



JJM 2.0: Growth Opportunities for EPC Players

Increased outlay for JJM to expedite stalled projects and ease working capital cycle for vendor ecosystem

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List of abbreviations and definition of select terms

- **JJM:** Jal Jeevan Mission
- **FHTC:** Functional household tap connection
- **LPCD:** Litres per capita per day
- **VWSC:** Village Water and Sanitation Committees
- **UT:** Union Territory
- **SWQMS:** Support and Water Quality Management Systems
- **SC/ST:** Scheduled Castes/Scheduled Tribes
- **DDP:** Desert Development Programme
- **DPAP:** Drought Prone Area Programme
- **RPWSS:** Rural Pipe Water Supply Scheme
- **GIS:** Geographic Information System
- **NGO:** Non-Governmental Organisation

- **EPC:** Engineering, Procurement and Construction
- **O&M:** Operation and Maintenance
- **PVC:** Polyvinyl chloride
- **HDPE:** High-density polyethylene
- **BE:** Budget estimate
- **FC:** Finance Commission



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ICRA expects about Rs. 3.0 lakh crore worth of O&M opportunities under JJM 2.0 on the back of increased outlay and pivot towards a “service-quality” approach from an infrastructure creation focus. Further, realisation of stuck receivables and execution of stalled projects is expected to pick up, going forward.



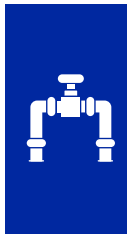
- The Jal Jeevan Mission (JJM), launched in August 2019, is a Government of India initiative undertaken through the Ministry of Jal Shakti, with the goal of providing FHTCs to every (nearly 19.4 crore) rural household on a long-term basis by 2028. The scheme aims to provide safe and adequate (55 LPCD) potable water through tap connections and subsumes the National Rural Drinking Water Programme, with a focus on community-led initiatives, source sustainability and water quality.



- Since its inception, JJM’s expenditure has been broadly tracked by budgeted outlays during the ramp-up till FY2024, with expenditure exceeding BE estimates in FY2021-2022 due to rapid execution post Covid-19 and strong budgetary support. However, from FY2024–2025, expenditure lagged budgetary outlay significantly amid execution bottlenecks and a policy shift from rapid coverage to sustainable service delivery. With the introduction of JJM 2.0, this gap is expected to reduce as execution of stalled projects gains momentum.



- JJM projects are inherently working capital intensive due to sizeable upfront inventory commitments and a low quantum of mobilisation advances. This is further accentuated by delayed realisation of receivables and retention monies due to various administrative challenges, leading to considerable fund blockage in working capital. Owing to lower than budgeted capital outlay during FY2025 and FY2026, the execution progress has slowed down and the receivable cycle for vendors has stretched beyond six months across various states.



- Earlier, under JJM 1.0, monitoring and coordination among various approval authorities was a big challenge. JJM 2.0 shifts the emphasis to reliable service delivery, through O&M systems, water quality monitoring, and digital oversight through the Sujalam Bharat platform. Once the monitoring system under JJM 2.0 is in place, the fund leakages as well as cost overruns should reduce over the medium to long term, and the receivable cycle should get streamlined. ICRA expects the receivable cycle for vendors to streamline and reduce below 60 days by September 2026, compared to over six months at present for most vendors (EPC contractors/manufacturers for pipes/pumps).



The Jal Jeevan Mission, launched in August 2019, is a Government of India initiative of the Ministry of Jal Shakti, with the goal of providing FHTCs to every (almost 19.4 crore) rural household on a long-term basis by 2028. The scheme aims to provide safe and adequate (55 LPCD) potable water through tap connections and subsumes the National Rural Drinking Water Programme. JJM emphasises the following to achieve its objectives:

- *Community-led approach – Village Water & Sanitation Committees (VWSC) and local responsibility for operation and maintenance*
- *Source sustainability – Rainwater harvesting, groundwater recharge, grey water management*
- *Water quality monitoring – Local water testing labs, providing field testing kits to communities*

Implementation: The scheme is being implemented through a decentralised, four-tier framework:

- **National level** – The National Jal Jeevan Mission under the Department of Drinking Water and Sanitation, Ministry of Jal Shakti
- **State level** – State Water and Sanitation Missions in each state/UT
- **District level** – District Water and Sanitation Mission
- **Village level** – Gram Panchayat and/or its sub-committees (VWSC/Paani Samitis)

Funding pattern: The funding pattern for the scheme is summarised below:

- Fund sharing between the Centre/state – 100% for UTs without legislatures, 90:10 for the Northeastern & Himalayan States (Uttarakhand and Himachal Pradesh) and UTs with legislature, and 50:50 for the remaining states.
- For SWQMS activities, 100% for UTs, 90:10 for the Northeastern & Himalayan States, 60:40 for other states.
- State/UT allocation is formula-driven, which assigns weights to various criteria including rural populations, states under the DDP, DPAP and special category hill states, individual household connections, etc.

