

## Robust Orderbook Reassures Long-Term Growth; Maintain BUY

**Est. Vs. Actual for Q2FY26:** Revenue - **INLINE**; EBITDA - **MISS**; PAT - **BEAT**

### Change in Estimates Post Q2FY26

**FY26E/FY27E:** Revenue: -2%/1%; EBITDA: -5%/-5%; PAT: 2%/-2%

### Recommendation Rationale

- Robust Execution and Order Pipeline to Fuel H2FY26 Growth:** Wabag delivered a 19% YoY growth in revenue for Q2FY26, broadly meeting our estimates. Revenue recognition is typically skewed towards the second half of the year, indicating strong H2. The management mentioned that margins may vary on a quarterly basis, while the medium-term margin outlook remains intact.
- Healthy Order Wins Underpin Growth Prospects:** During H1FY26, the company secured fresh order inflows of ~Rs 3,477 Cr, ending the quarter with a diversified order book of ~Rs 16,020 Cr (including framework agreements), translating to over 4x its annual revenue. Additionally, it is the preferred bidder for orders worth over Rs 3,000 Cr, which are expected to materialise in the coming months.
- Entering the Sunrise Sectors:** Notable wins during the quarter include a CBG production project under the BOT model in Uttar Pradesh and UPW, ETP & ZLD orders for Renewsys Solar's Hyderabad facility, marking a strategic foray into the *Future Energy Solutions* vertical. These new sectors hold a high growth potential and can open up a whole new set of opportunities for the company..

### Sector Outlook: Optimistic

**Company Outlook & Guidance:** Management highlighted that with a healthy order pipeline, strong balance sheet, and consistent execution capabilities, Wabag remains well-positioned to sustain its growth trajectory in line with its medium-term targets. The company intends to maintain an order book roughly three times its annual revenue, supported by an expected 15–20% revenue CAGR over the next 3–5 years, and EBITDA margins guided in the range of 13–15%.

**Current Valuation:** 21x Sep'27E (Earlier Valuation: 21x FY27E)

**Current TP:** Rs 1,930/share (Earlier TP: Rs 1,920/share)

**Recommendation:** We maintain our **BUY** rating on the stock.

**Financial Performance:** Consolidated revenues rose 19% YoY and 14% QoQ to Rs 835 Cr, in line with our expectations. EBITDA came in at Rs 89 Cr, down 5% YoY and 7% QoQ, below our estimates by 16%, with margins at 10.7% compared to 13.4% in Q2FY25 and 13% in Q1FY26. PAT stood at Rs 85 Cr, up 21% YoY and 29% QoQ, beating our estimate of Rs 75 Cr, supported by higher than expected other Income. Order intake for H1FY26 was Rs 3,477 Cr, taking the order book to Rs 16,020 Cr (including Framework contracts). Net Cash Position excluding HAM Projects stood at Rs 675 Cr.

**Outlook:** We maintain a positive outlook on the company's long-term prospects, supported by sustained sectoral tailwinds and Wabag's strong positioning to capitalise on these opportunities. The company is focusing on revenue quality by selecting projects with low payment risk and healthy profitability, while working to enhance its revenue mix and reduce working capital requirements. Its foray into the so-called "Future Energy Solutions" can further boost the growth prospects of the company if successfully implemented.

**Valuation & Recommendation:** Wabag's closing order book stood at ~Rs 16,020 Cr at the end of Q2FY26. We have rolled forward our estimates to FY28 earnings, and our FY26E/FY27E estimates, revenue projections remain unchanged. We view the order book as robust, reinforcing our positive long-term outlook. **We now value the stock at 21x Sep'27E earnings, with a target price of Rs 1,930/share, implying an upside of 42% from the CMP. Accordingly, we maintain our BUY rating on the stock.**

### Key Financials (Consolidated)

(Rs Cr)	Q2FY26	YoY (%)	QoQ (%)	Axis Est.	Variance
Net Sales	835	19%	14%	820	2%
EBITDA	89	-5%	-7%	107	-16%
EBITDA Margin	10.70%	-266bps	-232bps	13.00%	-230bps
Net Profit	85	21%	29%	75	12%
EPS (Rs)	13.6	20%	29%	12.1	12%

