

08-Jun-25

SECTOR UPDATE

Tapping Opportunity

Investing in India's Water Treatment Revolution

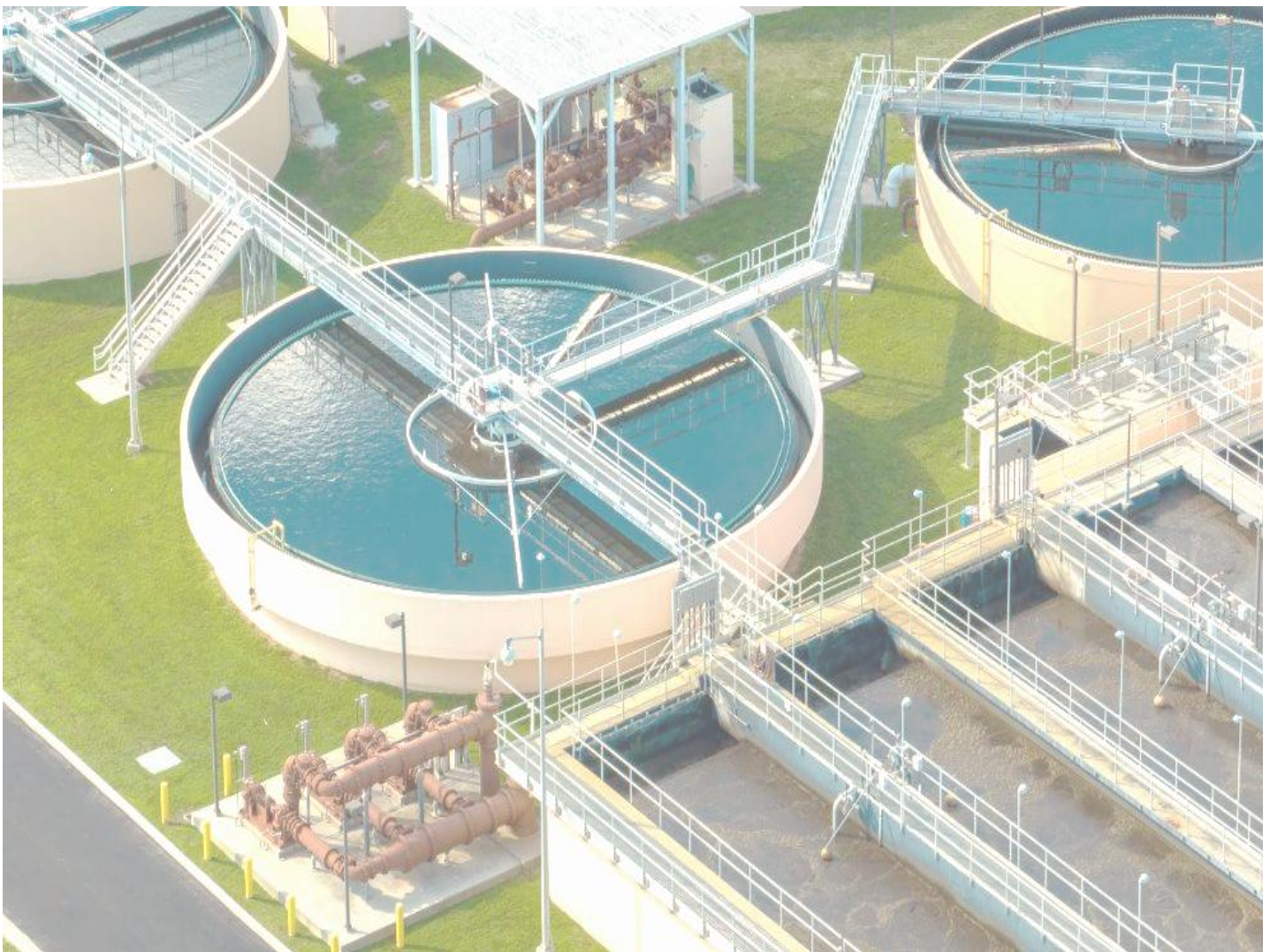




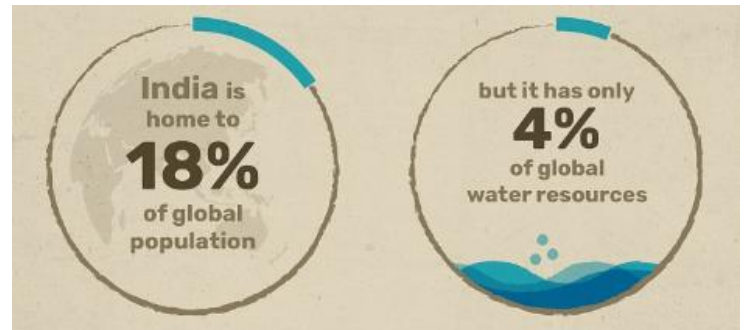
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INTRODUCTION

Water is the most fundamental natural resource — indispensable not just for human survival, but for agriculture, industry, and economic growth. Yet, in India, this vital resource is under immense stress. The country supports nearly 18% of the world's population but has only 4% of its freshwater resources. As urban centers expand and climate volatility worsens, India faces a looming water crisis, making water treatment and wastewater management not just a sustainability imperative, but also an urgent policy and investment priority.



