

Capital Goods Water

1st Aug to 16th Aug 2024



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Budget capital outlay to drive the sector in right direction

What are the key takeaways from the results declared from the sector?

- ↑ The water treatment sector, including wastewater, desalination, and sewage treatment, has grown by 15% to 20%, driven by rising demand for wastewater reuse and sustainable water management.
- ↑ The state and multilateral banks are driving water, sewage, and waste management projects for 100 cities, likely boosting wastewater treatment activity for FY25 and FY26.
- ↑ Water companies with the majority of their operations in India have seen a decline of 5% to 20% due to reduced activity during the election period, as the sector heavily depends on government funding. However, Welspun Enterprises and EMS have outperformed significantly, with over 30% revenue growth.
- ↑ Water-related infrastructure projects, including JJM, water pipelines, sewage pipelines, and overhead tanks, experienced a muted quarter with growth ranging from -5% to 3%. However, companies like Ion Exchange and VPRPL have shown an uptick in their order books. The order execution cycle in the industry remains around 2-3 years.
- ↑ Order book: Most of the water companies have reported a growth of 10% to 15% YoY, while VPRPL has outperformed the sector with multifold growth. However, EMS, Va tech wabag have reported a degrowth in orderbook. However, has a robust bid pipeline is Rs40bn and Rs60bn.

Expanding water treatment market in India: With 72% of India's wastewater remaining untreated and potentially impacting rivers, lakes, and groundwater, the sector faces a significant challenge. Current wastewater generation is estimated at approximately 39,604 MLD in rural areas and 72,368 MLD in urban centers. The water and wastewater treatment market in India is expected to grow from \$1.9bn in 2024 to \$4.2bn by 2032, reflecting a robust CAGR of 10.6%. This growth is fueled by the recent 2024 union budget, which emphasizes investment in water supply, sewage treatment, and solid waste management in 100 large cities through bankable projects. Although many water treatment companies have yet to experience substantial growth in their order books, their existing order books are ~3x their current revenue, with execution anticipated within 2 to 3 years. This positions the sector for a projected 12-15% YoY. The continued government focus on water treatment is likely to drive the sector for the next 3 to 5 years.

What is our view on the sector considering 1QFY25 results and other relevant factors?

Based on recent government announcements, significant activity is anticipated in the water sector, encompassing projects such as Jal Jeevan Mission (JJM), water infrastructure, wastewater treatment plants (WWTP), sewage treatment plants (SWTP), and desalination projects. We foresee an improvement in the payment and billing cycles for water companies, driven by increased Hybrid Annuity Model (HAM) projects and central government or municipal initiatives. Government investments in this sector are estimated to range between Rs500bn and Rs600bn over the next 3 years. With water demand projected to rise from 1,080 BCM in 2024 to 1,447 BCM by 2050, while current water supply stands at 1,123 BCM, these factors are expected to drive substantial growth in the industry.

Our preferred picks: Welspun enterprises, Va tech wabag, VPRPL Ltd, EMS Ltd, Jash engineering

Quarterly Result Highlights & Conference Call Key Takeaways

Welspun Enterprises
Va Tech Wabag
Jash Engineering
Ion Exchange
Vishnu Prakash R Punglia
SPML Infra
EMS Ltd

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Exhibit 1: Capital Goods Water Sector 1QFY25 Performance Vs Street

Company Name	Total Revenue (Rs mn)				EBITDA (Rs mn)				EBITDA Margin (%)			PAT (Rs mn)					
	1QFY25	YoY %	QoQ %	Vs. Cons.			1QFY25	YoY %	QoQ %	Est (%)	1QFY25	YoY bps	QoQ bps	1QFY25	YoY %	QoQ %	Est (%)
				Est (%)	YoY %	QoQ %											
Elecon Engineering Co Ltd	3,924	(5.3)	(30.5)	-	924	(7.6)	(31.8)	-	23.5	(2.4)	(1.8)	734	0.5	(29.2)	-		
Transformers & Rectifiers Indi	3,220	107.0	(37.2)	71.8	422	865.4	(41.1)	-	13.1	366.4	(6.2)	208	(265.2)	(47.8)	362.9		
Cyient DLM Ltd	2,668	18.8	(28.7)	1.9	289	0.1	(24.1)	56.8	10.8	(145.0)	3.0	106	164.0	(53.4)	23.9		
KEI Industries Ltd	20,605	15.6	(11.2)	(2.4)	2,146	15.0	(17.4)	(1.8)	10.4	(0.5)	(7.0)	1,502	23.8	(10.8)	(0.3)		
RR Kabel Ltd	18,081	14.4	3.1	(0.6)	950	(15.9)	(17.6)	(26.7)	5.3	(182.0)	(132.0)	644	(13.4)	(18.2)	(25.6)		
Carborundum Universal Ltd	11,841	(0.6)	(1.4)	(6.2)	1,936	14.3	(7.6)	(5.2)	16.3	14.9	(6.2)	1,130	(0.2)	(20.8)	(15.4)		
Welspun Enterprises Ltd	9,073	29.8	10.5	-	1,403	33.1	26.2	-	15.5	38.0	193.0	980	5.6	40.6	-		
Va tech wabag	6,265	13.3	(32.9)	-	813	23.9	(29.6)	-	13.0	9.4	5.0	548	9.6	(24.3)	-		
Jash Engineering	1,146	78.4	(47.3)	-	35	1,117.6	(93.5)	-	3.0	355.0	(2,147.0)	1	103.9	(99.7)	-		
Ion Exchange	5,676	18.4	(27.4)	-	642	31.6	(30.4)	-	11.3	11.1	(4.1)	450	35.1	(38.2)	-		
Vishnu Prakash R Punglia	2,566	(61.0)	(7.8)	-	336	2.8	(68.0)	-	13.1	134.0	(287.0)	148	(10.2)	(78.0)	-		
SPML Infra	2,068	(41.2)	(55.2)	-	120	1,286.6	(34.5)	-	5.6	529.0	176.0	129	2,773.7	(462.8)	-		
EMS Ltd	2,063	49.5	(15.9)	-	503	55.5	(25.6)	-	24.4	94.0	(320.0)	372	63.1	21.6	-		

