VA Tech Wabag

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	VATW IN
Equity Shares (m)	62
M.Cap.(INRb)/(USDb)	124.3 / 1.3
52-Week Range (INR)	2320 / 1033
1, 6, 12 Rel. Per (%)	-11/30/48
12M Avg Val (INR M)	925

Financials & Valuations (INR b)

Y/E MARCH	FY26	FY27E	FY28E
Sales	39.4	47.1	56.1
EBITDA	4.8	5.9	7.6
Adj. PAT	3.8	5.0	5.6
Adj. EPS (INR)	60.0	79.9	90.3
EPS Gr. (%)	27.1	33.2	12.9
BV/Sh. (INR)	411.0	483.9	565.2
Ratios			
RoE (%)	14.6	16.5	16.0
RoCE (%)	21.4	23.7	23.2
Payout (%)	8.4	8.8	10.0
Valuations			
P/E (x)	33.1	24.9	22.0
P/BV (x)	4.8	4.1	3.5
EV/EBITDA (x)	24.3	19.3	14.7
Div. Yield (%)	0.3	0.4	0.5

Shareholding pattern (%)

As On	Sep-26	Jun-26	Sep-25
Promoter	19.0	19.1	19.1
DII	5.8	6.3	4.5
FII	18.8	18.3	18.4
Others	56.4	56.3	58.0

CMP: INR1,988 TP: INR2,529 (+27%) Buy

Robust outlook on strong order book, margins and cash-flows

Healthy in-line operating performance; PAT beat on forex gains

- VA Tech Wabag (VATW) reported a healthy and in-line operating performance in 2QFY27. However, continued high forex gains led to a beat in PAT.
- Consolidated revenue/adjusted EBITDA/APAT grew by a healthy 20%/20%/23% YoY. Adj. EBITDA margin stood high at 14.4%.
- ROW markets drove revenue growth of 26% YoY and 31.6% EBIT margin.
- 1H order intake stood at INR52b.
- Robust order book of over INR202b provides strong revenue visibility.
- Strong cash flow generation led to gross-cash level of INR12.2b and net-cash level of INR10b.

Key highlights from the management commentary

- 2Q revenue mix: International 54%, India 46%, EPC 82%, O&M 18%.
- VATW will stay selective, focusing on securing more "Large" and "Mega", technology-led projects; preference remains on margins and cash-flows.
- In 1H, VATW secured two landmark “Mega” orders, an SWRO project in Kuwait, and Reliance for one of the largest desalination plants at Jamnagar.
- Also, entered UAE through Ajman, expanded in Europe with Donauinsel Water Works, and key municipal orders from BWSSB and DJB.
- War in ME has slowed down the awarding process; however, it is opening up more opportunities for VATW.
- Activity in Europe is returning; bagged two contracts after a decade
- Commodity inflation and shipment delays have not impacted VATW’s growth or margins so far.
- Contracts have pass-through escalation clause; machinery orders are placed soon so as to protect margins.
- Political delays in Bangladesh have caused a six month delay; however, margins and payment timelines are intact.
- Sunrise industrial segments like semiconductors, PV solar, data centers, and hydrogen are expected to open huge potential.
- VATW only take projects that have full payment security.

Valuation and view: Reiterate BUY

- We raise our FY27 earnings estimate by 6%, following continued forex gains. However, we maintain FY28 earnings estimate as we remain conservative on estimating forex gains.
- After delivering a CAGR of 7%/17%/28% in revenue/EBITDA/APAT over FY21-26, we estimate a CAGR of 19%/26%/23% over FY26-28.
- A greater focus on executing large-scale projects and high-margin segments such as EP, Industrial, and O&M augurs well for margins.
- **The outlook for strong FCF generation, INR11b+ net cash, and improving return ratios (16%/23%/36% RoE/RoCE/RoIC in FY28E) make VATW attractive at 22x FY28E P/E. Reiterate BUY with a TP of INR2,529 (based on 28x FY28E P/E).**

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Investors are advised to refer through important disclosures made at the last page of the Research Report.
Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Quarterly performance

(INR m)

