b>	<b>21.9</b>	<b>21.2</b>
Other Income	324	537	434	-	-
Finance Cost	877	658	711	838	825
Exceptional Items	-	(2,892)	-	112	-
PBT	1,684	170	3,301	3,750	4,602
Share of P/L of associates	(32)	93	(95)	-	-
Tax Expenses	363	59	797	788	1,105
Non-controlling Int	(1)	(31)	54	-	-
PAT^	1,321	111	2,504	2,963	3,498
<b>Change (YoY%)</b>	<b>4.4</b>	<b>0.4</b>	<b>8.8</b>	<b>9.0</b>	<b>8.9</b>
EPS (Rs)	21.2	1.8	40.3	47.6	56.2

Source: Company, Ashika Institutional Research

### Balance Sheet

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share Capital	124	124	124	124	124
Reserves & Surplus	15,267	15,625	18,062	21,025	24,522
<b>Net Worth</b>	<b>15,391</b>	<b>15,749</b>	<b>18,186</b>	<b>21,149</b>	<b>24,646</b>
Minority Interest	(133)	(3)	54	-	-
<b>Total Equity</b>	<b>15,259</b>	<b>15,746</b>	<b>18,240</b>	<b>21,149</b>	<b>24,646</b>
Borrowings	4,359	2,190	2,889	2,744	2,670
Provisions	816	661	1,280	765	919
Deferred Tax Liability	265	92	224	223	223
Accounts Payables	11,404	12,029	11,566	13,113	15,717
Other Current Liabilities	7,229	9,154	8,648	10,040	12,204
Other Liabilities	691	1,020	2,899	1,464	3,353
<b>Total Equity &amp; Liabilities</b>	<b>40,023</b>	<b>40,892</b>	<b>45,745</b>	<b>49,499</b>	<b>59,732</b>
Net Fixed Assets	800	754	725	735	674
CWIP	-	-	-	-	-
Intangible Assets	-	-	-	-	-
Accounts Receivables	13,255	15,068	19,911	17,999	21,599
Inventories	320	353	359	408	506
Investments	334	415	628	788	985
Other Current Assets	11,383	10,780	10,541	9,000	9,720
Other Non-current Assets	26	26	-	-	-
Loans & Advances	-	-	-	-	-
Other Assets	10,696	11,690	9,182	9,716	11,944
Cash & Bank Balance	3,210	1,806	4,399	10,852	14,305
<b>Total Assets</b>	<b>40,023</b>	<b>40,892</b>	<b>45,745</b>	<b>49,498</b>	<b>59,732</b>

**Margin Analysis**

Y/E Mar (%)	FY22	FY23	FY24	FY25E	FY26E
Gross Profit Margin	22.6	23.3	24.1	24.5	24.5
EBITDA Margin	8.0	10.7	13.2	13.9	14.0
EBIT Margin	5.7	0.6	11.6	11.4	11.7
Tax Rate	21.6	34.7	24.1	21.0	24.0
PAT Margin	4.4	0.4	8.8	9.0	8.9

Source: Company, Ashika Institutional Research

**Cash Flow Statement**

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Profit Before Tax	1,684	3,061	3,301	3,750	4,602
Depreciation	101	88	84	90	92
Non-Cash Adjustments	-	-	-	-	-
Changes In Working Capital	(1,483)	(2,025)	(1,790)	5,061	735
Tax Paid	(186)	(275)	(260)	(788)	(1,105)
<b>CF from Operating Activities</b>	<b>116</b>	<b>849</b>	<b>1,335</b>	<b>8,114</b>	<b>4,324</b>
Capex	(26)	(17)	(110)	(100)	(30)
Change in Investment	(313)	175	513	(160)	(197)
<b>CF from Investing Activities</b>	<b>(340)</b>	<b>158</b>	<b>403</b>	<b>(260)</b>	<b>(227)</b>
Issue/Repayment of Debt	826	(2,101)	660	(145)	(75)
Dividends Paid	2	-	-	-	-
Interest Paid	(367)	(281)	(249)	(838)	(825)
Others	(15)	(18)	25	(54)	-
<b>CF from Financing Activities</b>	<b>446</b>	<b>(2,400)</b>	<b>436</b>	<b>(1,036)</b>	<b>(900)</b>
<b>Changes in Cash &amp; Bank Bal.</b>	<b>(51)</b>	<b>249</b>	<b>(279)</b>	<b>(364)</b>	<b>255</b>
Opening Cash & Bank	3,038	3,210	2,066	4,399	10,852
<b>Closing Cash &amp; Bank</b>	<b>3,210</b>	<b>1,806</b>	<b>4,399</b>	<b>10,852</b>	<b>14,305</b>