Exhibit 2: Capital Goods Valuation Matrix

Company Name	Rating	MCAP (in bn)	CAGR % (FY24-26E)			EPS (Rs/ sh)			PE (x)		EV/EBITDA (x)		ROE (%)		
			Revenue	EBITDA	PAT	FY24	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY24	FY25E	FY26E
Elecon Engineering Co Ltd	NR	133.8	21.0	19.6	19.2	15.8	22.1	30.9	27.0	19.3	24.3	18.4	24.7	20.8	22.1
Transformers & Rectifiers Indi	NR	102.5	59.8	86.8	155.3	3.2	10.4	19.0	65.7	35.9	60.3	22.6	9.4	17.4	21.9
Cyient DLM Ltd	NR	60.8	32.3	45.9	65.1	8.4	14.4	21.3	53.3	36.1	34.1	23.4	11.1	11.4	15.0
KEI Industries Ltd	NR	387.1	18.6	21.1	24.5	64.4	80.8	99.3	53.1	43.2	36.9	29.8	20.2	20.9	20.9
RR Kabel Ltd	NR	179.0	18.7	30.4	33.8	26.6	34.5	47.3	45.9	33.4	31.1	23.0	18.4	19.8	22.3
Carborundum Universal Ltd	BUY	295.2	12.3	16.5	22.1	24.2	29.7	36.2	52.2	42.9	33.6	28.6	15.5	16.5	17.6
Welspun Enterprises Ltd	NR	77.6	19.9	28.4	15.3	21.3	23.6	28.3	23.7	19.8	13.2	11.5	13.4	14.9	17.8
Va tech wabag	NR	82.0	9.9	13.4	11.9	39.5	46.6	49.5	28.3	26.6	17.3	16.5	13.5	16.0	16.9
Jash Engineering	NR	29.0	17.5	17.0	16.4	53.4	60.2	72.4	38.6	32.1	25.6	21.3	19.0	21.4	25.8
Ion Exchange	NR	98.3	9.9	14.2	7.2	13.3	12.6	15.3	53.3	43.7	31.8	26.5	19.3	18.1	22.1
Vishnu Prakash R Punglia	NR	30.0	20.0	22.3	28.2	9.8	12.8	16.0	18.8	15.0	12.9	10.5	16.9	22.2	27.8
SPML Infra	NR	12.6	23.0	(1.2)	-	(0.3)	9.8	13.0	21.8	16.4	150.3	124.3	(0.4)	12.6	16.7
EMS Ltd	NR	48.7	19.9	15.8	13.3	27.6	30.7	35.4	28.6	24.8	20.3	17.6	19.1	21.3	24.6

Company wise performance

Welspun Enterprises

Kickstart to FY25 with order win largest water treatment plant in Asia

Stock Information

CMP (Rs)	566
52 Week H/L	589/241
Market Cap (Rs bn)	78.4
Free Float (%)	42.0
Shares O/S (mn)	138.0
6M Daily Avg Volume (mn)	0.5

Shareholding Pattern (%)

	Dec-23	Mar-24	Jun-24
Promoters	54.5	54.5	54.5
FII / NRI	4.6	4.6	4.7
MF/DII	2.0	1.9	1.8
Others	1.4	1.4	1.4

Stock Performance	3 Months	6 Months	12 Months
Absolute Return	53.6	60.9	100.4

	FY24	FY25E	FY26E
P/E(x)	26.3	23.7	19.8
EV/Sales	2.8	2.2	1.9
RoE (%)	13.4	14.9	17.8
RoCE (%)	13.4	19.6	22.5

What are the key highlights of 1QFY25 results?

