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STOCKS & SECURITIES

Jash Engineering Ltd. – Initiating Coverage

A decadal theme to play on

Jash Engineering is making big strides in the water and wastewater treatment space, exporting to over 45 countries and focusing on high-potential English-speaking markets worth Rs 100-110 bn. As of 9MFY25, its revenue mix is led by water control gates and valves at 62%, followed by screening equipment at 10% and hydropower & pumping at 19%. With the global water and wastewater market set to grow at 7.5% annually, reaching $617 bn by 2032 with the US alone contributing $314 bn - Jash is well-positioned to capitalize on this opportunity. Despite water being a critical sector, it accounts for just 1.2% of global public spending, with 76% directed toward supply and sanitation, 16% toward water transport, 8% toward irrigation, and 2% toward hydropower. **We expect Jash to achieve a 17%/17%/19% CAGR in revenue, EBITDA, and PAT and initiate coverage with a buy rating and a target price of ₹715, valuing the stock at 35x FY27E EPS.**

Rationale:

- **Revenue Potential and Manufacturing Expansion:** Jash is set for strong growth, targeting ₹10 bn in revenue by FY27 through capacity expansion. Its UK expansion, along with new plants in Chennai and Pithampur SEZ, will be key drivers, contributing significantly from 2025. With these initiatives, Jash aims to sustain a 15-20% revenue CAGR through FY28.

- **Expansion in domestic market and across the globe:** Jash Engineering generates 40% of its revenue from India, 35% from the Americas, and 25% from other global markets, with exports growing at a 16% CAGR (FY21-FY24). It dominates India's water control gate market (60-70% share) and ranks 5th in the U.S. Backed by government support, stricter regulations, and strategic acquisitions in Europe and the U.S., Jash is well-positioned to capitalize on rising water treatment demand.

- **Growing Global, Delivering Excellence:** Jash, approved by regulatory bodies across key global markets, serves major clients like Va Tech Wabag, NTPC, BHEL, Reliance, L&T, and Adani. With strong product qualifications, it aims to raise export revenue to 65% by FY27/FY28 from 60% in FY24. As of March 1, 2025, its order book is ₹918 cr, with ₹330 cr from India and ₹588 cr internationally. Projects typically take 6 to 18 months to complete.

- **Strong Empirical Data along with future growth:** Jash has maintained an average ROE and ROCE of over 20% in the past four years, showcasing strong capital allocation and operational efficiency. Its success in driving growth through acquisitions and turning them around highlights its financial discipline. We expect Jash to sustain this efficiency while investing in expansion to strengthen its product portfolio.

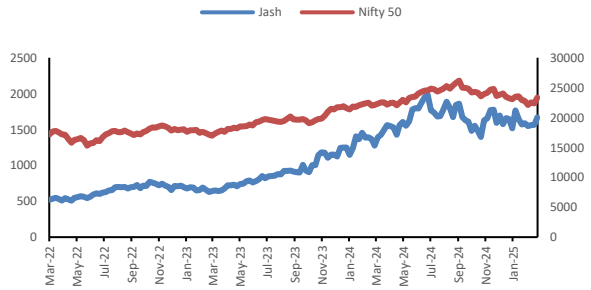
CMP (Rs)	**551**
TP (Rs)	**715**
Upside /Downside (%)	30%
High/Low (Rs)	665/332
Market cap (Cr)	3,458
No. of shares (Cr)	6.26

Shareholding (%)

	24-Jun	24-Sep	Dec.24
Promoter	43.65	43.61	43.52
FIIs	1.67	1.58	2.27
DIIs	3.53	0.59	0.78
Retail	51.16	54.22	53.42

Financial & Valuations

Y/E Mar (Rs cr)	FY25E	FY26E	FY27E
Net Sales	676	811	973
EBITDA	122	148	178
Net Profit	86	104	128
EPS (Rs)	13.80	16.61	20.40
PER (x)	40.2	33.4	27.2
ROCE (%)	20.5	20.6	20.7



Research Team:-

Aayush Rathi
Analyst
aayush.rathi@adityabirlacapital.com
022-6819 0521

Industry Insights

1. Global Market for Water and Wastewater Treatment

The global market for water and wastewater treatment is projected to grow at a CAGR of 7.5%, reaching $346 bn by 2024 and approx. $617 bn by 2032. By 2032, the United States alone is expected to contribute $314 bn to this market. In 2023, the market size was estimated at $323.3 bn. Despite its crucial significance, **only 1.2% of global public expenditure is allocated to water, which is considerably lower than the budgets for energy and transport sectors**. Of the total water-related spending, 76% is directed towards water supply and sanitation, while water transport, irrigation, and hydropower receive 16%, 8%, and 2%, respectively.