India's water challenge isn't merely qualitative it's rapidly becoming a quantitative crisis. According to the Central Water Commission's Reassessment of Water Availability in India using Space Inputs (2019), the per capita water availability in the country is projected to decline from 1,486 cubic meters in 2021 to 1,367 cubic meters in 2031. This places India well below the internationally accepted "water-stressed" threshold of 1,700 m³/person/year, inching dangerously close to "water-scarce" conditions (below 1,000 m³/person/year).

The convergence of declining per capita water availability, accelerating policy intervention, and technology-driven water reuse and recycling marks the water sector as a compelling long-term structural investment theme.



~INR 20,00,000 crores worth investments required to bridge expected water supply deficit by 2030



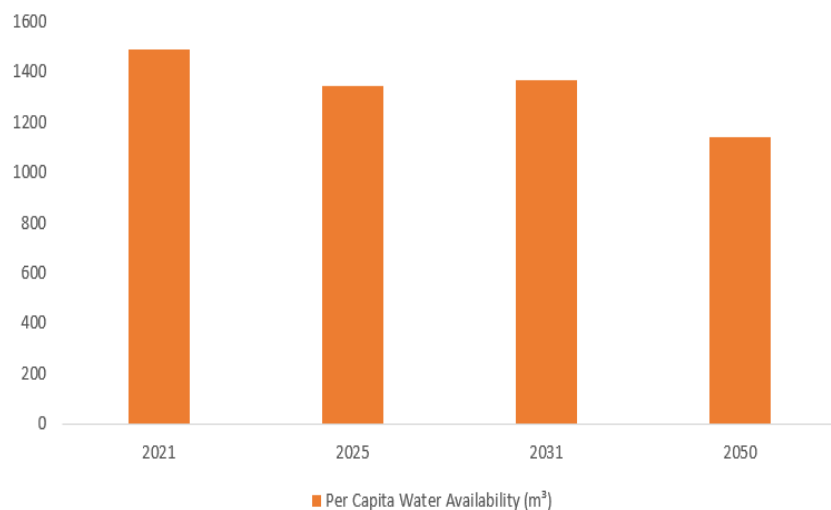
~82% rural households do not have piped water supply, and 163 million Indians live without access to clean water in their vicinity

DEMAND DRIVERS

1. Urbanization and Population Growth

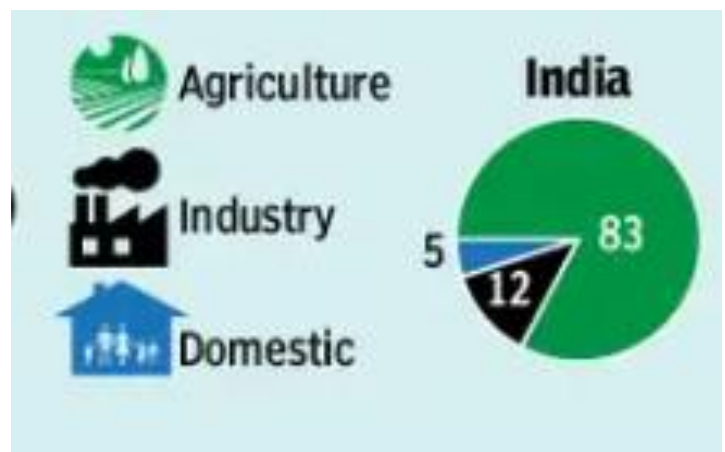
- India is projected to be 50% urban by 2047, with its urban population doubling from ~480 million (2024) to over 800 million (World Bank Urbanization Overview).
- Urban areas account for over 70% of industrial and domestic water demand, significantly burdening existing water infrastructure and creating demand for advanced treatment and recycling solutions.