Source: Company, Axis Securities Research

(CMP as of 10<sup>th</sup> November, 2025)

CMP (Rs)	1,357
Upside /Downside (%)	42%
High/Low (Rs)	1,944/1,109
Market cap (Cr)	8,400
Avg daily vol. (1 m) Shrs.	1,68,714
No. of shares (Cr)	6.23

### Shareholding (%)

	Mar-25	Jun-25	Sep-25
Promoter	19.1	19.1	19.1
FII	18.6	18.7	18.4
DII	3.0	3.7	4.5
Others	59.3	58.5	58.0

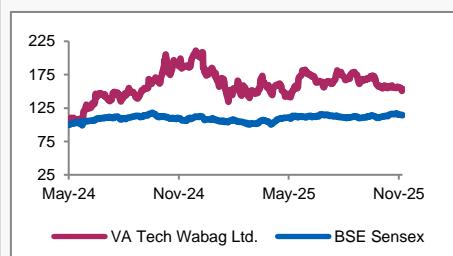
### Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	3,294	4,207	5,118
EBITDA	422	567	707
Net Profit	295	450	560
EPS (Rs)	47.5	72.4	90.1
PER (x)	28.6	18.7	15.1
EV/EBITDA (x)	19.4	14.4	11.6
RoA (%)	6%	8%	9%
ROE (%)	15%	19%	20%

### Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	-2%	1%
EBITDA	-5%	-5%
PAT	2%	-2%

### Relative Performance



Source: ACE Equity, Axis Securities Research

### Results Gallery

[Q1FY26](#)  
[Q4FY25](#)  
[Q3FY25](#)  
[Q2FY25](#)

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### Key Highlights from Concall

- Operational Performance:** Wabag reported a 19% YoY increase in revenue to Rs 835 Cr for Q2FY26. Gross margins moderated to 22.5% (vs. 25.5% in Q2FY25), primarily due to a change in share of EPC projects in the overall mix. EBITDA declined 5% YoY, reflecting the change in project composition. The company recorded forex gains of Rs 31 Cr, disclosed under other income, which supported overall profitability during the quarter.
- Order Book:** The company secured new orders worth over Rs 3,400 Cr in the quarter, taking the total order book to more than Rs 16,000 Cr, up 10% YoY. The portfolio remains well-diversified, with 62% EPC and 38% O&M projects, offering robust revenue visibility and long-term client engagement. International projects accounted for nearly 50% of the order book, highlighting Wabag's strong global positioning.  
 Continuing its focus on recurring revenue streams, Wabag bagged a five-year repeat O&M order worth Rs 118 Cr for the 40 MLD Al Madina Al Shamaliya Sewage Treatment Plant in Bahrain.
- The company also achieved **breakthrough wins in the Future Energy Solutions segment**, including:
  - UPW, ETP, and ZLD systems for RenewSys Solar's cell manufacturing facility in Hyderabad, marking its strategic foray into renewable and advanced sectors such as solar, green hydrogen, and semiconductors.
  - A Compressed Bio-Gas (CBG) project under the BOT model on a PPP basis in Uttar Pradesh, with a 15-year concession period.
- Healthy Liquidity Position:** Wabag reported a net cash balance of Rs 675 Cr (excluding debt on HAM entities) and gross cash of Rs 795 Cr. Net working capital improved YoY, reflecting efficient working capital management. The company continues to maintain a net cash-positive position for the sixth consecutive year and eleventh straight quarter, providing ample financial flexibility for project execution and growth investments.
- Guidance:** Management reaffirmed its medium-term growth guidance, targeting 15–20% revenue CAGR over the next 3–5 years, with EBITDA and PAT growth expected to outpace revenue. Wabag aims to maintain an order book exceeding three times its annual revenue, ensuring strong visibility. EBITDA margins are guided in the 13–15% range, with potential for further upside. The company remains on course to achieve its long-term goal of deriving 20% of revenue from O&M.
- Project Selection Criteria:** Management emphasises projects that integrate advanced technology, generate strong cash flows, and are located in emerging markets. The company prioritises projects with adequate payment security, supported by multilateral or bilateral funding agencies, sovereign funds, or letters of credit.