- ↑ Revenue up by 29.8% YoY to Rs9,073mn in 1QFY25, due to increased execution of new projects.
- ↑ Robust order book of Rs116bn, ~4x for FY24 revenue to be executed in 3 years. Which gives atleast 20% growth visibility YoY. Where 70% is from water and 30% from road projects.
- ↑ 82% of total projects are external and 18% are HAM projects.
- ↑ Emerged as L1 bidder for Rs20bn projects which are expected to be added to the order book.
- ↑ EBITDA stood at Rs1,403mn up 33.1% YoY, EBITDA margin at 15.5% up 38bps YoY. Due to increased operational efficiency and improved performance from Welspun Michigan Lts.
- ↑ PAT stood at Rs1,162mn up 23.9% YoY.

Conference Call – Key Takeaways

- Subsidiary Welspun Michigan has commenced its operations and reported robust performance of Rs1.4bn up 64% YoY and 25% EBITDA margin. With an order book of Rs1.5bn. Which makes the consolidated order book of Rs130bn.
- The Bhandup water treatment awarded in Feb'24, the company has started working on the project and is expected to be completed in next 48months. The project is the largest in India with 2000MLD size and veolia is the technology partner.
- Investment in oil & gas blocks with Adani Welspun a 65:35 JV in the investment vehicle.
- The management expects Rs40bn to Rs50bn of additional orders to be booked.
- The pipeline of projects for Welspun Michigan is Rs150bn to Rs200bn, making a consolidated order pipeline of Rs500bn.
- Welspun Michigan is expect to make a revenue of Rs5.5bn to Rs6.5bn, with an EBITDA margins of 21 – 23%.

Management guidance for FY25:

- Revenue: +30% growth, approx. Rs40,000mn
- EBITDA: Rs700mn to Rs750mn
- EBITDA M%: +18%

What is our view on the stock considering 1QFY25 results and other relevant factors?

With increasing water related projects, winning bids for largest waste water treatment plants, With government increasing its focus on water treatment and promoting a circular economy, Welspun enterprises is strategically positioned to ride the sector tailwind along side recently acquired subsidiary Welspun Michigan. **We currently have no rating on stock.**

Financials (in mn)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	YoY (%)	QoQ (%)	FY22	FY23	FY24	YoY (%)
Revenue	6,987	6,457	7,067	8,211	9,073	29.8	10.5	13,423	27,582	30,808	11.7
EBITDA	1,054	826	1,263	1,111	1,403	33.1	26.2	1,501	2,476	4,604	85.9
EBITDA Margin (%)	15.1	12.8	17.9	13.5	15.5	38	193	11.2	9.0	14.9	597
PBT	1,267	970	1,361	1,193	1,540	21.6	29.1	1,082	7,414	5,064	(31.7)
PBT (%)	18.1	15.0	19.3	14.5	17.0	(116)	244	8.1	26.9	16.4	(1,044)
PAT	938	722	984	850	1,162	23.9	36.7	784	6,844	3,718	(45.7)
PAT (%)	13.4	11.2	13.9	10.4	12.8	(61)	245	5.8	24.8	12.1	(1,274)
EPS (Rs.)	6.7	4.6	5.3	5.1	7.2	6.7	40.5	5.7	48.1	26.9	(44.1)

Note: Restated

Va tech wabag

Robust orderbook with focus on profitability, All set to change the outlook

Stock Information

CMP (Rs)	1,300
52 Week H/L	1,405/435
Market Cap (Rs bn)	80.8
Free Float (%)	70.4
Shares O/S (mn)	62.2
6M Daily Avg Volume (mn)	0.8

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

Stock Performance

	3 Months	6 Months	12 Months
Absolute Return	37.4	79.9	155.5

	FY24	FY25E	FY26E
P/E(x)	33.4	28.3	26.6
EV/Sales	2.8	2.4	2.3
RoE (%)	13.5	16.0	16.9
RoCE (%)	17.4	21.4	22.5

What are the key highlights of 1QFY25 results?

- ↑ Revenue up by 13.3% YoY to Rs6,265mn in 1QFY25, mainly due to increased execution of international orders.
- ↑ 40% of the revenue is domestic and 60% is international, while EPC projects stood are 81% and O&M is 19% of revenue.
- ↑ Order intake for the quarter stood at Rs672mn, in which 50% is EPC and 50% is O&M.
- ↑ Unexecuted order book stood at Rs107bn from which 55% are EPC and 45% are O&M projects. Out of which India is 69% and 31% is international.
- ↑ EBITDA stood at Rs791mn up 41.8% YoY, EBITDA margin at 12.6% up 253bps YoY. Due to higher profit margins in international orders.
- ↑ PAT stood at Rs550mn, up 10.0% YoY. PAT margin stood at 8.8%.