Source: Company, Ashika Institutional Research

**Key Ratios**

Growth Ratio (Y/E Mar)	FY22	FY23	FY24	FY25E	FY26E
Net Sales Growth (%)	5.1	(0.6)	(3.5)	15.0	20.0
EBITDA Growth (%)	8.3	34.1	18.2	21.5	20.9

**Valuation Ratios**

P/E (x)	69.2	823.0	36.5	30.8	26.1
P/BV (x)	6.0	5.8	5.0	4.3	3.7
EV/EBITDA (x)	39.0	28.9	23.9	18.2	14.4
EV/Sales (x)	3.1	3.1	3.1	2.5	2.0

**Performance Ratios**

RoE (%)	9.0	0.7	14.8	15.1	15.3
RoCE (%)	6.7	0.6	11.9	12.4	12.8
RoA (%)	3.2	0.3	5.8	6.2	6.4

**Efficiency Ratios**

Receivable days	163.87	174.60	223.49	210.62	183.33
Inventory Days	4.9	5.4	6.0	5.6	5.6
Payable days	163.3	165.3	176.7	161.2	156.7

Source: Company, Ashika Institutional Research

## Additional Description

<b>Company Background</b>	VA Tech Wabag, a leading global pure-play water technology company, focuses on water management. Established in 1924, it is into designing, engineering, and providing innovative technological services and solutions for municipal and industrial water needs. With extensive R&D and advanced technology, it has executed 6,500+ projects across 25+ countries, benefiting >88mn people globally.
<b>Presence</b>	It has a presence across over 25 countries in the form of subsidiaries, JVs and associates with geographical presence in Austria, Romania, Germany, Turkey, Saudi Arabia, Namibia and North Africa etc.
<b>Key Management</b>	<ul style="list-style-type: none"> <li>▪ Mr. Rajiv Mittal – CMD</li> <li>▪ Ms. Vijaya Sampath – Independent Director</li> <li>▪ Mr. Amit Goela – Non Executive Non Independent Director</li> <li>▪ Mr. Milin Mehta – Independent Director</li> <li>▪ Mr. Ranjit Singh – Independent Director</li> <li>▪ Mr. S. Varadarajan – Whole Time Director &amp; CGO</li> <li>▪ Mr. Skandaprasad Seetharaman - CFO</li> </ul>
<b>Geographical Revenue Contribution (as of 1QFY25)</b>	<b>Vertical wise Revenue</b> <ul style="list-style-type: none"> <li>▪ Domestic: 40.8%</li> <li>▪ Rest of the world: 59.2%</li> </ul>
<b>Credit Rating (as of Feb'24)</b>	India Ratings & Research – IND A+
<b>Auditor</b>	Sharp & Tannan, Chartered Accountants

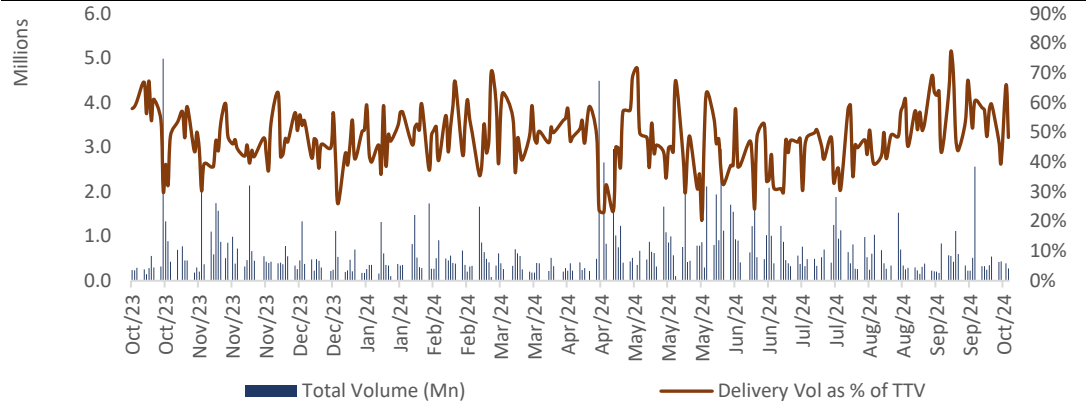
Source: NSE, Ashika Institutional Research