### Key Risks to Our Estimates and TP

- Delays in order execution
- Long receivables cycle or customer defaults leading to dampening of cash flows.
- Currency and key commodity fluctuations.

### Change in Estimates

	New		Old		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	4,207	5,118	4,273	5,048	-2%	1%
EBITDA	567	707	598	743	-5%	-5%
PAT	450	560	440	569	2%	-2%
EPS	72.38	90.08	70.70	91.50	2%	-2%

Source: Company, Axis Securities Research

**Results Review**

Particulars (Rs Cr)	Q2FY25	Q1FY26	Axis Est.	Q2FY26	YoY Growth (%)	QoQ Growth (%)	Axis Variance
Revenue	700	734	820	835	19%	14%	2%
Net Raw Material consumed	522	523	632	646	24%	24%	
Gross Profit	178	211	189	188	5%	-11%	
Gross Margin %	25.5%	28.7%	23.0%	22.5%	-293bps	-621bps	-46bps
Employee	65	67	57	76	16%	14%	
Other Expenses	20	49	25	23	18%	-52%	
Total Expenditure	607	638	714	745	23%	17%	
EBIDTA	94	96	107	89	-5%	-7%	-16%
EBITDA Margin	13.4%	13.0%	13.0%	10.7%	-266bps	-232bps	-230bps
Less: Depreciation	1	1	1	2	31%	21%	
EBIT	92	94	105	88	-5%	-7%	
Less: Net Interest	19	19	23	20	3%	4%	
Add: Other income	14	11	19	42	201%	268%	
Profit Before Extraordinary Items and Tax	87	87	101	110	26%	26%	
Less: Extraordinary Expense (net)	-	-	-	-			
Profit Before Tax	92	87	101	111	20%	28%	
Less: Total Tax	22	21	26	26	18%	24%	
Profit After Tax	70	66	75	85	21%	29%	12%

Source: Company, Axis Securities Research

**Revenue Breakup**

Q2FY26	Municipal	Industrial	Total	Total
EPC	538	147	685	India 404
O&M	116	28	143	Overseas 425
Total	654	175	828	Total 828

**Order Book (Backlog)**

Q2FY26	Municipal	Industrial	Total	Total
EPC	8,054	1,156	9,210	India 7,584
O&M	4,472	1,083	5,554	Overseas 7,180
Framework			1,256	Framework 1,256
Total			16,020	Total 16,020

## Financials (Consolidated)

### Profit & Loss

(Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
<b>Net Revenue</b>	<b>2,856</b>	<b>3,294</b>	<b>4,207</b>	<b>5,118</b>	<b>4,818</b>
COGS	2,167	2,561	3,201	3,925	3,661
Staff costs	235	265	340	399	376
Operating Exp.	79	47	98	87	48
Total Expenditure	2,481	2,872	3,639	4,410	4,085
<b>EBITDA</b>	<b>375.7</b>	<b>422.3</b>	<b>567.5</b>	<b>707.4</b>	<b>732.3</b>
<b>EBITDA Margin %</b>	<b>13.2%</b>	<b>12.8%</b>	<b>13.5%</b>	<b>13.8%</b>	<b>15.2%</b>
Depreciation	8	6	7	7	8
EBIT	411	461	665	812	830
Interest	71	79	82	82	70
Other Income	43	45	104	112	105
PBT	330	384	587	730	760
Tax	80	90	137	170	177
<i>Tax Rate %</i>	<i>24.1%</i>	<i>23.3%</i>	<i>23.3%</i>	<i>23.3%</i>	<i>23.3%</i>
<b>PAT</b>	<b>250</b>	<b>295</b>	<b>450</b>	<b>560</b>	<b>583</b>
<b>EPS</b>	<b>39.5</b>	<b>47.5</b>	<b>72.4</b>	<b>90.1</b>	<b>93.8</b>