According to World Bank estimates, 64% of the funding for water projects comes from governments, with 36% provided by international agencies. **North America, the largest market for water treatment, currently has a market size for water treatment equipment of ₹84.5 bn.**

2. Technological Trends and Sustainability Drivers

The industry is undergoing a transformative shift toward sustainability, driven by net-zero emissions goals and decarbonization efforts. Low-energy treatment technologies are gaining prominence, particularly in Europe and North America, where advanced systems target pharmaceutical residues, microplastics, and industrial pollutants. Southeast Asia focuses on nutrient and energy recovery from sludge, while wastewater reuse emerges as a strategic priority globally, reducing freshwater dependency. Innovations such as smart monitoring systems, Zero Liquid Discharge (ZLD) technologies, and decentralized treatment plants enhance efficiency, aligning with circular economy principles and positioning the sector as a leader in sustainable resource management.

3. India's Wastewater Treatment Market Dynamics

India's wastewater treatment sector is experiencing significant growth, driven by urbanization, industrial expansion, and stringent environmental regulations. The market has expanded from ₹186 bn in 2018 to ₹250 bn (USD 3 bn) in 2024, reflecting a CAGR of 5.1%, and is projected to reach ₹387 bn (USD 4.6 bn) by FY2029, growing at a CAGR of 9.1%. This rapid expansion is increasing the demand for efficient wastewater treatment infrastructure to manage rising urban sewage and industrial discharge.

4. Policy Framework and Infrastructure

Government initiatives such as the Jal Jeevan Mission, Namami Gange, and Atal Mission for Rejuvenation and Urban Transformation (AMRUT), alongside the Liquid Waste Management Rules 2024, are driving infrastructure investments in India. However, significant challenges persist: only 33% of households have access to open drainage, and 49% lack any drainage system, exacerbating urban flooding and pollution. These gaps highlight the need for scalable solutions, with public-private partnerships (PPPs) emerging as a key mechanism to bridge funding and operational deficits, leveraging multi-bn-dollar programs to enhance capacity and resilience.

5. Hydro Mechanical Component Industry Overview

The hydro mechanical component industry—encompassing water control gates, turbines, pumps, valves, and screening systems—supports wastewater treatment, hydropower, and coastal protection. Globally valued at USD 15 bn in 2024, it is projected to reach USD 24.5 bn by 2032 (CAGR 5.3%), driven by renewable energy goals and climate adaptation needs. In India, the market is estimated at ₹95-127.5 bn (USD 1.14-1.53 bn) in 2025, growing at 5-7% CAGR through 2030, with segments including hydropower (₹50-60 bn), wastewater treatment (₹25-37.5 bn), and coastal/stormwater management (₹20-30 bn).

6. Stormwater Management Market Insights

India's stormwater management sector is poised for significant growth, with a projected CAGR of 9.67% from FY2025 to FY2032. Urban flooding in cities like Delhi, Chennai, and Mumbai highlights inadequate drainage systems, worsened by rapid urbanization. Initiatives like AMRUT and the 2019 Manual on Storm Water Drainage Systems promote sustainable planning, while hydraulic analysis tools adapt to climate change impacts. This segment, tied to the hydro mechanical industry, demands integrated solutions to ensure resilient urban infrastructure amid escalating environmental pressures.

7. Coastal Protection Industry

The coastal protection industry, valued at $15 bn in 2024 and projected to reach $25 bn by 2032 (CAGR 6.5%), intersects with wastewater and stormwater management by mitigating flooding and sea-level rise. Equipment like tidal gates, storm surge barriers, and hybrid systems protects vulnerable coastal regions, particularly in Asia-Pacific. Driven by government investments and climate risks, this sector complements wastewater treatment by enhancing flood control and water management, creating synergies across water-related industries.