### Non-Promoter Top-10 Holdings (as per latest disclosure)

Name	Shareholding (%)
Jhunjhunwala Rekha Rakesh	8.0
Norges Bank	2.6
Basera Home Finance Pvt Ltd	2.4
Dimensional Fund Advisors LP	1.4
Motilal Oswal Asset Management Co	1.3
OekoWorld Lux SA	1.0
Blackrock Inc	1.0
Vanguard Group Inc	0.7
SBI Funds Management Ltd	0.7
Bajaj Finserv Mutual Fund	0.6

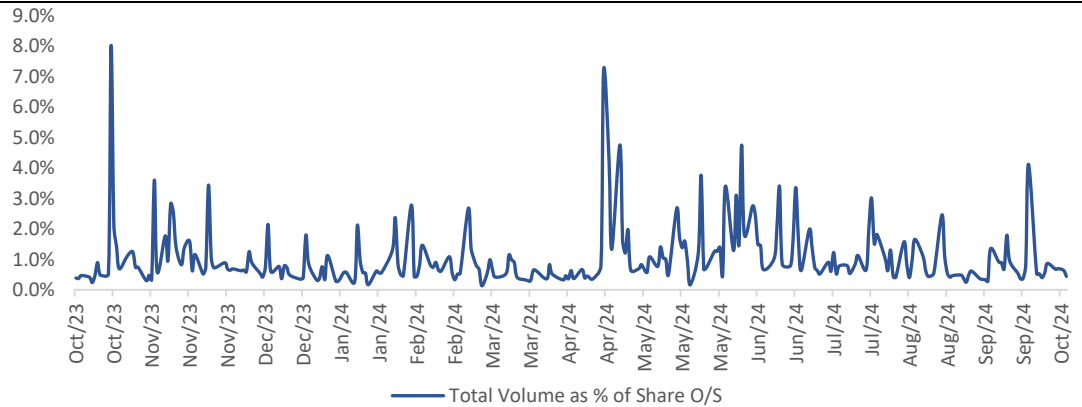
Source: Bloomberg, Ashika Institutional Research

**Traded volume as percentage of share O/S (1 year)**



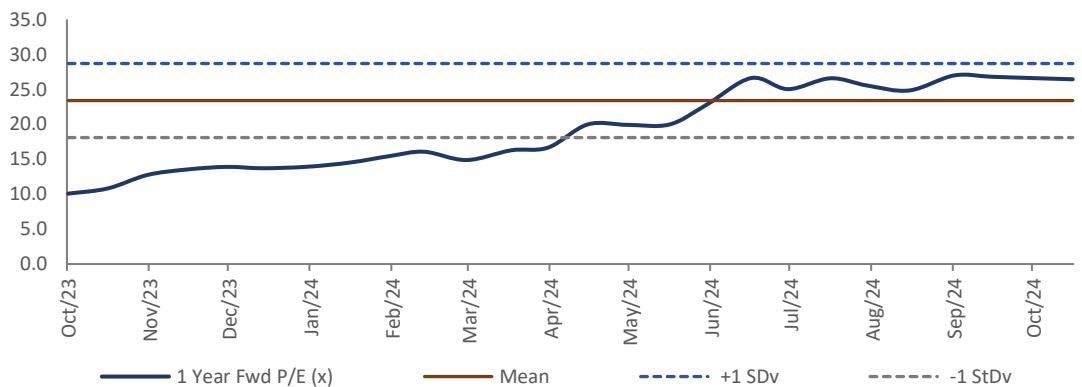
Source: Bloomberg, Ashika Institutional Research

**Traded volume vs. delivery volume (1 year)**



Source: Bloomberg, Ashika Institutional Research

**1-Year Fwd. P/E chart with standard deviation**



Source: Bloomberg, Ashika Institutional Research

**Recommendation History**

Date	CMP (Rs)	TP (Rs)	Rating	Analyst	Report Link
08-Oct-24	1,469	1,720	BUY	Dheeraj Ram	

**Key Risks**

- High receivable days.
- Decrease in capital allocation of water treatment schemes.
- Delay in project execution.