Conference Call – Key Takeaways

- Va tech wabag is considered as the preferred bidder (L1 bidder) for upcoming projects of Rs60bn.
- The company has sold all of its loss-making European subsidiaries and has shutdown its European business.
- During 1QFY24, the company has dedicated its operations and assets to exports as there was muted activity in India due to elections. This has given fruitful results to the company in terms of revenue, profit margins and order book growth.
- There is a temporary delay in order received from Bangladesh. Local engineers have deployed at the project site. While Indian team of engineers will reach the location once the situation in Bangladesh is settled.
- The growth in employee count will be less compared to the growth in top line. Going forward the company aims to focus on operational efficiencies.

Management guidance for FY25:

- Order book: Rs160bn to Rs170bn
- Revenue: +15% to 20% growth
- EBITDA Margin: 13% to 15%

What is our view on the stock considering 1QFY25 results and other relevant factors?

Va tech wabag has intelligently shifted its operations from India to other countries due to slowdown of orders during election period, this has resulted in outstanding result in terms of profitability. With surge in export orders and order book guidance of Rs160bn to Rs170, we expect VA tech wabag to continue to remain as a market leader in all aspects of water related projects. **We currently have no rating on stock.**

Financials (in mn)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	YoY (%)	QoQ (%)	FY22	FY23	FY24	YoY (%)
Revenue	5,528	6,650	7,044	9,342	6,265	13.3	(32.9)	29,793	29,605	28,564	(3.5)
EBITDA	558	861	984	1,155	791	41.8	(31.5)	2,338	3,178	3,662	15.2
EBITDA Margin (%)	10.1	12.9	14.0	12.4	12.6	253	26	7.8	10.7	12.8	209
PBT	640	829	833	999	700	9.4	(29.9)	1,684	169	3,301	1,853.3
PBT (%)	11.6	12.5	11.8	10.7	11.2	(40)	48	5.7	0.6	11.6	1,099
PAT	500	602	629	724	550	10.0	(24.0)	1,321	110	2,504	2,176.4
PAT (%)	9.0	9.1	8.9	7.7	8.8	(27)	103	4.4	0.4	8.8	839
EPS (Rs.)	8.0	9.7	10.1	11.6	8.8	10.0	(24.1)	21.2	1.8	40.3	2,176

Note: Restated

Jash Engineering

Planned capex, Increase in profitability, with focus on exports

Stock Information

CMP (Rs)	2,290
52 Week H/L	2,640/1,251
Market Cap (Rs bn)	28.6
Free Float (%)	47.0
Shares O/S (mn)	12.0
6M Daily Avg Volume (mn)	0.04

Shareholding Pattern (%)

	Dec-23	Mar-24	Jun-24
Promoters	51.0	49.4	43.7
FII / NRI	1.2	1.2	1.7
MF/DII	3.9	3.6	3.5
Others	43.9	45.8	51.2

Stock Performance	3 Months	6 Months	12 Months
Absolute Return	2.8	35.6	78.9

	FY24	FY25E	FY26E
P/E(x)	43.5	38.6	32.1
EV/Sales	5.6	4.9	4.1
RoE (%)	19.0	21.4	25.8
RoCE (%)	20.4	23.2	27.9

What are the key highlights of 1QFY25 results?

- ↑ Revenue up 78.4% YoY to Rs1,146mn in 1QFY25, due to increase in orders from Europe, Africa, USA and India.
- ↑ Jash Engineering revenue up 113.9% YoY, Shivpad Engineering revenue up 127.3% YoY and Rodney hunt revenue up 46.9%.
- ↑ Consol. Order book of Rs9,390mn from which Rs5,140mn is from Jash Engineering, Rs390mn is from Shivpad Engineering, Rodney Hunt is Rs3,650mn and water front fluids is Rs210mn.
- ↑ EBITDA stood at Rs35mn up 1,117.6% YoY, EBITDA margin at 3.0% up 355bps YoY, EBITDA margin has improved due to increase in profitability in Jash Engineering. However, Rodney hunt reported losses.
- ↑ PAT stood at Rs1mn, up 103.9% YoY. PAT margin stood at 0.1%.

Conference Call – Key Takeaways

- 49% of revenue is from water control gates, 31% from fine screening equipment, 13% from valves and 7% from other equipment.
- Company has achieved highest ever order booking of Rs1,070mn in July 2024.
- The new plant in SEZ unit 4 will start construction from Oct 2024, the plant is expect to commission by end of 2025 with a capex of Rs220-230mn and is expected to generate Rs1,000mn of revenue at peak production capacity.
- The new plant in Shivpad is under construction and is expected to commission by Feb 2025, with a capex of Rs250mn. This is expected to start contributing to the revenue from April 2025 onwards, at peak production capacity the plant is expected to generate Rs1,000mn of revenue.
- Rodney hunt is making PAT loss due to execution of old orders which are being executed now. The old orders are not profitable.
- The company has announced a stock split of 1:5 at Rs10 FV.
- The management expects a revenue visibility of Rs60bn from Singapore for next 10 years, while the company has started receiving orders from Thailand.

