

VA Tech Wabag Ltd.

BUY

Sector: Capital Goods

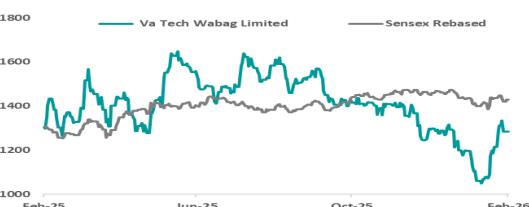
 18th February 2026

Key Changes	Target	Rating	Earnings	Target	Rs. 1,626
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Small Cap	VATW:IN	83,451	WABAG	533269	12 Months

Data as of: 17-02-2026 18:00 hrs

Company Data			
Shareholding (%)	Q1FY26	Q2FY26	Q3FY26
Promoters	19.1	19.1	19.1
FII's	18.7	18.7	19.0
MFs/Institutions	3.7	3.7	4.3
Public	58.5	58.5	57.6
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-8.8%	-20.1%	-1.6%
Absolute Sensex	-2.0%	2.0%	9.6%
Relative Return	-6.9%	-22.1%	-11.2%

*over or under performance to benchmark index



Y.E March (Rs.cr)	FY26E	FY27E	FY28E
Sales	3,707	4,398	5,154
Growth (%)	12.5	18.6	17.2
EBITDA	457	592	741
EBITDA Margin (%)	12.3	13.5	14.4
PAT Adjusted	342	445	561
Growth (%)	16	30	26
Adjusted EPS	55.0	71.6	90.3
Growth (%)	16.0	30.1	26.1
P/E	23.8	18.3	14.5
P/B	3.3	2.8	2.4
EV/EBITDA	16.2	12.2	11.1
ROE (%)	14.9	16.7	18.0
D/E	0.1	0.1	0.0

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Execution Strengthens Growth Momentum...

VA Tech Wabag (VATW) is a Chennai-based multinational company specialising in water technology. With its expertise in the turnkey execution and operation of water and wastewater treatment plants, the company primarily serves both municipal and industrial sectors, focusing on providing comprehensive solutions for water-related challenges.

- Q3FY26 revenue stood at Rs.961cr, up 18.5% YoY, supported by strong execution in the EPC municipal segment.
- Lower cost of sales supported a 227 bps YoY improvement in gross margins to 25%, driving gross profit to Rs.240cr, reflecting a 30.4% YoY growth.
- In Q3FY26, EBITDA stood at Rs.121.5cr, with a margin of 12.6%, aided by lower employee costs, though partially offset by an increase in other operating expenses.
- Depreciation rose 23.1% YoY, while finance costs fell 11.8% YoY to Rs.17.9cr. EBT reached Rs.102cr with an 89 bps margin expansion.
- Other income grew 20% YoY, supporting PBT of Rs.121.3cr. After accounting for Rs.4.7cr labour-code impact, adjusted PAT rose 36.8% YoY to Rs.96cr, with margins improving to 10% (up 133 bps).

Outlook & Valuation

With an order book (excluding framework contracts) of Rs.15,079 cr (4.1x TTM revenues), VATW is well positioned to deliver strong growth. Revenues are projected to clock an 18% CAGR over FY26–28E, while EBITDA is expected to grow at a 27% CAGR, supported by margin expansion from 12.3% to 14.4%. Although margins are marginally below consensus due to a higher EPC mix, the company stands to benefit from increasing international exposure, improved working-capital cycles, and a healthy pipeline of multilaterally funded projects. Structural tailwinds in desalination, water reuse, and emerging new-energy opportunities such as UPW, hydrogen, and solar manufacturing further strengthen long-term visibility. Earnings are estimated to grow at a 28% CAGR, with ROE improving to 18% by FY28E. Hence, we value the stock at 18x FY28E EPS to arrive at a target price of ₹1,626 and maintain a BUY rating.

Quarterly Financials Consol.