## Favourable Track Record & Industry-leading EBITDA Margin – Bode Well

### Key Highlights of Management Meet

- With over 14 years of experience in sewerage sector, EMS is qualified to bid for majority of sewerage projects in India.
- Its order book stood at Rs18bn as of 1QFY25, to be executed in 2-2½ years. With bid pipeline of >Rs40bn and bid-to-win ratio of >15%, the company expects to maintain book-to-bill ratio of <2.5x in FY25.
- The company has a unique strategy of acquiring the assets auctioned by banks at 30-40% discount, which can be used as collateral for bank guarantee.
- The company has industry-leading EBITDA margin of 25.7% led by its core competency in network laying, timely payment to contractual workers and RM suppliers.
- It has secured HAM projects funded by international agencies, which are expected to aid its probability led by payment on project completion or milestone basis.
- Due to increased execution, the management expects its revenue to reach Rs10bn in FY25.
- The company is acquiring 75% stake in a group company, where its chairman already holds 25% stake. The asset, previously secured through an auction, is now available at a discounted rate and will be used as collateral for bank guarantee.

**Strategic Bidding:** The company is selective in bidding for sewerage in line with its technological edge and experience to maintain margin. We expect the industry-leading EBITDA margin profit of the company to continue, going forward.

**Order Visibility:** The company expects to bid for projects of more than Rs20bn. It gives 10% margin money to each lender in the form of FDs with bank guarantee of up to 10%.

**Fund Raising:** The company proposes to raise funds of Rs4bn through QIP, which is expected to be used for working capital requirement of its existing business.

### What is Our View on the Stock?

With government increased focus on increasing sewage network, sewage water treatment, we expect the company's order book and bid pipeline to expand further. With focus on increasing the number of bids, profitability and selecting the right projects, we expect the company's revenue to grow in the excess of 25% with EBTIDA margin of over 24% in forward years. **Currently, we have no rating on the stock.**

Financials (Rs mn)	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ (%)	FY24	FY25E	YoY (%)
Revenue	2,063	1,380	49.5	2,453	(15.9)	5,381	7,933	47.4
EBITDA	503	323	55.5	676	(25.6)	1,500	2,039	35.9
EBITDA Margin (%)	24.4	23.4	94	27.6	(319)	27.9	25.7	(218)
PAT	372	228	63.1	474	(21.6)	1,089	1,527	40.2
EPS (Rs)	6.7	4.1	63.1	8.5	(21.6)	19.6	27.5	40.2

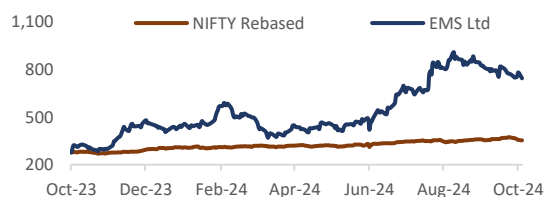
### Stock Information

CMP (Rs)	767
Market Cap (Rs bn)	41.4
Free Float (%)	30.0
52 Week H/L	935/277
O/S Shares (mn)	55.5
3M Daily Avg Volume (mn)	0.8

### Shareholding Pattern (%)

	Dec-23	Mar-24	Jun-24
Promoters	69.7	69.7	69.7
- Pledged			
FII / NRI	4.1	2.8	0.9
MF/DII	1.5	1.4	1.6
Others	24.6	26.1	27.9

### Stock Relative Performance



	3 Months	6 Months	1 Year
Absolute Return	13.3	67.8	168.8

### Key Ratios

Growth Ratio (Y/E Mar)	FY22	FY23	FY24
Net Sales Growth (%)	8.8	49.5	47.4
EBITDA Growth (%)	11.1	33.8	41.6

### Valuation Ratios

P/E (x)	-	-	14.6
P/BV (x)	-	-	2.8
EV/EBITDA (x)	(0.6)	(0.2)	9.9
EV/Sales (x)	(0.2)	(0.1)	2.7

### Performance Ratios

RoE (%)	23.0	24.9	23.7
RoCE (%)	32.8	32.9	30.3
RoA (%)	17.9	19.0	19.0

### Efficiency Ratios

Receivable days	106.30	81.35	84.23
Inventory Days	45.4	53.9	44.5
Payable days	67.3	30.1	7.8