Management guidance for FY25:

- Revenue: +19% growth
- Capex: Rs290mn, breakup – unit 1: Rs15mn, unit 2: Rs25mn, unit 3: Rs45mn, unit 4: 30mn, unit 4 expansion: Rs75mn and shivpad plant: 100mn

What is our view on the stock considering 1QFY25 results and other relevant factors?

Jash engineering is a niche segment of making control gates for all kinds of water treatment plants. With planned capex and high ROI for the new capex is expected to drive the company growth at least till FY27. We expect a long-term positive outlook on the company. **We currently have no rating on stock.**

Financials (in mn)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	YoY (%)	QoQ (%)	FY22	FY23	FY24	YoY (%)
Revenue	642	952	1,391	2,172	1,146	78.4	(47.3)	3,676	4,020	5,660	40.8
EBITDA	(3)	143	317	532	35	1,117.6	(93.5)	468	639	1,027	60.8
EBITDA Margin (%)	(0.5)	15.0	22.8	24.5	3.0	355	(2,147)	12.7	15.9	18.1	225
PBT	(38)	100	282	490	(3)	91.6	(100.7)	346	565	868	53.7
PBT (%)	(5.9)	10.5	20.3	22.5	(0.3)	565	(2,282)	9.4	14.1	15.3	129
PAT	(34)	85	226	391	1	103.9	(99.7)	322	517	704	36.2
PAT (%)	(5.2)	9.0	16.3	18.0	0.1	536	(1,788)	8.8	12.9	12.4	(42)
EPS (Rs.)	(2.8)	7.1	18.8	31.5	0.4	114.3	(98.7)	25.7	41.4	56.3	36

Note: Restated

Ion Exchange

Improvement in engineering segment, further expansion of chemical segment

Stock Information

CMP (Rs)	653
52 Week H/L	768/407
Market Cap (Rs bn)	95.7
Free Float (%)	63.7
Shares O/S (mn)	142.3
6M Daily Avg Volume (mn)	0.5

Shareholding Pattern (%)

	Dec-23	Mar-24	Jun-24
Promoters	26.5	26.4	26.2
FII / NRI	5.2	5.6	5.4
MF/DII	11.9	12.2	12.8
Others	40.2	39.6	39.4

Stock Performance	3 Months	6 Months	12 Months
Absolute Return	22.3	32.8	27.3

	FY24	FY25E	FY26E
P/E(x)	50.2	53.3	43.7
EV/Sales	4.0	3.8	3.3
RoE (%)	19.3	18.1	22.1
RoCE (%)	20.2	22.1	26.8

What are the key highlights of 1QFY25 results?

- ↑ During Revenue up 18.4% YoY to Rs5,676mn in 1QFY25, due to increase in revenue from chemical and engineering business.
- ↑ Engineering Consol. Order book of Rs33,940mn from which Engineering products are of Rs23,960mn, Sri Lanka projects are Rs1,850mn, Jal Nigam projects are Rs8,130mn. With bid pipeline of Rs82,330mn.
- ↑ Revenue from Engineering up 12.6% YoY to Rs3,235mn, Chemicals up 36.5% YoY to Rs1,994 and consumer products up 9.5% YoY to Rs660mn.
- ↑ EBITDA stood at Rs642mn up 31.6% YoY, EBITDA margin at 11.3% up 113bps YoY. Margin increased due to increase margin from engineering segment.
- ↑ PAT stood at Rs1,503mn, up 23.8% YoY. PAT margin stood at 7.3%.

Conference Call – Key Takeaways

- The roha plant with a capex of Rs4,000mn is expected to commission by 4QFY25, from this Rs1,250mn are for a specific technology with other benefits. Asset turnover is of 2x on an investment of Rs2,750mn which stands at Rs5,500mn.
- The UP Jal Nigam project is expected to be completed by the end of 2024, depending on the funds to be released from the government.
- The cost over run of a legacy contract in the engineering segment has impacted the margins. Else the margins would have been still better. The management expects the legacy contract to last for another 2 to 3 quarters. By 4QFY25 there will be an uptick in profitability from engineering segment.
- Water treatment chemicals plant is running at 70% capacity utilization.
- Some focus we be to grow the consumer business, the management will be reinvesting some amount of surplus cash into this business. However, it may not be profitable in short term.

Management guidance for FY25:

- Revenue: +15% to 20%, largely from engineering and water treatment chemicals
- EBITDA M%: ~13% to ~14%
- Export orders are expected to increase further

What is our view on the stock considering 1QFY25 results and other relevant factors?