COMPOSITE WATER MANAGEMENT INDEX
NITI Aayog Aug, 2019



2. Industrialization and Regulatory Push

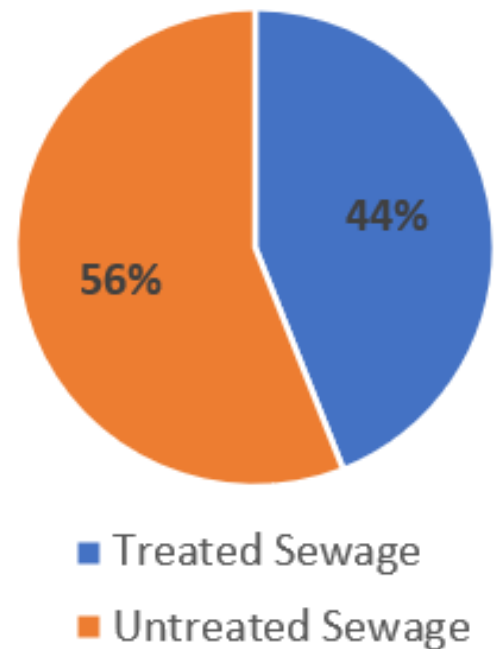
- Rising industrial activity — especially in chemicals, textiles, pharma, and food processing — requires reliable water sources and compliance with Zero Liquid Discharge (ZLD) and effluent standards, spurring demand for Effluent Treatment Plants (ETPs) and Sewage Treatment Plants (STPs).
- The Environment Protection Rules (1986) and CPCB norms mandate stringent effluent quality, reinforcing the role of water treatment technologies.



Agriculture Sector dominates in the share of water demand – whereas domestic usage share at 12% of overall water demand

3. Water Pollution and Scarcity

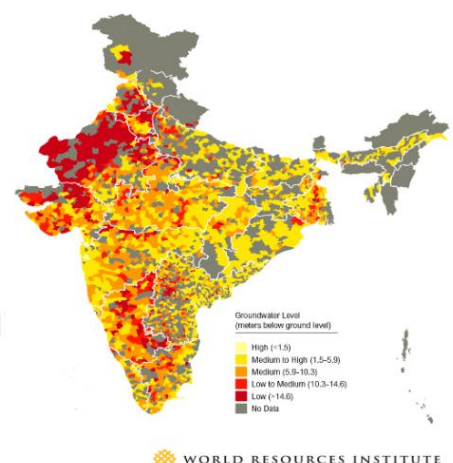
- Over 70% of surface water in India is polluted, and nearly 40% of groundwater blocks are over-exploited or critical, especially in north-western and southern India (CGWB 2023 Report).
- India generates ~72,368 million litres/day (MLD) of sewage, of which only ~31,841 MLD (44%) is treated (CPCB, 2023 Report). This treatment gap creates a significant opportunity for both public and private sector players.



4. Climate Change and Water Stress

- India is ranked among the most water-stressed countries globally, with increasing incidents of droughts, floods, and irregular monsoons due to climate change.
- Climate-related disruptions to water cycles are driving the need for resilient water infrastructure, including rainwater harvesting, groundwater recharge, and decentralized treatment systems.

54%
of India's
Ground-
water
Wells Are
Decreasing



GOVERNMENT INITIATIVES

India's commitment to water security and sustainable management is evident through several flagship programs and policy measures. These initiatives not only address the pressing challenges of water scarcity and pollution but also open avenues for investment and technological innovation. Although water is a State subject under the Indian Constitution, the Central Government has stepped in to supplement state efforts through landmark programs and policy reforms. Together, these initiatives form a strategic, multi-layered approach to addressing water stress:

Initiative	Objective / Scope
Jal Jeevan Mission (JJM) launched in 2019	To provide functional household tap connections (FHTCs) to every rural household by 2024, ensuring adequate and safe drinking water.
Namami Gange Programme launched in 2014	To ensure effective water management by preventing pollution, treating urban and industrial wastewater, and restoring the ecological flow of the Ganga. It focuses on sustainable river basin management to maintain clean, continuous, and healthy water system
AMRUT 2.0 launched in 2021	To improve urban water management by ensuring universal access to tap water supply and sewerage systems in cities. It promotes sustainable urban infrastructure, efficient water use, and reduction of water losses in municipal areas.

Given the governments focus water-intensive industries will increasingly be forced to outsource water treatment or invest in circular water infrastructure, creating demand for solutions in wastewater reuse, industrial ETPs, and STPs. Companies positioned in this segment stand to benefit from both capital expenditure projects and long-term operations & maintenance (O&M) revenue.

INDUSTRY PLAYERS

As the demand for water treatment accelerates across urban infrastructure and industrial corridors, investors are beginning to recognize the long-term potential of this niche yet essential sector. The key players—VA Tech Wabag, Ion Exchange, and Concord Enviro Systems, EMS Ltd and Enviro Infra Engineers — offer distinct business models and market positioning, from large municipal EPC contracts to compact, modular wastewater solutions. The table below summarizes key metrics to help benchmark their relative strengths and identify where each company fits into the broader water treatment landscape.