Source: Ace equity



## Some Key Projects

Banthar Unnao, UP



Munger, Bihar



Hanumanghar, Rajasthan



## Debt Restructuring and Arbitration Award to Drive Earnings

### Key Highlights of Management Meet

- The company has >40 years of experience in water supply and treatment related projects in Uttar Pradesh, Rajasthan, Gujarat, Maharashtra, Madhya Pradesh and Karnataka.
- With past experience of similar projects, it qualifies for most projects announced by the GoI. It targets to bid for projects in Rs5-10bn and above range with targeted EBITDA margin of 10% and above.
- The entire repayment of the debt (including interest), which is seen at ~Rs4.37bn by the end of FY25, will be met from arbitration award in hand of ~Rs6bn.
- The GoI announced water-related and water infrastructure projects worth ~Rs10,000bn to be executed in 10 years, out of which the company targets Rs 40-60bn new orders annually.
- The company will earn 1.75% fee on total project value from its JVs where the company qualifies, which will directly boost the PAT. This is expected to boost PAT in the right way.
- The management expects significant work in the near future in river interlinking and irrigation projects, while in the short-term, it is focusing on river to reservoir projects.

**Debt Restructuring:** The company has resolved its Rs70bn debt with NARCL including interest, out of which Rs22.4bn is already paid from Vivad-se-Vishwas scheme, while Rs400mn will be paid in FY25 from the sale of identified non-core assets for which the discussion is at advanced stage. The remaining will be covered from Rs60.4bn of arbitration award expected in 3-4 years. Notably, the company is using escrow account to ease working capital and is focusing on cash rich states for improvement in cash flows.

**Arbitration Award:** The company has pending arbitration awards of ~Rs6.04bn. It has arbitration claims of ~Rs40.9bn out which Rs15bn-16bn is expected to converted into awards with recovery rate of 41%, which is the past track record of the company. Out of the above awarded Rs60.4bn and expected Rs15-16bn from claim, the company has to take Rs4.37bn and the expected balance of ~Rs16bn will be utilized for its operation.

### What is Our View on the Stock?

The company has strategically restructured its debt and has ambitious target of ~Rs40-60bn worth new orders each year, which will be executed in 3-4 years. Pre-qualification to bid for projects >Rs5bn is expected to drive the company's order book, while expected EBITDA margin target of >10% for new orders is like to aid its profitability. We expect the company to ride on the sectoral tailwinds, while river interlinking is expected to be a huge opportunity for companies in water space. We expect SPML Infra to maintain the order book guidance.

**Currently, we have no rating on the stock.**

Financials (Rs mn)	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ (%)	FY24	FY25E	YoY (%)
Revenue	2,068	3,516	(41.2)	4,612	(55.2)	8,831	13,190	49.3
EBITDA	115	(9.7)	1,291.6	176	(34.4)	288	133	(54.0)
EBITDA Margin (%)	5.6	(0.3)	529	3.8	176	3.3	1.0	(226)
PAT	129	4	2,797.1	(36)	462.6	3	(16)	(575.2)
EPS (Rs)	2.2	0.1	2,797.1	(0.6)	462.6	0.1	(0.3)	(575.2)

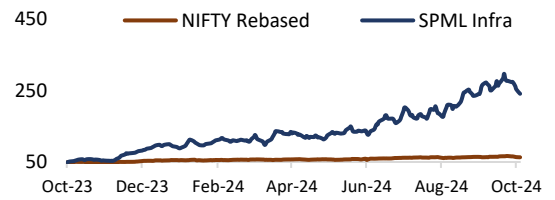
### Stock Information

CMP (Rs)	246
Market Cap (Rs bn)	14.3
Free Float (%)	41.0
52 Week H/L	306/51
O/S Shares (mn)	59.3
3M Daily Avg Volume (mn)	0.02

### Shareholding Pattern (%)

	Dec-23	Mar-24	Jun-24
Promoters	39.4	39.4	39.4
- Pledged			
FII / NRI	0.0	0.4	0.6
MF/DII	2.3	2.3	1.9
Others	58.3	57.9	61.6

### Stock Relative Performance



	3 Months	6 Months	1 Year
Absolute Return	24.7	85.4	387.4

### Key Ratios

Growth Ratio (Y/E Mar)	FY22	FY23	FY24
Net Sales Growth (%)	39.4	(7.2)	49.3
EBITDA Growth (%)	(61.5)	138.2	(0.1)