Rs.cr	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	9MFY26	9MFY25	YoY (%)
Sales	961	811	18.5	835	15.2	2,530	2,138	18.3
EBITDA	121.5	100.4	21.0	89.3	36.1	306.4	275.3	11.3
Margin (%)	12.6	12.4	26bps	10.7	194bps	12.1	12.9	-77bps
EBIT	119.9	99.1	21.0	87.6	36.9	301.7	270.8	11.4
PBT	121.3	90.9	33.4	110.8	9.5	318.8	253.3	25.9
Rep. PAT	91.3	70.2	30.1	84.8	7.7	241.9	195.3	23.9
Adj PAT	96.0	70.2	36.8	84.8	13.2	246.6	195.3	26.3
EPS (Rs)	14.7	11.3	30.5	13.6	8.1	38.9	31.5	23.7

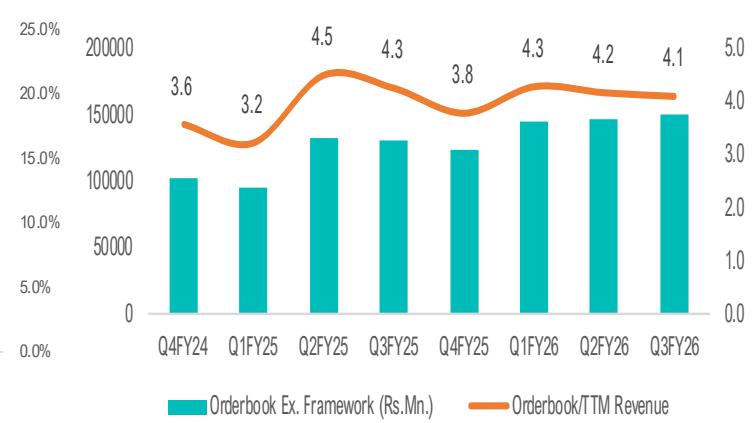
Key Concall Highlights

- International projects contributed 50% of revenues year-to-date, highlighting WABAG's expanding global footprint and strengthening traction across overseas markets.
- Management reiterated strong order pipeline visibility of over Rs.3,000cr across key geographies, supported by active prospects nearing conclusion.
- The Middle East remains a major growth engine for the company, with sustained opportunities in desalination, wastewater treatment and reuse supported by large regional infrastructure investments.
- Domestic tendering momentum continues to strengthen across municipal and industrial water segments, driven by a healthy mix of EPC, DBO and selective PPP opportunities.
- Management highlighted rising opportunities from new energy sectors such as solar manufacturing, hydrogen projects, Bio-CNG and data centers, where increasing water and reuse requirements align with WABAG's core capabilities.

Revenue



Orderbook



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)		
	FY26E	FY27E	FY26E	FY27E	FY28E	FY26E	FY27E
Revenue	3,715	4,489	3,707	4,398	5,154	-0.2	-2.0
EBITDA	478	622	457	592	741	-4.4	-4.9
Margins (%)	12.9	13.9	12.3	13.5	14.4	-57bps	-45bps
Adj. PAT	356	466	342	445	561	-4.0	-4.6
EPS	57	75	55	72	90	-3.5	-4.5

Consolidated Financials

Profit & Loss

Y.E March (Rs cr)	FY24A	FY25A	FY26E	FY27E	FY28E
Sales	2,856	3,294	3,707	4,398	5,154
% change	-4	15	13	19	17
EBITDA	376	422	457	592	741
% change	18	12	8	29	25
Depreciation	8	6	6	6	6
EBIT	367	416	451	585	734
Interest	71	79	86	88	91
Other Income	34	47	86	94	104
PBT	330	384	450	592	747
% change	1,853	16	17	31	26
Tax	80	90	109	148	186
Tax Rate (%)	24	23	24	25	25
Reported PAT	250	295	342	445	561
Adj.	0	0	0	0	0
Adj. PAT	250	295	342	445	561
% change	-17	18	16	30	26
No. of shares (cr)	6.2	6.2	6.2	6.2	6.2
Adj EPS (Rs)	40.3	47.5	55.0	71.6	90.3
% change	-17	18	16	30	26
DPS	0.0	4.0	4.6	6.0	7.6