Metric	VA Tech Wabag	Ion Exchange	Concord Enviro (CEWATER)	EMS Ltd	Enviro Infra Engineers
Business Model	EPC + O&M	Product + EPC + Chemicals	Compact STP/ETP specialist	EPC + O&M + Manufacturing	EPC + O&M
Order Book (FY25)	₹14,300 crore	₹3,850 crore	₹532 crore	₹2,236 crore	₹1,991 crore
OPM %	9–11%	12–14%	13–20%	23–27%	22–24%
Revenue Mix	Infra Projects	Industrial + Products	Urban infra/real estate	Mostly Water Infra; Some Roads/Buildings	Mostly STPs (Govt projects)
Global Presence	Yes	Yes	Mostly India	India-only (Govt + Urban Local Bodies)	India-only (B2G focused)

While this benchmarking provides a high-level view of the competitive landscape, a deeper understanding of each company’s business model, growth strategy, and end-market exposure is essential for long-term investment assessment. The following sections offer detailed profiles of all these companies —highlighting their operational strengths, key differentiators, and forward-looking commentary from management.

WABAG

VA Tech Wabag is a leading pure-play water technology company focused on the design, engineering, procurement, and construction (EPC) of municipal and industrial water and wastewater treatment plants. With a legacy spanning over nine decades, Wabag has established a strong global footprint, executing projects across 25+ countries.

Wabag's asset-light model emphasizes engineering and project execution, with high annuity visibility from O&M contracts.

Over the years, the company has built robust execution capabilities, a high entry-barrier moat, and a technology-led approach to sustainability. Wabag's order book and receivables base reflect its scale, though working capital intensity remains a key monitorable.

Market Cap	₹ 10,161 Cr
Current Price	₹ 1,634
High / Low	₹ 1,944 / 820
Stock P/E	34.5
Book Value	₹ 344
Dividend Yield	0.00%

KEY TRIGGERS

Strong Order Book Visibility-

-Order book of ₹14,000+ crore with large projects lined up for execution giving visibility for topline growth and margins

Upcoming International BOOT Projects

-Two significant BOOT contracts expected to be signed soon providing annuity like cashflows

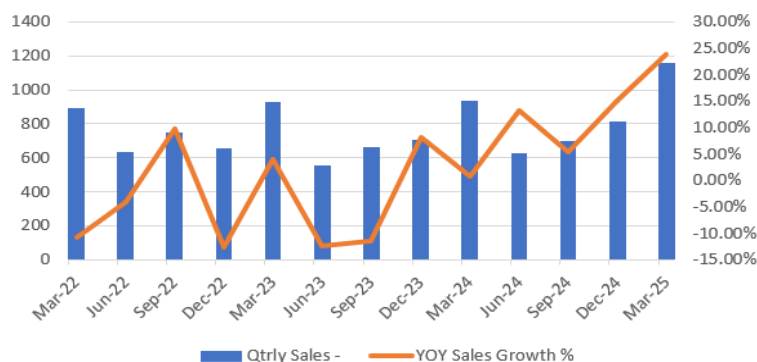
STRATEGIC PIVOTS

Shift to Higher-Margin EP + O&M Business Model

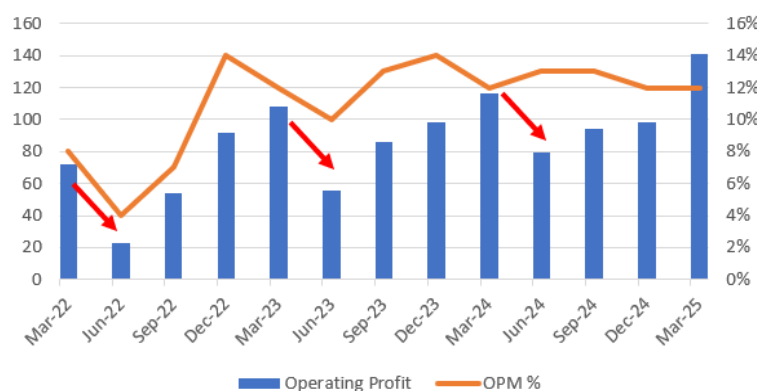
Focused Project Selection Based on Payment Security

"Wriddhi" Strategy for Profitable Growth

Sales on an increasing trend after a volatile phase



Earnings exhibit seasonality wrt Mar Qtr



IONEXCHANG

Ion Exchange (India) Ltd. is a pioneer in India's water management industry, with over six decades of expertise across the value chain.

It has a strong presence in high-margin segments, supported by in-house R&D. Unlike pure-play EPC firms, Ion Exchange generates a significant share of revenue from recurring businesses, including O&M contracts and chemical sales, ensuring steady cash flows.

The company continues to expand its global footprint, with exports contributing ~40% of total revenue. Management emphasizes capital efficiency and sustainable solutions as core differentiators. With a robust order book, and healthy balance sheet, Ion Exchange is well-positioned to benefit from the increasing demand for clean water.