Ion exchange with its diversified business segments in water sector and robust orderbook of Rs33.9bn and a bid pipeline of Rs82.3bn has a strong revenue visibility for atleast 2 years. With government increased focus towards JJM and waste water treatment. Ion exchange is expected to see an increase in execution pace coupled with steady improvement in EBITDA margins from H2FY25 onwards. **We currently have no rating on stock.**

Financials (in mn)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	YoY (%)	QoQ (%)	FY22	FY23	FY24	YoY (%)
Revenue	4,792	5,330	5,539	7,818	5,676	18.4	(27.4)	15,769	19,896	24,362	22.4
EBITDA	488	604	706	922	642	31.6	(30.4)	2,151	2,578	2,874	11.5
EBITDA Margin (%)	10.2	11.3	12.7	11.8	11.3	113	(48)	13.6	13.0	11.8	(116)
PBT	475	579	666	954	619	30.3	(35.1)	2,169	2,578	2,818	9.3
PBT (%)	9.9	10.9	12.0	12.2	10.9	99	(129)	13.8	13.0	11.6	(139)
PAT	333	413	466	727	444	33.4	(38.9)	1,628	1,968	2,050	4.2
PAT (%)	6.9	7.7	8.4	9.3	7.8	88	(147)	10.3	9.9	8.4	(148)
EPS (Rs.)	2.3	3.0	3.3	5.1	3.2	35.0	(38.3)	11.1	13.4	14.0	4.2

Note: Restated

Vishnu Prakash R Punglia

Strategically placed to capitalize on Industry tailwinds

Stock Information

CMP (Rs)	238
52 Week H/L	297/141
Market Cap (Rs bn)	29.7
Free Float (%)	26.1
Shares O/S (mn)	124.6
6M Daily Avg Volume (mn)	1.6

Shareholding Pattern (%)

	Dec-23	Mar-24	Jun-24
Promoters	67.8	67.8	67.8
FII / NRI	3.1	1.1	1.1
MF/DII	4.9	4.2	4.1
Others	24.2	26.9	27.0

Stock Performance	3 Months	6 Months	12 Months
Absolute Return	55.3	25.9	-

	FY24	FY25E	FY26E
P/E(x)	24.6	18.8	15.0
EV/Sales	2.2	1.9	1.6
RoE (%)	16.9	22.2	27.8
RoCE (%)	18.7	22.9	28.0

What are the key highlights of 1QFY25 results?

- ↑ **During Revenue down 7.8% YoY to Rs2,566mn in 1QFY25, degrowth mainly due to election period.**
- ↑ **Robust order book of Rs49,146mn, 78% is from water supply projects, 16% from railways and 6% from road & civil construction. While order inflow for the quarter is Rs9,435mn.**
- ↑ **From revenue of Rs2,566mn, 67% of the revenue are WSP projects, 17% are from railways, 10% from other civil works and 6% from road civil work.**
- ↑ **Order inflow for the quarter stood at Rs9,435mn**
- ↑ **EBITDA stood at Rs336mn up 2.8% YoY, EBITDA margin at 13.1% up 134bps YoY. Margins increased due to increased backward integration and change in business mix.**
- ↑ **PAT stood at Rs148mn, down 10.2% YoY. PAT margin stood at 5.8%.**

Conference Call – Key Takeaways

- The company has one of the highest EBITDA margins in water sector, this is mainly due to its backward integration where the company has inhouse crushing unit, RMC plant, laboratory unit etc.
- The management expects higher margins in railway projects. Since, the company has recently secured some projects in Rajasthan, which will aid in further improvement in margins.
- 10% - 15% is the working capital requirement for water supply projects.
- The company is experiencing increased orders from JJM. JJM constitutes of Rs19,000mn vs Rs14,000mn YoY in the orderbook.
- The management has plans to expand the presence in goa, Chennai and Telangana. Which the company has recently received a water treatment project in goa.
- For bidding, performance BG is 5% to 10%, advance BG is 10% but this not for all the projects. While retention money held back with the client is 5%.
- The company has engaged in new order bids of Rs49,719mn, with a historical bid to win ratio of 17 – 18%, the management expects a new order inflow of at least 10,000mn by end of FY25.

Management guidance for FY25:

- Revenue: +15% to 20% at least
- EBITDA Margin: Improvement in margins expected ~15%

What is our view on the stock considering 1QFY25 results and other relevant factors?