### Valuation Ratios

P/E (x)	704.0	197.4	-
P/BV (x)	0.8	0.2	2.0
EV/EBITDA (x)	85.8	32.4	16.8
EV/Sales (x)	2.1	2.1	0.7

### Performance Ratios

RoE (%)	(0.1)	0.1	(0.5)
RoCE (%)	1.0	2.5	3.7
RoA (%)	(0.0)	0.0	(0.1)

### Efficiency Ratios

Receivable days	467.43	347.16	119.53
Inventory Days	31.0	37.7	18.0
Payable days	684.1	2,547.1	1,447.8

Source: Ace equity

## Execution Track Record, Healthy Bid Pipeline & Geographical Diversification – Augur Well

### Key Highlights of Management Meet

- The company has 3 decades of experience in water EPC with focus on design, construction, implementation and O&M of water supply systems.
- It has a robust order book of Rs49.14bn to be executed in 2-3 years, which comprises of Water Supply (78%), Railways (16%) and Road & Civil Construction (6%) projects.
- With a track record of executing >75 projects in water supply and sanitation space, it is expected to have a PQ in tenders above Rs10bn.
- The company plans to venture into sewerage pipeline segment, where it expects similar EBITDA margin of 14-15%.
- It has in-house fixed assets for RMC, stone aggregators and processed bitumen etc., and intends to rely less on leased equipment. The management expects to sustain overall EBITDA margin in 14-15% range, going forward.
- It has a significant presence in Rajasthan, as >70% of its projects based in the state. As part of diversification, the company has secured a WTP project in Goa.

**High EBITDA Margin:** The company has ~500 construction equipment including RMCs, stone aggregates, RMC plant, in-house crushing units etc., which makes it less dependent on third party for which it enjoys the highest EBITDA margin in water supply industry. Looking forward, the management expects to sustain the current levels of EBITDA margin of 14-15%.

**Geographical Diversification & Increasing Competitors:** With strong foothold in Rajasthan, the company plans to diversify its geographical presence in Chennai, Goa and Telangana. With increasing players in water supply projects, and company looking out for opportunities outside Rajasthan, which is expected to led to marginal decline in margin.

**Decent Book-to-Bill Ratio:** The company has a book-to-bill ratio of ~3.4. It has Rs50bn of bid pipeline. With a bid to win ratio of 17-18%, the management expects to add new orders of ~Rs10bn. Thus, we expect it to maintain book-to-bill ratio of at least at ~3x in FY25.

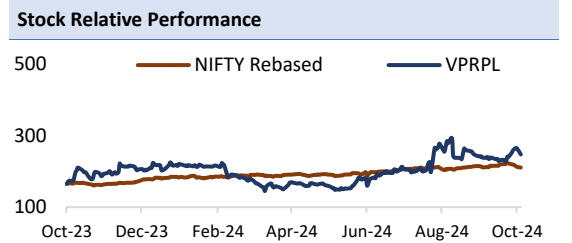
### What is Our View on the Stock?

The company works in key sectors such as water, railway and road infrastructure. With decades of experience, it has gained PQ to bid for projects above Rs10bn. With a bid pipeline of Rs50bn, the company is expected close at a book-to-bill ratio of at least ~3x in FY25. However, as the company plans to diversify its geographical landscape, its EBITDA margin is expected to witness marginal decline, going forward. **Currently, we have no rating on the stock.**

Financials (Rs mn)	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ (%)	FY24	FY25E	YoY (%)
Revenue	2,566	2,782	(7.8)	6,572	(61.0)	11,684	14,739	26.1
EBITDA	336	327	2.8	1,049	(68.0)	1,566	2,102	34.2
EBITDA Margin (%)	13.1	11.7	134	16.0	(287)	13.4	14.3	86
PAT	148	164	(10.2)	671	(78.0)	906	1,222	34.8
EPS (Rs)	1.2	1.3	(10.2)	5.4	(78.0)	7.3	9.8	34.8

Stock Information	
CMP (Rs)	257
Market Cap (Rs bn)	3.1
Free Float (%)	32.0
52 Week H/L	297/141
O/S Shares (mn)	125
3M Daily Avg Volume (mn)	2.0