Cash Flow

Y.E March (Rs cr)	FY24A	FY25A	FY26E	FY27E	FY28E
Net inc. + Depn.	339	390	457	599	754
Non-cash adj.	109	39	86	88	91
Changes in W.C	-314	-74	-142	-425	-508
C.F – Operation	134	355	401	261	336
Capital exp.	-11.9	-5	-1	-1	0
Change in inv.	44.7	11	27	-8	-9
Other invest.CF	51.3	-127.8	0	0	0
C.F – Investment	84.1	-121	27	-9	-9
Issue of equity	0	0	0	0	0
Issue/repay debt	66	71	-86	-88	-91
Dividends paid	0	-25	-29	-37	-47
Other finance.CF	-22.4	-37	-86	-88	-91
C.F – Finance	43.6	34	-202	-213	-229
Chg. in cash	261.2	268	226	39	98
Closing cash	440	718	944	983	1,082

Balance Sheet

Y.E March (Rs cr)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash	440	718	944	983	1,082
Accounts Receivable	2,522	2,608	2,887	3,424	4,013
Inventories	36	36	39	47	55
Other Cur. Assets	234	222	217	258	302
Investments	67	69	42	50	58
Gross Fixed Assets	130	130	131	132	133
Net Fixed Assets	69	64	58	53	48
CWIP	0	0	0	0	0
Intangible Assets	4	3	3	3	3
Def. Tax (Net)	45	34	38	45	53
Other Assets	1,158	1,515	1,455	1,684	1,934
Total Assets	4,575	5,267	5,684	6,547	7,548
Current Liabilities	1,948	2,190	2,415	2,869	3,367
Provisions	128	162	182	216	253
Debt Funds	281	357	271	183	92
Other Liabilities	394	414	358	413	456
Equity Capital	12.4	12.4	12.4	12.4	12.4
Reserves & Surplus	1,806	2,128	2,441	2,848	3,361
Non-Controlling Interest	5.3	5.1	5.1	5.1	5.1
Shareholder's Fund	1,824	2,145	2,458	2,865	3,379
Total Liabilities	4,575	5,267	5,684	6,547	7,548
BVPS (Rs.)	293	345	396	461	544

Ratios

Y.E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profitab. & Return					
EBITDA margin (%)	13.2	12.8	12.3	13.5	14.4
EBIT margin (%)	12.9	12.6	12.2	13.3	14.3
Net profit margin (%)	8.8	8.9	9.2	10.1	10.9
ROE (%)	14.7	14.9	14.9	16.7	18.0
ROCE (%)	17.5	16.1	15.7	18.2	20.0
W.C & Liquidity					
Receivables (days)	301.3	284.2	270.5	261.9	263.3
Inventory (days)	6.0	5.1	4.9	4.7	4.7
Payables (days)	198.7	164.9	157.6	151.7	152.6
Current ratio (x)	1.7	1.7	1.8	1.7	1.7
Quick ratio (x)	1.2	1.2	1.3	1.3	1.2
Turnover & Leverage					
Gross asset T.O (x)	21.9	25.3	28.3	33.3	38.7
Total asset T.O (x)	0.7	0.7	0.7	0.7	0.7
Int. coverage ratio (x)	4.0	4.1	4.0	5.0	6.0
Adj. debt/equity (x)	-0.1	-0.2	-0.3	-0.3	-0.3
Valuation					
EV/Sales (x)	1.6	2.6	2.0	1.6	1.6
EV/EBITDA (x)	12.1	20.0	16.3	12.3	11.1
P/E (x)	19.0	30.6	23.9	18.3	14.5
P/BV (x)	2.6	4.2	3.3	2.8	2.4

Recommendation Summary
(last 3 years)


Dates	Rating	Target
16-Feb-24	ACCUMULATE	855
10-Jun-24	ACCUMULATE	1,340
14-Aug-24	HOLD	1,424
07-Mar-25	ACCUMULATE	1,571
27-May-25	BUY	1,924
27-Nov-25	BUY	1,877
18-Feb-26	BUY	1,626

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:

Upgrade

No Change

Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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