We expect the fund flow from government for water infrastructure to increase further in next H2FY25. With robust orderbook, bid pipeline and industry leading margins, VPRPL is strategically placed to capitalize on the opportunities in water and railways. **We currently have no rating on stock.**

Financials (in mn)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	YoY (%)	QoQ (%)	FY22	FY23	FY24	YoY (%)
Revenue	2,782	2,964	2,421	6,572	2,566	(7.8)	(61.0)	7,856	11,684	14,523	24.3
EBITDA	327	383	340	1,049	336	2.8	(68.0)	869	1,566	2,108	34.6
EBITDA Margin (%)	11.7	12.9	14.0	16.0	13.1	134	(287)	11.1	13.4	14.5	111
PBT	220	288	231	907	197	(10.3)	(78.3)	604	1,224	1,623	32.5
PBT (%)	7.9	9.7	9.5	13.8	7.7	(22)	(613)	7.7	10.5	11.2	69
PAT	164	213	174	671	148	(10.2)	(78.0)	449	906	1,205	33.0
PAT (%)	5.9	7.2	7.2	10.2	5.8	(16)	(446)	5.7	7.8	8.3	54
EPS (Rs.)	1.3	1.7	1.4	5.4	1.2	(10.6)	(78.1)	3.6	7.3	9.7	33.0

Note: Restated

SPML Infra

Debt restructured, fund raising in progress, all set to bid for fresh orders in water sector

Stock Information

CMP (Rs)	206
52 Week H/L	217/33
Market Cap (Rs bn)	12.2
Free Float (%)	39.2
Shares O/S (mn)	49.0
6M Daily Avg Volume (mn)	0.2

Shareholding Pattern (%)

	Dec-23	Mar-24	Jun-24
Promoters	39.4	39.4	35.9
FII / NRI	0.0	0.4	0.6
MF/DII	2.3	2.3	1.9
Others	58.3	57.9	61.5

Stock Performance	3 Months	6 Months	12 Months
Absolute Return	59.1	93.4	439.0

	FY24	FY25E	FY26E
P/E(x)	NA	21.8	16.4
EV/Sales	1.2	1.4	0.8
RoE (%)	(0.4)	12.6	16.7
RoCE (%)	5.6	-	-

What are the key highlights of 1QFY25 results?

- ↑ During Revenue down 55.2% YoY to Rs2,068mn in 1QFY25, degrowth mainly due to slowdown in operations due to elections.
- ↑ Order book of Rs20bn consisting of orders of river to reservoir, reservoir to tap and other water related infrastructure.
- ↑ The company holds the requisite pre-qualification to execute major drinking water supply and management projects worth over Rs15bn. Additionally, the company has extensive experience in laying over 10,000km of water pipelines.
- ↑ EBITDA stood at Rs115mn up 1,286.6% YoY, EBITDA margin at 5.6% up 176bps YoY. Margins increased due to increase in operational efficiency.
- ↑ PAT stood at Rs129mn, up 2,764.4% YoY. PAT margin stood at 6.2%.

Conference Call – Key Takeaways

- Currently, SPML Infra has an order book of approximately Rs20bn, which will be executed in next 2-3 years. The current floated tender in the water sector is more than Rs300bn in various states, where the company is planning to bid in approx. Rs100bn worth of orders, which is in line with their evaluation metrics.
- The company is quite hopeful to achieve the fresh order of Rs25-35bn to be executed in 3-4 years.
- The company has decided to have the sufficient liquidity before taking the new business and considering the same and enormous business opportunity in this sector, the company is evaluating the possibility of additional fund raising in FY25.
- The company has restructured its debt through the Indian Debt Resolution Company Ltd. (IDRCL) with repayment options of Rs7bn over 8 years or Rs9.67bn over 10 years, including interest. Most payments are linked to arbitration awards and claims, minimizing cash flow impact. So far, Rs2.23bn has been paid, primarily from the Vivad-Se-Vishwas (VSV) scheme, with Rs2.44bn received out of the expected Rs2.94bn, and the remaining Rs500mn due soon.

Management guidance for FY25:

- Bid Pipeline: Plans to bid Rs100bn worth orders.
- Order book: Expected to receive Rs25bn – 30bn worth fresh orders.

What is our view on the stock considering 1QFY25 results and other relevant factors?

SPML Infra has planned and restructured its debt issues with the help of IDRCL and the cash received from VSV scheme is expected to be utilized for debt repayment. However, the funding raising cash will be utilized for bidding of new orders. With a history of laying 10,000km of water pipelines, SPML is expected to win orders and increase its existing order book to Rs30bn in FY25.

We currently have no rating on stock.