Shareholding Pattern (%)			
	Dec-23	Mar-24	Jun-24
Promoters	67.8	67.8	67.8
- Pledged			
FII / NRI	3.1	1.1	1.1
MF/DII	4.9	4.2	4.1
Others	24.2	26.9	27.0



	3 Months	6 Months	1 Year
Absolute Return	19.7	45.6	49.8

Key Ratios			
Growth Ratio (Y/E Mar)	FY22	FY23	FY24
Net Sales Growth (%)	61.7	48.7	26.1
EBITDA Growth (%)	87.3	80.1	37.1
Valuation Ratios			
P/E (x)	-	-	15.3
P/BV (x)	-	-	2.6
EV/EBITDA (x)	1.9	1.7	9.9
EV/Sales (x)	0.2	0.2	1.5
Performance Ratios			
RoE (%)	32.9	38.3	23.6
RoCE (%)	30.2	33.9	24.7
RoA (%)	10.8	13.7	10.3
Efficiency Ratios			
Receivable days	50.4	49.1	107.5
Inventory days	65.5	76.4	95.7
Payable days	141.3	167.8	189.7

Source: Ace equity

## Robust Order Pipeline amid Sectoral Tailwinds – Bode Well

### Key Highlights of Management Meet

- The company has over 7 decades of experience in construction of complex civil infra work like hydro power plant, tunneling, urban infra, irrigation and others.
- It has an order book of Rs179bn as on June 30, 2024 (with book-to-bill ratio of ~3.8x0 to be executed in next 3-years.
- Order book consists of hydro projects (61%) and irrigation projects (21%) and others such as tunneling and road EPC (18%). It plans to bid for projects worth Rs500bn and expects to bag Rs100-120bn orders in FY25.
- Currently, India only 3.3GW operational PSP projects, while ~18GW projects are under various stage of construction. We expect at least 10GW of PSP projects to be added in next 5-6 years, led by the need for energy storage to supply during peak hours.
- The management expects 30GW of hydel tenders to be floated in next 2 years, which could create various opportunities of >Rs1,000bn.
- According to the management, river-interlinking is expected to be the next big opportunity in water sector with 3 river interlinks identified by the government.
- Irrigation is also likely to be in major focus with fund outlay of Rs700bn for Jal Jeevan mission, while Rs90bn for PM Sinchayee Yojana is expected augur well for the company.

**Strong Order Book and Order Pipeline:** While the company has an order of Rs179bn, it targets to increase it to Rs250bn, backed by bid pipeline of Rs500bn. With an order win ratio of 20-25%, it is likely to add new orders of Rs100-150bn in FY25.

**Changing Landscape in Hydel Space:** India's hydel sector witnesses several changes post COVID-19 including environmental clearance, land acquisition and approvals to prior to issue of tenders, which gives the company to commence its work right away after securing the tender. Hydel capacity is expected to increase in NE region.

**Need for Energy Storage:** Due to rising demand for power deficit during peak hours, India need to achieve 60.63GW of energy storage. With 18.98GW from PSP projects and 41.65GW from BESS, 11,460MW of new PSP capacity is expected to be added by 2030, which will give rise to opportunities of Rs600bn for the company.

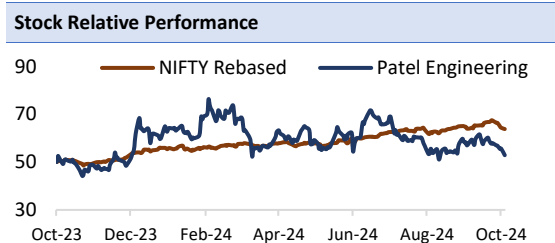
### What is Our View on the Stock?

Patel Engineering is currently operating in key sectors, where the government has its complete focus on. The company is pre-qualified for all kinds of hydro and road EPC projects in India, which would aid it to multiply its order book easily. We expect the company to emerge as the key beneficiary for upcoming hydro projects in NE states. **Currently, we have no rating on the stock.**

Financials (Rs mn)	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ (%)	FY24	FY25E	YoY (%)
Revenue	11,017	11,186	(1.5)	13,432	(18.0)	3,740	4,488	20.0
EBITDA	1,686	1,706	(1.1)	2,376	(29.0)	562	690	22.9
EBITDA Margin (%)	15.3	15.2	6	17.7	(238)	15.0	15.4	37
PAT	547	554	(1.2)	1403	(61.0)	144	302	109.9
EPS (Rs)	0.6	0.7	(1.2)	1.7	(61.0)	0.2	0.4	109.9