Components of the Jal Jeevan Mission

In-village piped water supply infrastructure, coupled with the augmentation of completed/ongoing schemes for establishing FHTCs to ensure a minimum service level of 55 LPCD

Developing and/or augmenting existing water sources for ensuring the sustainability of water supply systems; undertaking grey water management

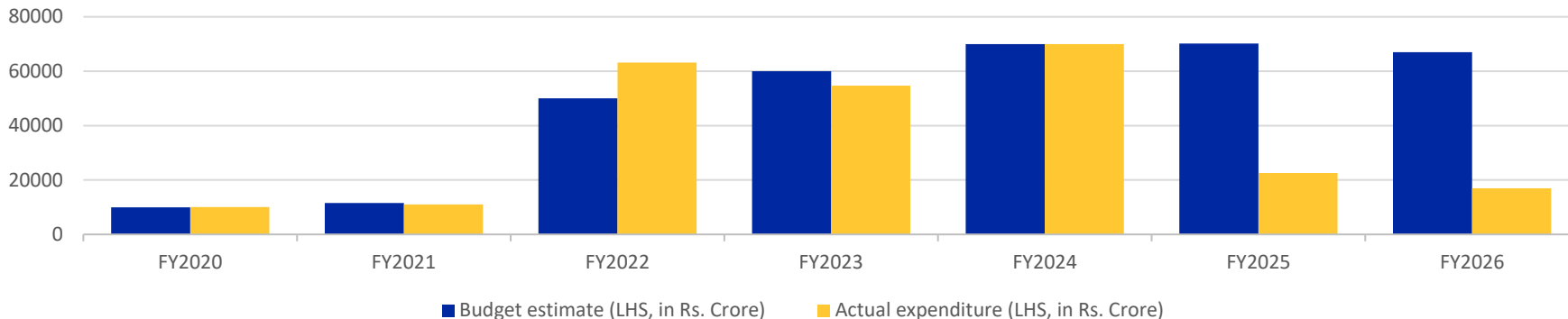
Establishing bulk water transfer systems, water treatment plants and distribution systems

Addressing water quality issues through the removal of contaminants using technological interventions (such as digital registries for RPWSS, GIS mapping onto PM Gati Shakti, Aadhar linking, etc.)

Supporting communities through NGOs, voluntary organisations, self-help groups, etc., as associate partners for capacity building, awareness creation, planning and implementation

Govt's expenditure lagged budgetary outlay significantly in FY2025 and FY2026

Exhibit: Trend of budgeted outlay vs. expenditure

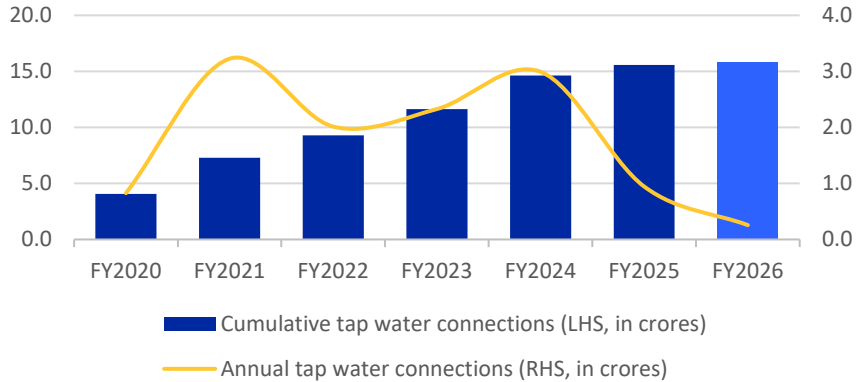


Source: Jal Jeevan Mission, ICRA Research

- Since its inception, JJM's expenditure has been broadly tracked by budgeted outlays during the ramp-up and peak execution phases (FY2019–FY2024). Expenditure exceeded budget estimates in FY2021–2022 due to post-Covid catch-up execution, availability of non-BE funding sources (15th FC grants and state share), and rapid execution of short-gestation schemes. This overshoot was structural and one-off, marking the peak rollout phase of the mission rather than fiscal slippage.
- From FY2025 onwards, however, large cuts at the revised estimate stage led to a sharp divergence between budgeted outlay and actual expenditure, highlighting execution bottlenecks, quality concerns, and a policy shift from rapid coverage to sustainable service delivery.