8. Critical Technologies – Blowers and Fiber Disc Filters

India's sewage treatment plants (STPs) are increasingly reliant on blowers and fiber disc filters to enhance efficiency and meet stringent environmental standards. Blowers, essential for aeration in biological treatment, facilitate the breakdown of organic matter, driving market growth projected at a CAGR of 4.9% to ₹3.25 bn by FY29. Fiber disc filters complement this by improving effluent quality and reducing odors. While currently representing a smaller segment of Jash's business, their diversified product portfolio positions them well to capitalize on the rising demand for products like blowers and disc filters. This trend reflects the nation's commitment to modernizing its wastewater infrastructure.

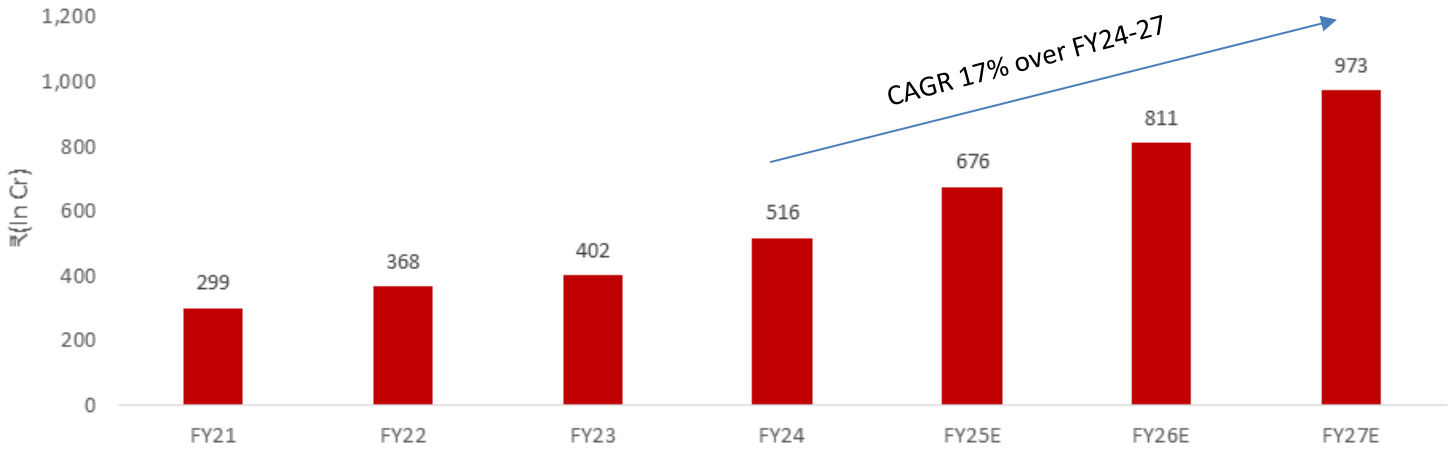
Investment Rationale:

1. Revenue Potential and Manufacturing Expansion:

The company is targeting peak revenue of ₹ 8 bn with its current manufacturing capacity. To support this growth, it has plans to commission three new plants between FY25 and FY27, which will enhance its production capabilities. JASH has recently entered the UK market with the establishment of a new facility, which is expected to contribute to a revenue increase from ₹ 6.2 bn to ₹ 7.5 bn by FY26. Additionally, the company is set to open a new facility in Chennai by Apr'25, with anticipated revenue contributions of ₹320-350 mn, further enhancing its growth trajectory. This expansion provides strong visibility for sustained growth, with expected revenue CAGR of 15-20% through FY28. JASH has secured additional land in the Pithampur SEZ for a new facility, for which an additional capex of ₹250 mn, is projected to generate up to ₹2 bn in revenue. This facility is expected to be operational by Dec'25.

Exhibit 1:

Revenue trend across years



Source: Company, ABML Research

2. Strategic Acquisitions for Product Diversification:

Through strategic acquisitions, including MAHR, Sureseal India, Shivpad, Rodney Hunt, and Waterfront UK, the company has diversified its product range. These acquisitions have strengthened its position in the water control and wastewater treatment sectors, expanding its offerings and improving its competitive advantage. Rodney Hunt, one of the company's key acquisitions, achieved a growth rate of 28.3% CAGR from FY21-FY24.

