

Infra: JJM 2.0 signals start of water infrastructure capex cycle

- The Cabinet has approved a restructured Jal Jeevan Mission (JJM), now referred to as JJM 2.0, with a total outlay of Rs 8.69 trn.
- Under JJM 2.0, the focus shifts beyond just building infrastructure such as pipelines and water treatment plants to ensuring continuous water supply along with system operations and maintenance (O&M).
- In essence, the government aims to move rural drinking water systems into a utility-style service model, rather than a one-time EPC infrastructure project. The framework is somewhat comparable to the smart metering model seen in the power sector.
- In terms of funding structure, the Central Government is expected to contribute Rs 3.59 trn (~41%), while the remaining Rs 5.10 trn (~59%) is likely to be funded by state governments.
- For context, the outlay for JJM 1.0 was ~Rs 4 trn, implying that the new program represents an ~2x increase in overall allocation. Breakup of the Rs 8.69 trn outlay under JJM 2.0 is awaited from the ministry. However, the number likely includes work already executed, orders in hands with EPC companies, upcoming EPC opportunities, and the O&M component.
- The government has already spent around Rs 4.61 trn to cover ~81% of rural households with tap water connections. On a proportional basis, the remaining 19% coverage implies an incremental opportunity of roughly Rs 1.08 trn.
- However, a portion of this remaining work has already been awarded. For instance, NCC has ~Rs 70 bn of pending JJM water order book, while PNC Infratech has ~Rs 26 bn under execution and there are many company which has orders in hand (table below).
- Thus back of the envelope calculation suggest, the break up of Rs 8.69 trn is Rs 4.61 trn already spent for 81% household coverage , Rs 1.08 trn on proportionate basis for pending 19% household (large part already awarded to EPC and is part of their order book, unbilled revenue and retention money) and rest Rs 3 trn could be O&M related work.
- Therefore, the key implication is that slow-moving or stalled JJM projects could now regain execution momentum, while going forward the program may increasingly shift toward service delivery and long-term O&M-related contracts. The government plans to award pending projects under JJM 2.0 by 2028.
- Importantly, JJM 2.0 could also help unlock stuck receivables and restart execution for existing projects, potentially reviving the capex cycle for EPC players.
- Within our coverage, NCC (BUY) and PNC Infratech (BUY) have ~10–14% of their order books linked to JJM projects, with NCC holding the largest absolute JJM order book at ~INR 69 bn. Among other EPC players, OM Infra (Not Rated) has the highest exposure with ~62% of its order book tied to JJM, followed by SPML Infra (Not Rated) at ~47%. In contrast, diversified EPC companies such as Afcons (Not Rated) and KEC International (Accumulate) have relatively low exposure of ~4%, indicating limited dependence on JJM-related projects

Exhibit 1: JJM order book and share

Company	9MFY26 Order book (Rs bn)	JJM share in the 9MFY26 order book (Rs bn)	JJM Share (%)
OM infra	22	14	62%
SPML Infra	44	21	47%
PNC Infratech	193	27	14%
KNR	88	10	12%
NCC	727	69	10%
PowerMech	170	10	6%
Afcons	314	13	4%
KEC International	367	14	4%

Source: Company, PL

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Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Adani Energy Solutions	Accumulate	1,090	961
2	Ashoka Buildcon	BUY	183	153
3	CESC	BUY	204	154
4	Coal India	Hold	436	419
5	Dilip Buildcon	Accumulate	514	454
6	H.G. Infra Engineering	Accumulate	724	666
7	Indian Energy Exchange	Hold	135	127
8	IRCON International	Hold	153	153
9	KNR Constructions	Hold	148	152
10	NCC	BUY	200	156
11	NTPC	BUY	423	356
12	PNC Infratech	BUY	291	232
13	Power Grid Corporation of India	BUY	324	270
14	PSP Projects	BUY	1,028	750
15	Rail Vikas Nigam	Sell	183	314
16	RITES	BUY	276	223
17	Tata Power Company	Hold	359	366

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Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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