Financials (in mn)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	YoY (%)	QoQ (%)	FY22	FY23	FY24	YoY (%)
Revenue	3,516	2,539	2,522	4,612	2,068	(41.2)	(55.2)	7,856	11,684	14,523	24.3
EBITDA	(10)	2	(36)	176	115	1,286.6	(34.5)	869	1,566	2,108	34.6
EBITDA Margin (%)	(0.3)	0.1	(1.4)	3.8	5.6	529	176	11.1	13.4	14.5	111
PBT	6	11	19	(46)	160	2,803.6	450.2	604	1,224	1,623	32.5
PBT (%)	0.2	0.4	0.7	(1.0)	7.7	757	674	7.7	10.5	11.2	69
PAT	5	3	11	(43)	129	2,764.4	399.8	449	906	1,205	33.0
PAT (%)	0.1	0.1	0.4	(0.9)	6.2	611	530	5.7	7.8	8.3	54
EPS (Rs.)	0.1	0.1	0.2	(1.8)	2.0	2,437.5	215.3	3.6	7.3	9.7	33.0

Note: Restated

Continue to maintain high EBITDA margin with decent order book

Stock Information

CMP (Rs)	864
52 Week H/L	935/246
Market Cap (Rs bn)	47.9
Free Float (%)	30.0
Shares O/S (mn)	55.5
6M Daily Avg Volume (mn)	0.7

Shareholding Pattern (%)

	Dec-23	Mar-24	Jun-24
Promoters	69.7	69.7	69.7
FII / NRI	4.1	2.8	0.9
MF/DII	1.5	1.4	1.6
Others	24.8	26.1	27.9

Stock Performance	3 Months	6 Months	12 Months
Absolute Return	93.5	74.1	-

	FY24	FY25E	FY26E
P/E(x)	31.8	28.6	24.8
EV/Sales	6.1	4.9	4.2
RoE (%)	19.1	21.3	24.6
RoCE (%)	22.6	26.5	30.5

Source: Bloomberg Estimates

What are the key highlights of 1QFY25 results?

- ↑ During Revenue up 49.5% YoY to Rs2,063mn in 1QFY25, surge in revenue due to increasing execution during the quarter.
- ↑ Robust order book of Rs18bn to be executed in 2 to 2.5 years. New orders received have slowed in finalization due to elections.
- ↑ Despite ongoing elections the company has secured 3 new orders. 1 in lucknow, 1 in Dehradun and 1 in UP of Rs7.9bn
- ↑ EBITDA stood at Rs503mn up 55.5% YoY, EBITDA margin at 24.4% up 94bps YoY. Margins increased due to increased cost cutting measures. EMS continues to have highest margins in sewerage treatment and pipeline industry.
- ↑ PAT stood at Rs372mn, up 63.1% YoY. PAT margin stood at 18.0%.

Conference Call – Key Takeaways

- EMS has robust order book of Rs18bn with bid pipeline of Rs40bn+ the bid to win ratio is 15%. While 75% of the orders in the order book are from water and 25% are from non water.
- According to the management, being selective on bids and projects to choose will result in higher margin and the company has a cost cutting strategy which leads to EBITDA margin over 24%.
- The company has a unique strategy of acquiring the assets auctioned by banks at a 30%-40% discount, Which can be used a collateral for bank guarantee instead of FD.
- The company has recently ventured into real estate and secured a project of Rs3.5bn in Mumbai to build RBI housing colony.
- The company has recently entered into road projects and have bid for 3 projects already. However, there are no road projects currently underway.
- 250 to 300 are permanent employees.
- The payment cycle in water segment is 3month post the execution is done and the bill is raised and 10% to 15% of WC is for BG and others. Due to this operating cashflow is negative.

Management guidance for FY25:

- Revenue: +25% to 30% growth. Target to reach Rs10bn.
- EBITDA margin: 24% to 25% to sustain.

What is our view on the stock considering 1QFY25 results and other relevant factors?

With government increased focus towards increasing sewage network, sewage water treatment post budget 2024, We expect EMS Ltd to increase its order book and bid pipeline than ever before. With focus on increasing the number of bids, profitability and selecting the right projects we expect EMS Ltd to continue to maintain 24% and above EBITDA margins with 25%+ growth in revenue. **We currently have no rating on stock.**

Financials (in mn)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	YoY (%)	QoQ (%)	FY22	FY23	FY24	YoY (%)
Revenue	1,380	2,105	1,996	2,453	2,063	49.5	(15.9)	3,599	5,382	7,933	47.4
EBITDA	323	570	468	676	503	55.5	(25.6)	1,127	1,500	2,196	46.4
EBITDA Margin (%)	23.4	27.1	23.5	27.6	24.4	94	(320)	31.3	27.9	27.7	(19)
PBT	305	617	505	639	494	61.8	22.6	1,077	1,479	2,068	39.8
PBT (%)	22.1	29.3	25.3	26.0	24.0	182	(208)	29.9	27.5	26.1	(141)
PAT	228	454	374	474	372	63.1	21.6	781	1,077	1,527	41.8
PAT (%)	16.5	21.5	18.8	19.3	18.0	150	3,733	21.7	20.0	19.2	(77)
EPS (Rs.)	4.8	8.2	6.7	8.5	6.7	38.6	21.7	14.1	19.4	29.4	51.4

Note: Restated

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Details of Associates

SI 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