Exhibit 2:

Jash's product Portfolio at a glance



Source: Company, ABML Research

Exhibit 3:

Application of Products



Source: Company, ABML Research

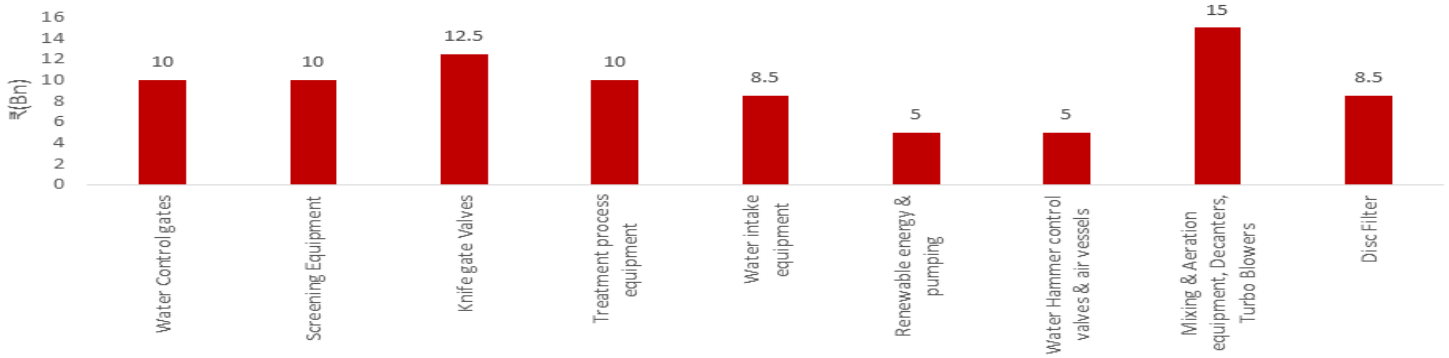
3. Expansion in domestic market and across the globe:

The company's revenue is geographically diversified, with 40% from India, 35% from North and South America, and 25% from the rest of the world. Export markets are contributing to faster revenue growth than domestic operations, highlighting the company's successful global expansion and increasing demand for its products in international markets. The company dominates India's water control gate market with a market share of 60-70%. In the U.S., it ranks 5th in the sector. With cities like Surat leading in wastewater processing, there is significant untapped growth potential in major metros such as Delhi and Mumbai, where wastewater treatment infrastructure lags. **JASH's expertise, along**

with favourable government spending in India and increasingly stringent environmental regulations, positions the company to capitalize on the growing demand for water treatment solutions both domestically and internationally.

Exhibit 4:

Opportunity Size in North America (₹Bn)



Source: Company, ABML Research

4. Global Approvals and Recognition:

The company's products have been approved by consultants and regulatory authorities across Europe, the U.S., the Middle East, Southeast Asia, and Africa. These approvals demonstrate the company's commitment to quality and enable it to expand further in these key international markets. By leveraging its strong product qualifications (PQ credentials), the company plans to boost its export revenue share to approx. 65% by FY27/FY28 from 60% in FY24. The company has established strategic frameworks with municipal authorities in the UK, positioning itself to capitalize on upcoming projects previously handled by Hamburg UK. This partnership significantly strengthens JASH's order pipeline and market position in the region.

Exhibit 5:

Indian Clients	Global Clients
	

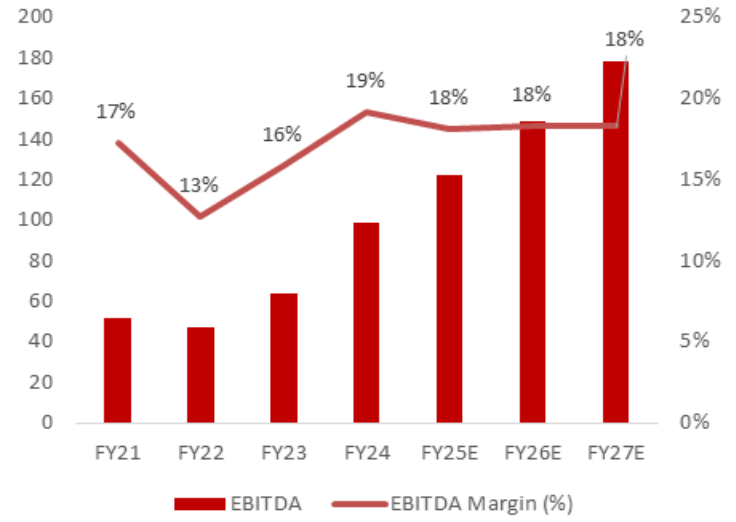
Source: Company, ABML Research

5. Margins improvement boosting the EPS growth:

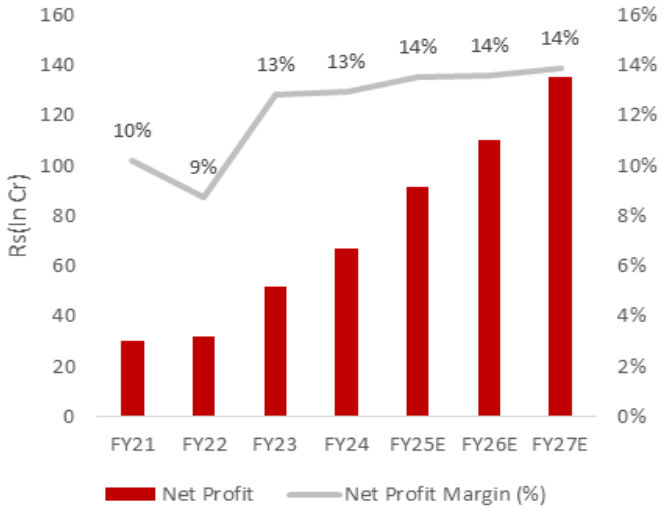
Rodney Hunt (RH) currently contributes minimally to Jash's consolidated PAT. In FY24, RH reported a revenue of USD 26.6 mn with a PAT margin of 7%. For FY25, revenue is expected to exceed USD 32 mn, improving PAT margins to 9% and boosting Jash's consolidated PAT by 0.5%. Additionally, reducing manpower overheads post FY24 and increasing export revenue (expected to exceed 65% of turnover in 2–3 years) along with continuous investments in high-margin products, operational efficiency, and cost reductions will further support profitability. These factors collectively could drive a 1–2% improvement in Jash's consolidated PAT. Additionally company is enhancing manufacturing and operational efficiency and focusing on reducing errors—an inherent challenge in custom manufacturing. If these cost reductions are not entirely passed on to gain market share, they will further contribute to improving the company's consolidated PAT.

Exhibit 6:

EBITDA and EBITDA Margin (%)



Net Profit and Net Profit Margin (%)