Source: Company, Axis Securities Research

### Balance Sheet

(Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
Share Capital	12	12	12	12	12
Reserves & Surplus	1,806	2,128	2,553	3,063	3,597
<b>Net Worth</b>	<b>1,824</b>	<b>2,145</b>	<b>2,570</b>	<b>3,081</b>	<b>3,614</b>
Financial Non-Current Liability	323	408	379	364	324
Other Non-current Liability	260	182	182	182	182
Deferred Tax Liability	-	-	-	-	-
<b>Total Non-Current Liability</b>	<b>596</b>	<b>601</b>	<b>572</b>	<b>557</b>	<b>517</b>
Current Financial Liability	1,153	1,262	1,234	1,293	1,161
Other Current Liability	865	1,097	1,098	1,098	1,098
Provisions	22	12	12	12	12
<b>Total Current Liability</b>	<b>2,155</b>	<b>2,521</b>	<b>2,493</b>	<b>2,553</b>	<b>2,420</b>
<b>Total Equity &amp; Liability</b>	<b>4,575</b>	<b>5,267</b>	<b>5,636</b>	<b>6,191</b>	<b>6,552</b>
<b>Application Of Funds</b>					
<b>PPE</b>	69	64	64	64	64
Capital Work in Progress	-	-	-	-	-
Right Use of Assets	-	-	-	-	-
Intangible Assets	4	3	4	4	4
<b>Non-Current Financial Assets</b>	<b>535</b>	<b>600</b>	<b>704</b>	<b>704</b>	<b>704</b>
Other Non-Current Assets	-	-	-	-	-
<b>Total Non-Current Assets</b>	<b>949</b>	<b>986</b>	<b>1,092</b>	<b>1,092</b>	<b>1,092</b>
Inventories	36	36	46	70	79
Cash & Cash Equivalents	440	718	802	989	1,662
Current-Financial Assets	2,061	2,240	2,408	2,752	2,431
Other Current Assets	1,089	1,288	1,288	1,288	1,288
<b>Total Current Assets</b>	<b>3,625</b>	<b>4,281</b>	<b>4,544</b>	<b>5,099</b>	<b>5,459</b>
<b>Total Assets</b>	<b>4,575</b>	<b>5,267</b>	<b>5,636</b>	<b>6,191</b>	<b>6,552</b>

Source: Company, Axis Securities Research

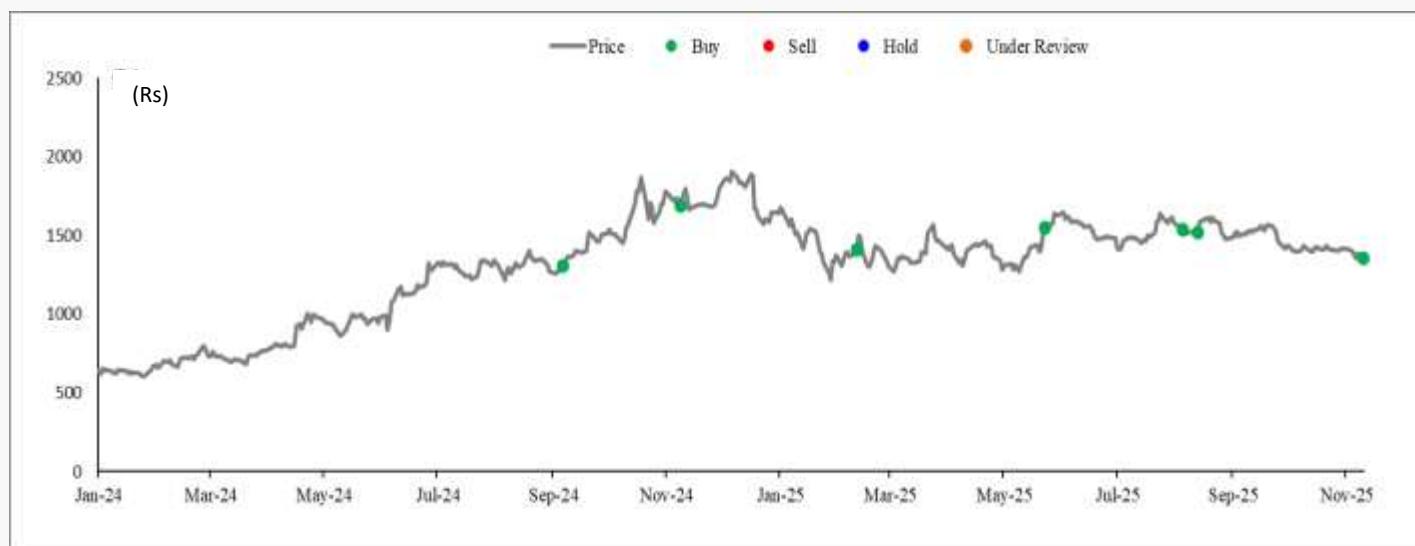
<b>Cash Flow</b>						<b>(Rs Cr)</b>
<b>Y/E March</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>	
PBT	330	384	587	730	760	
Depreciation & Amortization	8	6	7	7	8	
Finance Cost	26	33	36	31	22	
Chg in Working cap	-288	8	-291	-233	230	
Direct tax paid	-26	-82	-137	-170	-177	
<b>Cash flow from operations</b>	<b>134</b>	<b>355</b>	<b>248</b>	<b>416</b>	<b>890</b>	
Chg in Gross Block	-12	-5	-7	-7	-8	
Chg in Investments	56	13	-	-	-	
Other Investments	25	-152	-	-	-	
<b>Cash flow from investing</b>	<b>84</b>	<b>-121</b>	<b>-7</b>	<b>-7</b>	<b>-8</b>	
Fresh Issue Proceeds	-	-	-	-	-	
Proceeds / (Repayment) of ST Borrowings (Net)	-	81	-	-	-	
Finance Cost paid	-25	-33	-82	-82	-70	
Dividends paid	-	-	-25	-50	-50	
<b>Cash flow from financing</b>	<b>44</b>	<b>34</b>	<b>-157</b>	<b>-221</b>	<b>-209</b>	
<b>Chg in cash</b>	<b>261</b>	<b>268</b>	<b>84</b>	<b>187</b>	<b>673</b>	
Cash and cash equivalents at the beginning of the year	181	440	718	802	989	
Cash and Cash equivalents at the end of the year	<b>440</b>	<b>718</b>	<b>802</b>	<b>989</b>	<b>1,662</b>	