Market Cap	₹ 8,061 Cr.
Current Price	₹ 550
High / Low	₹ 768 / 401
Stock P/E	38.8
Book Value	₹ 82.4
Dividend Yield	0.27%

KEY TRIGGERS

Robust engineering order book (~₹3,400–3,580 crore)

-Ensures strong revenue visibility with timely execution of large projects like UP Jal Nigam providing long-term O&M income.

Large bid pipeline (₹8,000–8,500 crore)

-Across private sector and PSUs.
-15–20% strike rate for high-margin orders, especially from industrial clients.

Aggressive CAPEX plan (~₹500 crore)

-includes expansion at Roha and Odisha.
-Ramp-up in resin and specialty chemical

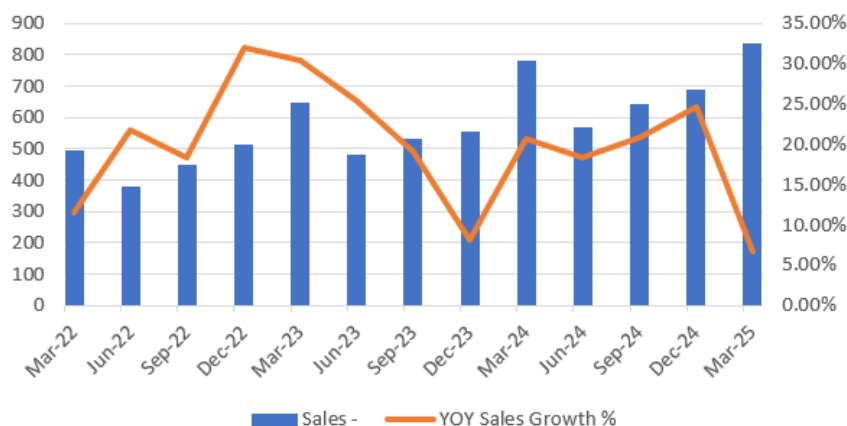
STRATEGIC PIVOTS

Strengthening international presence

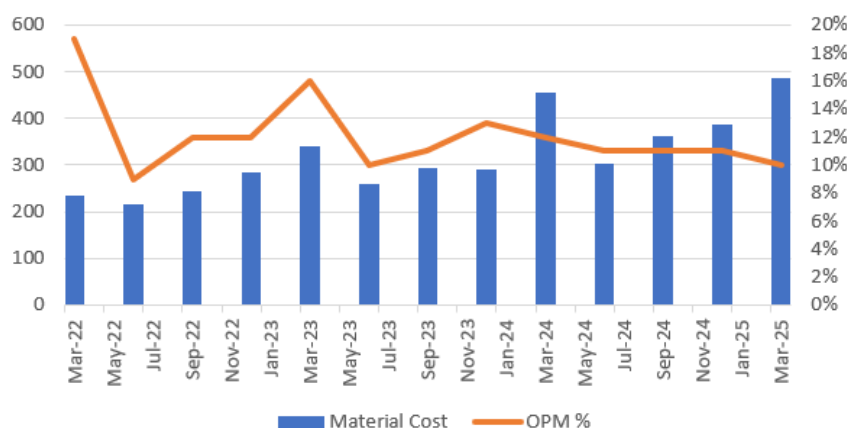
Accelerating leadership in membranes and consumer products

Entering focused government infra projects

Sales growth is under pressure



Stable margins despite Material Cost increase



CEWATER

Concord Enviro Systems Ltd. is a leading Indian player in decentralized water and wastewater treatment solutions, with a strong presence in industrial zero liquid discharge (ZLD), effluent recycling, and sewage treatment. The company specializes in membrane-based technologies like Reverse Osmosis (RO), Ultrafiltration (UF), and Membrane Bioreactors (MBR)

Its modular, plug-and-play solutions are designed for scalability, ease of operation, and energy efficiency.

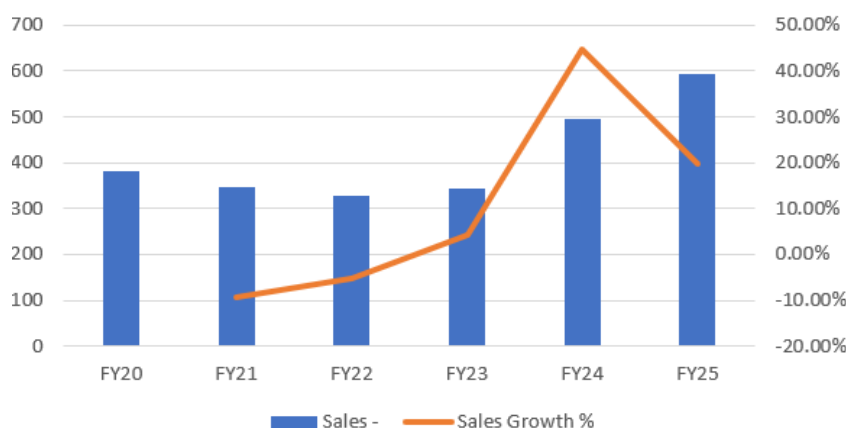
The company derives a significant share of its revenue from exports and maintains high margins due to proprietary designs and efficient execution. It also benefits from increasing regulatory emphasis on water reuse.