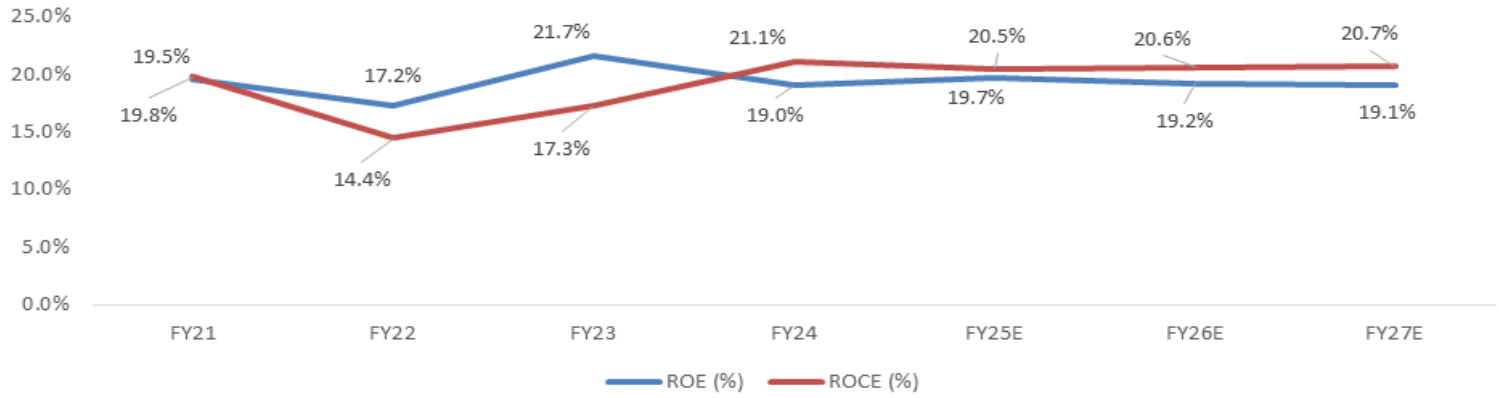
Source: Company, ABML Research

6. Consistently improving ROEs and ROCEs:

Jash has consistently improved its ROE and ROCE by efficiently allocating and utilizing funds, particularly through strategic acquisitions. The successful ramp-up of its business has led to steady improvements in these key financial metrics. We expect this trend to continue as the company grows. **Over the past four years, Jash has maintained an average ROE and ROCE of over 20%, reinforcing its financial strength and operational efficiency.**

Exhibit 7:

ROE (%) and ROCE (%) Trend



Source: Company, ABML Research

7. Cashflow conscious of the management:

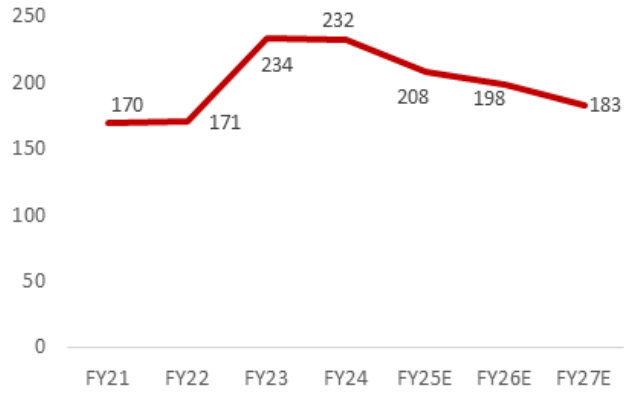
Jash Engineering has demonstrated strong cash flow management, enabling expansion through internal accruals and strategic acquisitions. Despite the typically stretched working capital cycles in this industry, the company has maintained a disciplined focus on cash collection. Trade receivable days have improved from 134 in FY22 to 111 in FY24, while CFO/EBITDA has strengthened from 30% in FY22 to approx 60% in FY24, reflecting enhanced efficiency in collections.

Exhibit 8:

Declining - Debt/Equity



Working Capital Days



Source: Company, ABML Research

Outlook & Valuation

We are positive on Jash's stock, driven by key growth catalysts. The anticipated turnaround of Shivpad Engineers from FY25, coupled with expansion into North and South America, is expected to boost exports to approx. 65% of total revenue by FY27/FY28, supported by higher margins. Increased investments in the water and wastewater treatment sector further strengthen long-term growth prospects. Additionally, Rodney Hunt is set to contribute significantly to revenue and profitability, while broad product diversification positions Jash as a comprehensive solutions provider in water treatment equipment. **Based on these factors, we initiate coverage with a BUY rating and a Target Price of ₹715, valuing the stock at 35x FY27E EPS.**

Key Risks:

1. **Extended Inventory Holding Period:** Delays from clients can lead to high inventory days, impacting cash flow and operational efficiency.
2. **Geopolitical Risks:** Political instability and regulatory changes in key markets may affect business operations and growth prospects.
3. **Decreased Government Focus on Water Treatment:** A reduction in government spending or focus on water treatment infrastructure could hinder growth opportunities for the company.
4. **Gross Margins:** The gross margins of Jash can take a hit considering the volatility in the raw material pricing as Jash doesn't hedge their exposure to the raw materials.

Exhibit 9:

Financial Snapshot:

Particulars	FY22	FY23	FY24	FY25E	FY26E	FY27E
Operating Revenue	368	402	516	676	811	973
EBITDA	47	64	99	122	148	178
EBITDA Margins (%)	13%	16%	19%	18%	18%	18%
Other Income	6	13	6	11	10	12
Depereciation	-10	-11	-11	-13	-14	-16
Interest	-9	-10	-11	-13	-14	-14
PBT	35	56	83	108	130	160
PAT	32	52	67	86	104	128
No of Shares	1.2	1.2	6.3	6.3	6.3	6.3
Adjusted EPS	4.88	5.14	8.26	13.80	16.61	20.40
ROE (%)	20%	17%	22%	19%	20%	19%
ROCE (%)	20%	14%	17%	21%	20%	21%

Source: Company, ABML Research

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