

## Denta Water and Infra Solutions Limited

April 04, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	10.50	CARE BBB; Stable	Reaffirmed
Long-term / Short-term bank facilities	70.50 (Enhanced from 60.50)	CARE BBB; Stable / CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Ratings assigned to bank facilities of Denta Water and Infra Solutions Limited (DWISL) derive strength from the recent conclusion of Initial Public Offer (IPO) and successful listing of the entity on January 29, 2025, under which the company raised net proceeds of ₹195 crore. The fund raising will help the company in increasing its scale of operations, which is otherwise modest. Ratings continue to factor in its satisfactory orderbook position, healthy capital structure, and high profitability. Ratings also take note of the promoters' experience with decent track record in execution of engineering, procurement, and construction (EPC) business and execution capability of the entity in the water management segment.

However, these strengths are partially offset by the competitive and fragmented nature of the industry, its profitability susceptible to fluctuations in input material prices and geographical and segmental concentration of the entity's projects.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Increase in scale of operations above ₹500 crore while maintaining profit before depreciation, interest, and taxes (PBDIT) margins of over 25% and order book/sales of over 2x.
- Geographical diversification of its order book

#### Negative factors

- Dip in profit before interest, lease rentals, depreciation and taxation (PBILDT) margins below 20% on a sustained basis.
- Increase in working capital intensity adversely affecting total outside liabilities to tangible net worth (TOL/TNW) above 1.00x.

### Analytical approach: Standalone

#### Outlook: Stable

Stable outlook reflects CARE Ratings Limited's (CARE Ratings') view that the recent fund raising and comfortable orderbook will aid the growth of the company's scale of operations and support profitability.

### Detailed description of key rating drivers:

#### Key strengths

##### IPO and successful listing of shares in stock exchange

The company raised net proceeds of ₹195.34 crore by way of IPO and got listed on January 29, 2025. The object of the issue was to meet increasing working capital requirements of the company and other general corporate purposes. With this infusion of funds to support increasing working capital requirement, the company's scale of operations is estimated to show improvement.

##### Execution capability in the segment

DWISL is present in the industry since 2016. It has an established track record of operations in the water supply management projects and EPC and operations and maintenance (O&Ms) services and has long-standing relationship with government authorities such as the Government of Karnataka (GOK), The Bangalore Water Supply and Sewerage Board (BWSSB), divisions of Indian Railways, and urban local bodies from whom it gets majority its contract work. DWISL is getting benefitted from the experience and relationship developed by its promoters as indicated by its position in the highly competitive industry.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

**Satisfactory orderbook position providing moderate revenue visibility**

DWISL had an outstanding order book position of ₹731.45 crore as on February 28, 2025, against ₹638.99 crore as on March 31, 2024 which gives revenue visibility of 2.39x of FY24 revenues. Of the total outstanding order book as on February 28, 2025, ~97% pertains to water management which exposes it to sectoral concentration risk.

**Moderate but improving scale of operations, with high profitability**

The company's total operating income (TOI) remained on increasing trend in past five years ended FY24. Revenue from operations increased by 37.5% in FY24. The recent equity infusion through IPO, should be able to further push the scale of operations in the medium term. Profitability margins remained considerably above those of other players in the industry given the concentration of DWISL in water management and revitalisation projects, where once the pumps are constructed, it does not require further civil work, it will keep on pumping the water and no other costs is to be incurred apart from annual maintenance thus earning better margins. The PBILDT margin has seen moderation in last two years with margins being 33.42% in FY24, but still remains above industry levels.

**Healthy capital structure and debt coverage indicators**

The company's capital structure remains comfortable, with overall gearing and total debt to gross cash accruals (TDGCA) remaining below unity (both being at 0.01x). Interest coverage declined in FY24 from FY23 due to increase in interest cost, however it is still at a very comfortable position. The company has negligible outstanding debt, term loan and working capital both included, and utilises only non-fund-based working capital for giving bank guarantees for its projects.

**Experienced promoters with established track record of operations**

The company was founded on November 17, 2016, by Smt. Sowbhagyamma and Dr. Rajashekar Sujith, with an aim to improve core infrastructure for the common man's betterment and mission to create a positive societal impact. The company is now headed by Manish Shetty (MD) an Engineer by education and has an experience of over nine years in the industry who looks after the overall operations of DWISL. R. Narendra Babu is the Independent Director of DWISL a bachelors' degree holder in engineering having experience in the field of construction, groundwater recharging, lift irrigation, and water management. Prior to joining DWISL, he was working as Executive Engineer at the Minor Irrigation Division, Government of Karnataka.

Moreover, promoters are supported by team of managerial personnel and experienced professionals in project planning, execution, and other day-to-day business operations.

**Key weaknesses****Presence in an intensely competitive and fragmented construction industry with tender-based nature of operations**

DWISL is a mid-sized player operating in intensely competitive and fragmented construction industry, where projects are awarded based on relevant experience of the bidder, financial capability and most attractive bidding price. The competitive intensity is considering the presence of large number of contractors resulting in aggressive bidding which restricts the margins. Moreover, due to low counterparty credit risk and a relatively stable payment track record associated with projects funded by central and state government bodies, these projects are lucrative for all contractors and hence remained highly competitive.

**Profitability susceptible to fluctuations in input prices**

The execution period of contracts awarded to DWISL usually range from 12-30 months. Thus, its profitability remains susceptible to fluctuations in inputs prices such as raw-materials, labours, steel, cement, and sand among others. However, DWISL's majority orderbook has in-built price escalation clause, which mitigates the risk arising out of adverse movement in input prices to a large extent.

**Geographical and segmental concentration risk**

DWISL's order book is geographically concentrated with orders limited to single state of Karnataka. However, DWISL has established presence in the state for water supply projects (WSP) since the company is well-equipped with technological expertise and execution capabilities. The government's focus on water-related infrastructure through further extension of Jal Jeevan Mission in the recent budget, mitigates the risk to a certain extent. DWISL, though specialises in water management projects across Karnataka, is also gradually focusing on diversifying into railways and road sector.

**Liquidity: Adequate**

The company's GCA has been growing steadily. The company has negligible term loan repayments and utilisation of fund-based working capital limits is low. Working capital requirements are being fulfilled through internal accruals. The company has recently raised funds through IPO, which has further improved the liquidity position. As on December 31, 2024, the company had ₹5.39 crore of cash and bank balances and ₹22.54 crore of lien marked FD.

## Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Construction Sector](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Utilities	Other utilities	Water supply & management

DWISL was founded on November 17, 2016, by Smt. Sowbhagyamma and Dr. Rajashekar Sujith. The company is now headed by Manish Shetty (MD). DWISL is engaged in the field of water EPC services. With a track record in infrastructure project installations, including groundwater recharging through recycled water, turnkey projects involving setting up of water supply network, irrigation, and providing O&M services.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Total operating income	174.08	239.47	150.81
PBILDT	66.72	80.03	52.85
PAT	49.85	60.46	39.15
Overall gearing (times)	0.01	0.01	NA
Interest coverage (times)	709.77	153.32	316

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	10.50	CARE BBB; Stable
Non-fund-based - LT/ ST-BG/LC		-	-	-	70.50	CARE BBB; Stable / CARE A3+

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	10.50	CARE BBB; Stable	1)CARE BBB; Stable (02-Apr-24)	-	-	-
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	70.50	CARE BBB; Stable / CARE A3+	1)CARE BBB; Stable / CARE A3+ (02-Apr-24)	-	-	-

LT: Long term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-BG/LC	Simple

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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### About us:

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### Disclaimer:

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