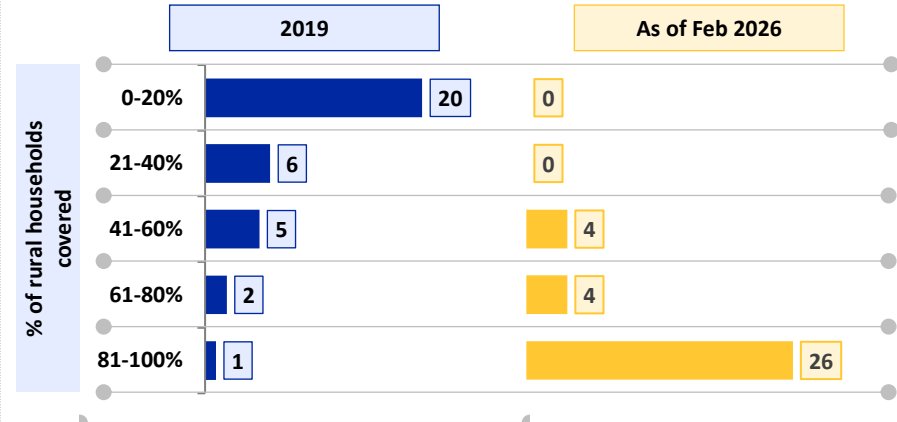
Impact and success of the Jal Jeevan Mission has varied since its inception

Exhibit: Incremental tap connections added annually



Source: Jal Jeevan Mission, ICRA Research

Exhibit: Number of states in each % coverage bucket

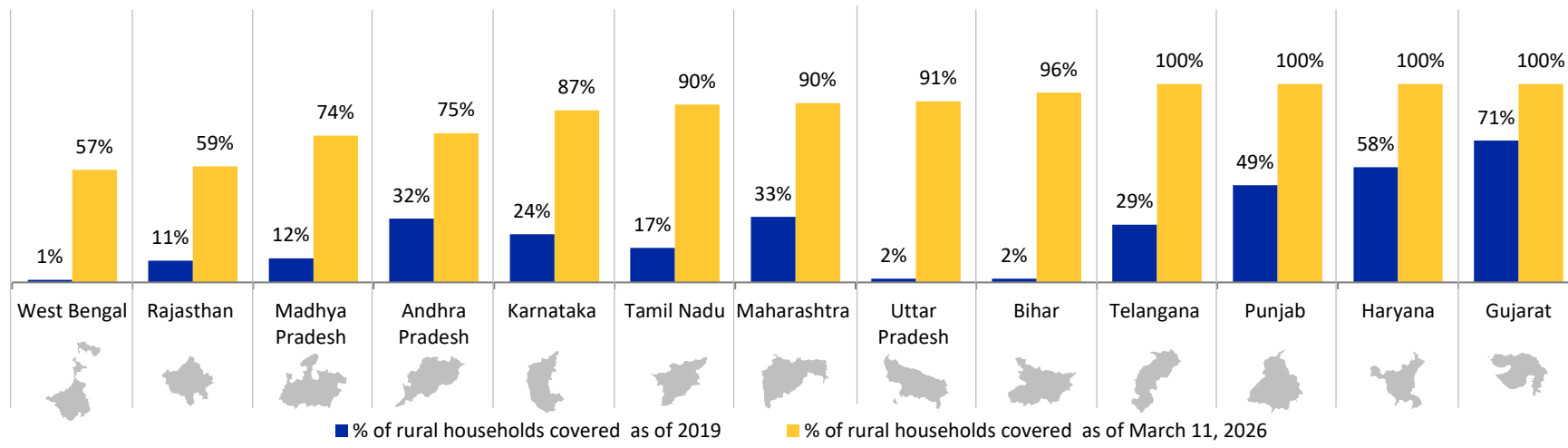


Source: Jal Jeevan Mission, ICRA Research

- Since its launch in 2019, households with tap water connections have increased nearly five-fold—from 323.6 lakh to 1,582.3 lakh—raising rural coverage to over 81% (from about 17% in 2019). However, annual additions of FHTCs have varied over time. The slowdown in FY2022–FY2023 was largely execution-led, driven by slow tendering, contractor capacity constraints, input cost inflation (steel and cement), and administrative delays such as release of states’ shares, land acquisition, and statutory clearances. In contrast, the slowdown in FY2025–FY2026 was structurally different—concerns around reporting irregularities and water quality prompted a shift from a “coverage-first” approach to a “service-delivery” focus, prioritising functionality and sustainability of the already established infrastructure.