Market Cap	₹ 1,217 Cr.
Current Price	₹ 588
High / Low	₹ 860 / 409
Stock P/E	20.9
Book Value	₹ 258
Dividend Yield	0.00%

KEY TRIGGERS

- **Conversion of ₹2,000 crore order pipeline-** Target to win ~30% can drive significant top-line growth in FY26.
- **Execution of high-margin international projects-** Projects like “Green ZLD” in Africa and the US could uplift margins
- **Capacity expansion in Sharjah and Vasai-** for global scale, with backward integration in membranes and containerized plants.

Sales has witnessed a strong uptrend



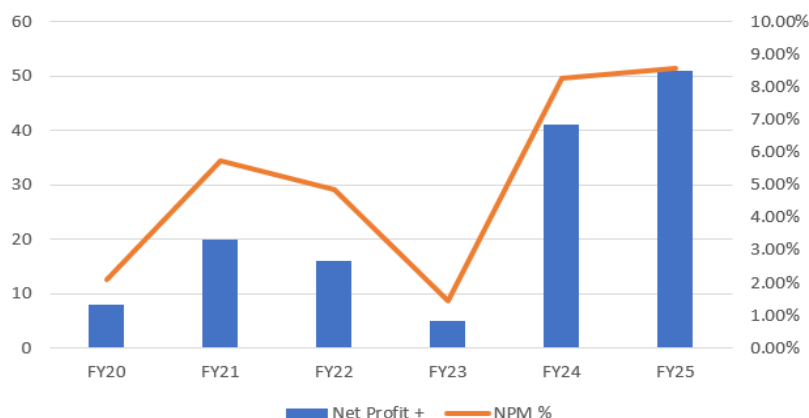
STRATEGIC PIVOTS

Expansion in third-party O&M services

Entry into high-potential segments like CBG, CO₂ capture, semiconductors

Scaling presence in international markets and reducing reliance on Indian project cycles

Net profit and NPM% has also witnessed a sharp surge



EMSLIMITED

EMS Limited is a multi-disciplinary EPC company specializing in water and wastewater infrastructure. Its core services include the design, construction, and O&M of STPs, ETPs, WTPs, and sewerage networks.

The company also undertakes civil infrastructure projects such as roads and buildings, with some projects under the Hybrid Annuity Model. EMS maintains an in-house engineering team of 65+ professionals and emphasizes technical execution excellence, which supports its above-industry operating margins.

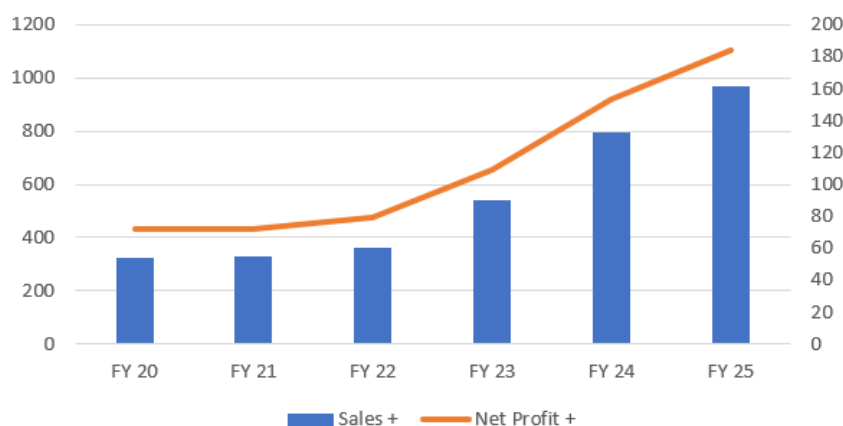
Nearly all projects are funded by government bodies or multilaterals like the World Bank. Its business is entirely domestic and B2G-focused, with zero bad debts and low credit risk due to public sector clientele.