Source: Company, Axis Securities Research

<b>Ratio Analysis</b>						<b>(%)</b>
<b>Y/E March</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>	
<b>Efficiency Ratios</b>						
Asset Turnover (x)	0.66	0.67	0.77	0.87	0.76	
Inventory Turnover(x)	56.26	71.42	78.16	67.55	49.05	
Sales/Total Assets	0.62	0.63	0.75	0.83	0.74	
Receivable days	223	222	182	168	179	
Inventory Days	5	4	4	4	6	
Payable days	134	115	90	76	82	
<b>Financial Stability Ratios</b>						
Total Debt/Equity(x)	0.1	0.1	0.0	0.0	0.0	
Total Asset/Equity(x)	2.5	2.2	2.2	2.0	1.8	
Current Ratio(x)	1.7	1.7	1.8	2.0	2.3	
Quick Ratio(x)	1.7	1.7	1.8	2.0	2.2	
Interest Cover(x)	-	-	-	-	-	
<b>Operational &amp; Financial Ratios</b>						
Earnings Per Share (Rs)	39	47	72	90	94	
Book Value (Rs)	293	345	413	495	581	
Tax Rate (%)	24.1%	23.3%	23.3%	23.3%	23.3%	
<b>Performance Ratios</b>						
ROA (%)	5.8%	6.0%	8.3%	9.5%	9.2%	
ROCE (%)	19.5%	17.8%	22.6%	24.0%	21.4%	
ROE (%)	14.7%	14.9%	19.1%	19.8%	17.4%	

Source: Company, Axis Securities Research

## VA Tech Wabag Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
09-Sep-24	BUY	1,704	Initiating Coverage
11-Nov-24	BUY	1,970	Result Update
11-Feb-25	BUY	1,970	Result Update
26-May-25	BUY	1,920	Result Update
06-Aug-25	BUY	1,920	AAA
14-Aug-25	BUY	1,920	Result Update
11-Nov-25	BUY	1,930	Result Update

Source: Axis Securities Research

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<b>Ratings</b>	<b>Expected absolute returns over 12 – 18 months</b>
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward-looking estimates for the stock, but we refrain from assigning a valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events.
NO STANCE	We do not have any forward-looking estimates, valuations or recommendations for the stock.

Note: Returns stated in the rating scale are our internal benchmark.