Scale and pace of infrastructure build-out remains significant

Exhibit: Coverage progression in major states



- Despite the variations in annual FHTC additions, the scale and pace of infrastructure build-out remains significant—11 states/UTs have achieved 100% coverage, and only eight remain below 80%, compared to 2019 when 20 states/UTs had coverage below 20%. Coverage has improved dramatically in all major states, particularly in states like Bihar, West Bengal and Uttar Pradesh. Beyond infrastructure, JJM has delivered meaningful gains in rural health, time savings, and livelihoods.

Source: Jal Jeevan Mission, ICRA Research

Ecosystem	EPC	Pipe manufacturers	Pump manufacturers
			
Remark	<p>The EPC ecosystem is a direct commercial beneficiary of JJM, through bulk EPC contracts (for water treatment plants, large multi-village water schemes, desalination plants, reservoirs and pipeline networks) during the initial capex phase.</p> <p>After this, EPC players stand to benefit from O&M contracts, offering stable, annuity-like cash flows, albeit at lower margins.</p>	<p>Under JJM, pipe manufacturers enjoy lucrative opportunities in last-mile connectivity (through in-village distribution networks) and transmission water networks. JJM offers large, multi-year volume-led demand due to simultaneous execution across the country, offering operating leverage benefits, rural market penetration and recurring replacement demand.</p> <p>This favours organised manufactures capable of scaling production, especially in the PVC and HDPE segments.</p>	<p>Pump manufacturers are central to JJM, supplying pumps for source abstraction, transmission, storage, and distribution across all schemes. JJM offers multi-year, pan-India demand with strong replacement and O&M potential, making pumps one of the few components with recurring lifecycle revenue.</p> <p>Post-2024, the shift toward functionality, uptime, and energy efficiency favours branded, technically capable manufacturers with strong service networks.</p>

1

JJM projects are inherently more working capital intensive in nature due to EPC contractors having to make sizeable upfront payments for inventories of pumps and pipes. This is further exacerbated by the lower quantum of mobilisation advances for JJM projects compared to road/rail segments.

2

JJM projects have been more administratively fragile than roads/rail projects, due to payments being released upon data upload on Integrated Management Information System (IMIS), the release of both the Central and state governments' shares, and milestone certification, leading to cash flow pressure and receivable build-up. Further, post-2024, the release of retention monies (typically 5-10%) has been delayed with increasing scrutiny towards quality and functionality, resulting in significant cash being trapped in completed projects.

3

State heterogeneity under JJM has created uneven cash-flow outcomes for EPC contractors due to differences in payment cycles, certification practices, contract terms, and administrative capacity making the state exposure mix critical.

EPC contractors have seen timely payments till FY2024; however, slowdown in execution amid audits and process overhaul has resulted in substantial stuck receivables (over six months) across various states.

Increased outlay for JJM 2.0 to expedite stalled projects and ease working capital cycle; enhanced O&M opportunities for EPC players

Qualitative features of JJM 2.0

JJM 2.0 is the restructured and extended phase of JJM that was approved by the Union Cabinet in March 2026, which transitions the focus from establishing infrastructure to ensuring that the connections are sustainably operated and maintained.

The transition to a quality-service approach was necessitated by the prevalence of deficiencies, despite the achievement of high coverage. **JJM 2.0** shifts the emphasis to **reliable service delivery**, through **O&M systems, water quality monitoring, and digital oversight** through the **Sujalam Bharat** platform. It also places Gram Panchayats and village institutions at the centre of implementation (through initiatives like **Jal Arpan** and **Jal Utsav**), treating rural water supply as a local public utility rather than a one-time infrastructure project.



Commercial impact of JJM 2.0

The implementation timeline to achieve 100% coverage for 19.4 crore rural households has been **extended till December 2028** (from the previous deadline of 2024), coupled with an **increase in total outlay to Rs. 8.69 lakh crore from Rs. 3.60 lakh crore**, with the **Centre's share increasing to Rs. 3.59 lakh crore from Rs. 2.08 lakh crore** approved in 2019.

Beyond its policy objectives, JJM 2.0 is expected to generate meaningful financial opportunities for EPC players. As of March 2026, cumulative expenditure of about Rs. 4.61 lakh crore has enabled almost 81% coverage. Extrapolating linearly, achieving full coverage would require total spending of about Rs. 5.69 lakh crore, implying a potential of around **Rs. 3.0 lakh crore opportunity in O&M contracts**. While this creates a new O&M revenue stream for EPC players, the renewed execution focus under JJM 2.0 is also likely to **accelerate progress on stalled projects and aid the realisation of stuck receivables from existing contracts**.



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