Stock Information	
CMP (Rs)	55
Market Cap (Rs bn)	44.7
Free Float (%)	59.0
52 Week H/L	79/42
O/S Shares (mn)	844.0
3M Daily Avg Volume (mn)	9.7

Shareholding Pattern (%)			
	Dec-23	Mar-24	Jun-24
Promoters	39.4	39.4	36.1
- Pledged			
FII / NRI	2.8	3.8	3.7
MF/DII	6.0	4.5	6.2
Others	47.4	47.9	49.6



	3 Months	6 Months	1 Year
Absolute Return	(23.3)	(16.4)	5.7

Key Ratios			
Growth Ratio (Y/E Mar)	FY22	FY23	FY24
Net Sales Growth (%)	85.9	10.1	20.0
EBITDA Growth (%)	87.3	5.1	15.2
Valuation Ratios			
P/E (x)	19.0	6.9	16.3
P/BV (x)	0.5	0.4	1.4
EV/EBITDA (x)	4.9	4.0	7.6
EV/Sales (x)	0.9	0.7	1.3
Performance Ratios			
RoE (%)	3.0	5.6	10.3
RoCE (%)	11.7	13.0	16.1
RoA (%)	0.9	1.7	3.4
Efficiency Ratios			
Receivable days	53.5	52.0	43.0
Inventory Days	387.9	354.6	303.7
Payable days	-	(3,421.8)	-

Source: Ace equity

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## Recommendation & Absolute Return

<b>BUY</b>	Expected positive return of > 10% over 1-year horizon
<b>NEUTRAL</b>	Expected positive return of > 0% to < 10% over 1-year horizon
<b>REDUCE</b>	Expected return of < 0% to -10% over 1-year horizon
<b>SELL</b>	Expected to fall by >10% over 1-year horizon
<b>NR</b>	<b>NOT RATED</b> - rating and fair value, if any, have been suspended temporarily
<b>CS</b>	<b>COVERAGE SUSPENDED</b> - Ashika Institutional Research has suspended coverage of this company
<b>NC</b>	<b>NOT COVERED</b> - Ashika Institutional Research does not actively cover this company

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## Details of Associates

Sl No	Name	CIN/ LLPIN	Registration Number
1	Ashika Credit Capital Ltd	L67120WB1994PLC062159	RBI registered NBFC bearing Registration No 5.2892
2	Ashika Capital Ltd	U30009WB2000PLC091674	Merchant Banker bearing Registration No INM000010536
3	Ashika Stock Broking (IFSC) Pvt Ltd	U65929GJ2016PTC094597	Stock Broker with NSE IFSC & India INX bearing Registration No - INZ000099630
4	Ashika Business Pvt Ltd	U45100WB2004PTC098055	NA
5	Ashika Properties Pvt Ltd	U70101WB2005PTC102582	NA
6	Ashika Global Securities Pvt Ltd	U65929WB1995PTC069046	RBI registered NBFC bearing Registration No - B.05.00008
7	Ashika Logistics Pvt Ltd	U67200WB2004PTC098054	NA
8	Ashika Global Finance Pvt Ltd	U01132WB1994PTC066087	RBI registered NBFC bearing Registration No - B-05.5583
9	Ashika Entercon Pvt Ltd	U70103WB2017PTC220511	NA
10	Ashika Wealth Management Pvt Ltd	U65999WB2018PTC227019	NA
11	Ashika Investment Managers Pvt Ltd	U65929MH2017PTC297291	Investment Manger to Ashika Alternative Investments, a Category III AIF bearing Registration No - IN/AIF3/20-21/0811
12	Ashika Commodities & Derivatives Pvt Ltd	U51909WB2003PTC096985	NA
13	Puja Sales Promotion Pvt Ltd	U51109WB1993PTC059596	NA
14	Dhara Dealers Pvt Ltd	U52190WB2011PTC169226	NA
15	Yaduka Financial Services Ltd	U51109WB2007PLC117012	RBI registered NBFC bearing Registration No - N.05.06760
16	Ashika Minerals India LLP	AAR-7627	NA
17	Ashika Vyapaar LLP	AAE-3310	NA
18	Ashika Ventures LLP (formerly known as Ashika Rise Realty LLP)	AAO-9947	NA