Market Cap	₹ 3,345 Cr.
Current Price	₹ 602
High / Low	₹ 1,017 / 492
Stock P/E	18.2
Book Value	₹ 56.7
Dividend Yield	0.00%

KEY TRIGGERS

- **Healthy Unexecuted Order Book – ₹2,236 crore** - 90% of the order book expected to be executed in 2 years
- **Large and Active Bid Pipeline – ₹4,500+ crore** - Management targeting ₹600–700 crore in fresh order inflows in the current/next quarter alone

Revenue and profitability have risen in tandem



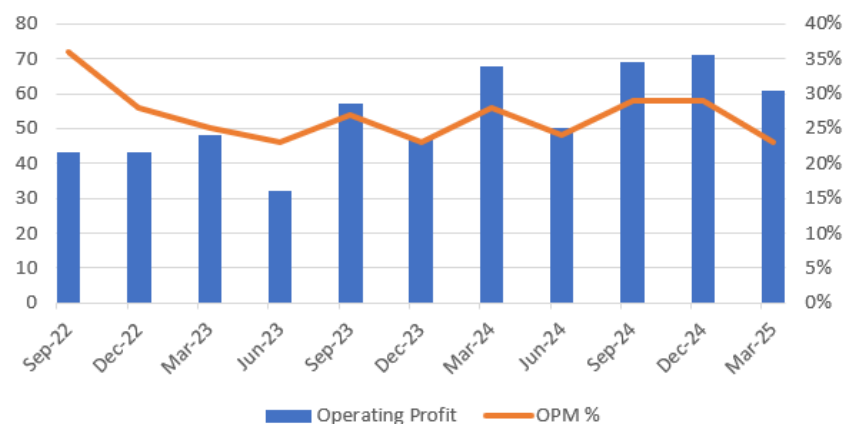
STRATEGIC PIVOTS

Targeting selective large size project with margin and profitability first approach

Expanding reach into new states – West Bengal KMC order win of 700Cr

Diversification into Non-Water Infra – bidding for 2,200 crore HAM road projects

Stable Operating Profit and Margins



EIEL

Enviro Infra Engineers Limited (EIEL) is a fast-growing Indian engineering company specializing in the design, construction, and operation of wastewater and water treatment infrastructure.

It primarily executes government-funded projects through EPC and O&M contracts, with nearly 100% of its revenue derived from public sector engagements. The company's core focus lies in sewage treatment plants (STPs), effluent treatment plants (ETPs), and pumping stations, supporting India's growing sanitation and urban infrastructure needs.

EIEL follows an asset-light model, leveraging in-house engineering teams and technology to enhance efficiency. It also explores PPP-based models like Hybrid Annuity (HAM) to scale future operations.

Market Cap	₹ 3,955 Cr.
Current Price	₹ 225
High / Low	₹ 392 / 170
Stock P/E	22.4
Book Value	₹ 176
Dividend Yield	0.33%

KEY TRIGGERS

- **Robust Order Book and Healthy O&M Split – ₹1,991 crore – 40% O&M contracts**
- **Visibility from Bid Pipeline –** Company has bid for ₹2,200 Cr projects and expecting bidding for further ₹2,000 Cr

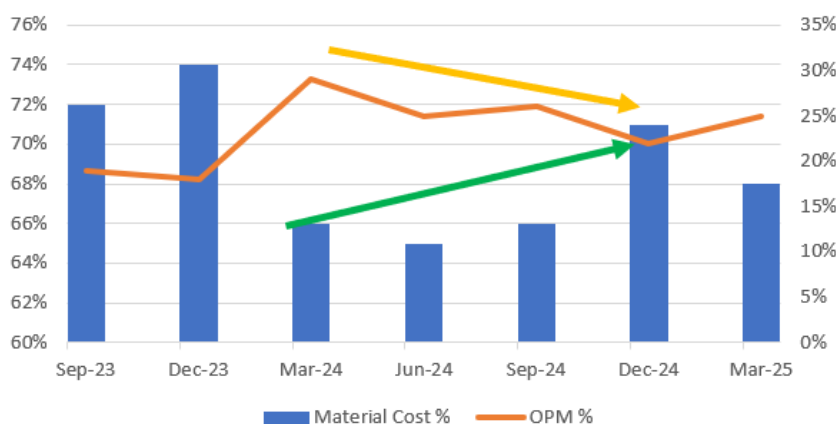
STRATEGIC PIVOTS

Increasing Project Size - 50 to 200 MLD for Sewage Treatment Plants (STPs) and from 20 to 50 MLD for Common Effluent Treatment Plants (CETPs)

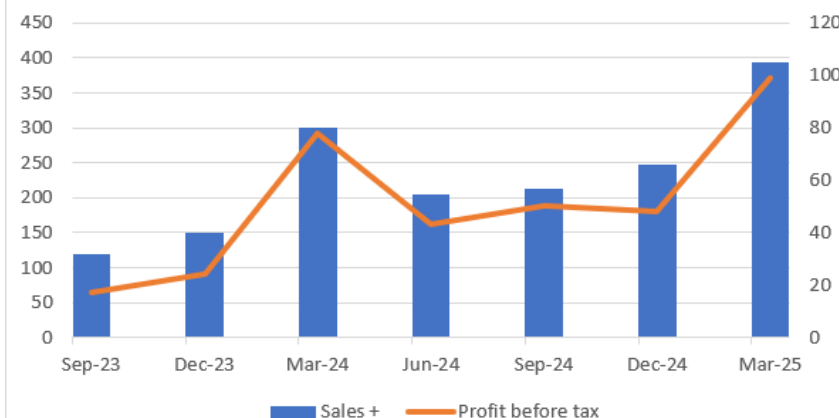
Entry into Hybrid Annuity Model Projects

Foray into Clean Energy & Waste-to-Energy - Strategic shift towards sustainability with CBG plants, solar EPC

OPM is sensitive to Material Costs



Revenue and profitability have risen in tandem



CONCLUSION

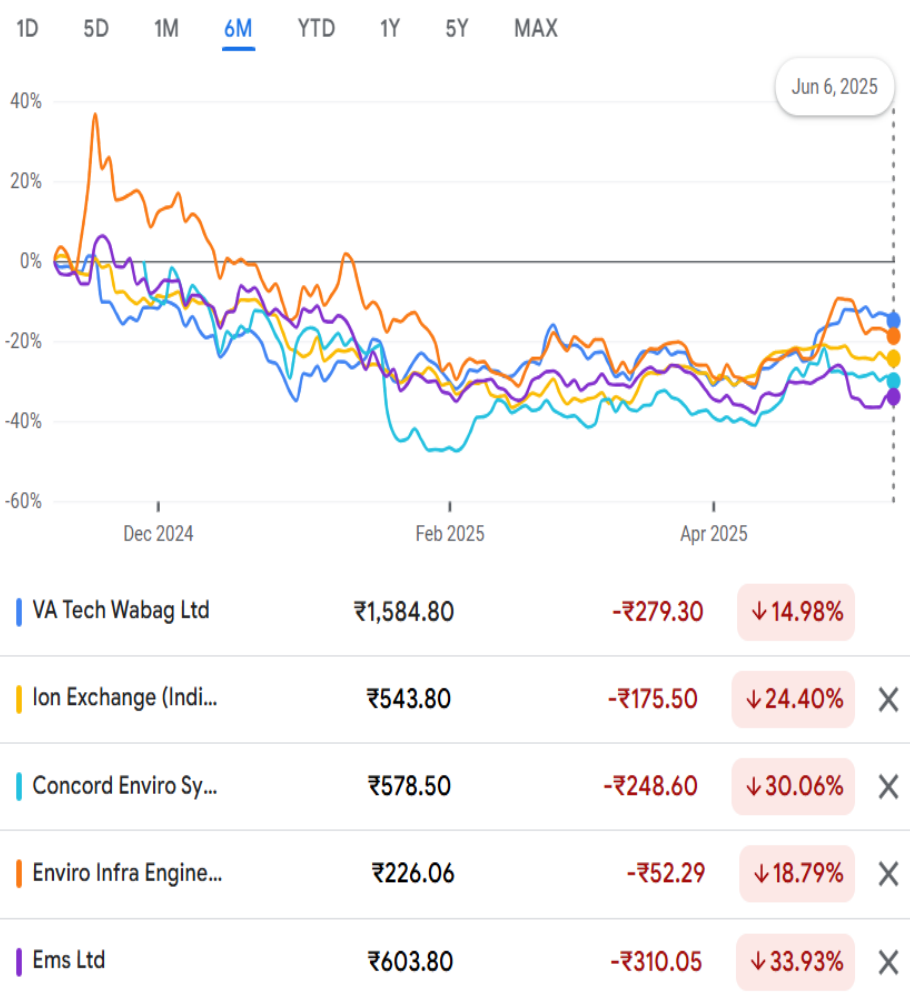
India's water treatment sector stands at a decisive inflection point—where environmental urgency, regulatory pressure, and technological readiness intersect with a massive infrastructure opportunity. The country's accelerating water stress, combined with the rising demand, makes water treatment not just a policy imperative but a structural investment theme with multi-decade relevance.

Government initiatives like Jal Jeevan Mission, AMRUT 2.0, and Namami Gange are catalyzing a paradigm shift towards integrated water resource management. Against this backdrop, companies mentioned above are well-positioned to capture this opportunity through differentiated business models, strong order pipelines, and strategic pivots toward high-margin, technology-driven offerings.

For long-term investors, the sector offers a compelling blend of defensive growth, annuity-like cash flows, and ESG alignment.

While company-specific factors such as execution discipline, working capital management, and export diversification remain key monitorables, the overarching trend is clear: water is not just the next infrastructure frontier—it's the next sustainability megatrend.

Investors with a patient, structural outlook could find this segment to be a rewarding thematic bet in India's broader capex and clean-tech cycle.



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