Y/E March	FY26				FY27E				FY26	FY27E	FY27E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	%
Net Sales	**7,340**	**8,345**	**9,613**	**14,144**	**8,868**	**10,002**	**11,403**	**16,853**	**39,442**	**47,126**	**9,933**	**1**
YoY Change (%)	17.2	19.2	18.5	22.3	20.8	19.9	18.6	19.2	19.7	19.5	19.0	
Total Expenditure	6,384	7,452	8,398	12,570	8,073	8,759	9,894	14,505	34,668	41,231	8,703	
EBITDA - reported	**956**	**893**	**1,215**	**1,574**	**795**	**1,243**	**1,509**	**2,347**	**4,774**	**5,894**	**1,230**	**1**
Margins (%)	13.0	10.7	12.6	11.1	9.0	12.4	13.2	13.9	12.1	12.5	12.4	
EBITDA – adj. to forex gain	**956**	**1,205**	**1,310**	**1,771**	**1,163**	**1,445**	**1,629**	**2,467**	**5,242**	**10,990**	**1,280**	**13**
Margins (%)	13.0	14.4	13.6	12.5	13.1	14.4	14.3	14.6	13.3	23.3	12.9	
Depreciation	14	17	16	15	16	17	20	20	62	73	15	
Interest	188	196	179	166	172	177	170	165	729	684	170	
Other Income	113	416	232	319	520	311	250	250	943	1,331	130	
PBT before EO expense	**867**	**1,096**	**1,252**	**1,712**	**1,127**	**1,360**	**1,569**	**2,412**	**4,926**	**6,468**	**1,175**	
Extra-Ord expense	0	0	-47	0	0	0	0	0	-47	0	0	
PBT	**867**	**1,096**	**1,299**	**1,712**	**1,127**	**1,360**	**1,569**	**2,412**	**4,973**	**6,468**	**1,175**	
Tax	209	260	300	419	281	315	369	567	1,188	1,532	276	
Rate (%)	24.1	23.7	23.1	24.5	24.9	23.2	23.5	23.5	24.3	23.7	23.5	
Minority Interest	0	0	-4	-3	0	-1	-2	-2	-7	-5	-2	
Profit/Loss of Asso. Cos.	0	12	8	-13	55	0	0	0	7	55	20	
Reported PAT	**658**	**848**	**1,011**	**1,283**	**901**	**1,046**	**1,202**	**1,848**	**3,799**	**4,997**	**921**	**14**
Adj PAT	**658**	**848**	**964**	**1,283**	**901**	**1,046**	**1,202**	**1,848**	**3,752**	**4,997**	**921**	**14**
YoY Change (%)	19.6	20.1	37.3	28.9	36.9	23.3	24.7	44.0	27.1	33.2	8.6	
Margins (%)	9.0	10.2	10.0	9.1	10.2	10.5	10.5	11.0	9.5	10.6	9.3	

E: MOSL Estimates

Segment-wise revenue break-up (INR m)

Y/E March	2QFY26	3QFY26	4QFY26	1QFY27	2QFY27	% YoY	% QoQ
EPC	**6,853**	**7,855**	**11,834**	**7,256**	**8,125**	**19**	**12**
Municipal	5,381	6,549	9,535	5,289	6,699	24	27
Industrial	1,472	1,306	2,299	1,967	1,426	(3)	(28)
O&M	**1,431**	**1,665**	**2,240**	**1,593**	**1,708**	**19**	**7**
Municipal	1,155	1,423	1,721	1,343	1,391	20	4
Industrial	276	242	519	250	317	15	27
Total revenue	**8,284**	**9,520**	**14,074**	**8,849**	**9,833**	**19**	**11**
% YoY	*19*	*19*	*22*	*21*	*20*		
O&M mix	17	17	16	18	17		
Industrial mix	21	16	20	25	18		
International mix	51	56	56	52	54		
Geography-wise revenue break-up (INR m)							
India	4,044	4,196	6,218	4,228	4,545	12	7
RoW	4,313	5,521	7,924	4,660	5,444	26	17
EBIT margin (%)						**YoY (bp)**	**QoQ (bp)**
India	17.3	20.2	9.7	24.4	23.3	601	(111)
RoW	26.2	26.6	29.4	23.9	31.6	533	769
Order book (INR b)	**160.2**	**163.4**	**172.3**	**193.9**	**202.1**	**26**	**4**
Book-to-bill ratio (x, TTM basis)	4.6	4.5	4.4	4.8	4.8		
Order book break-up (INR b)	**160.2**	**163.4**	**172.3**	**193.9**	**202.1**	**26**	**4**
EPC	**92.1**	**96.6**	**102.8**	**127.3**	**137.0**	**49**	**8**
Municipal	80.5	80.1	88.0	114.3	108.3	34	(5)
Industrial	11.6	16.5	14.8	13.0	28.7	148	121
O&M	**55.5**	**54.2**	**63.5**	**66.7**	**65.1**	**17**	**(2)**
Municipal	44.7	43.6	53.0	56.5	55.2	23	(2)
Industrial	10.8	10.6	10.4	10.2	9.9	(8)	(3)

Exhibit 1: Key contracts in order book (INR b)

Key contracts in order book	Nature	Classification
201 MLD SWRO & 72 MLD Remineralization plants at Jamnagar, India	SWRO, EP	Mega (Above INR 10b)
272 MLD SWRO, Doha, Kuwait	SWRO, DBO	Mega (Above INR 10b)
86 MLD WTP, Vienna, Austria	WTP	Large (INR2.5-6b)
17MGD WWTP, Mitraon, Delhi, India	WWTP	Large (INR2.5-6b)
60 MLD STP at Ajman, UAE	STP	Large (INR2.5-6b)
100 MLD STP & 25 MLD TTP, Byramangala,	STP	Large (INR2.5-6b)
60 MLD STP at Bellandur, Bengaluru, India		
400 MLD Perur, Chennai	Desalination	Mega (Above INR 10b)
300 MLD SWA, Yanbu Al-Bahr, KSA	Desalination	Mega (Above INR 10b)
200 MLD Al Haer ESC, KSA	ISTP	Mega (Above INR 10b)
100 MLD Indosol, Andhra Pradesh	Desalination	Major (INR6-10b)
UPJN, O&M of Agra & Ghaziabad	OCOO	Mega (Above INR 10b)
54+19 MLD Lusaka Water Supply and Sanitation Co.	WWTP	Major (INR6-10b)
Water Block Package from BPCL, Madhya Pradesh	RWTP/RODMP/ZLD	Large (INR2.5-6b)
200 MLD Pagla, Bangladesh	STP	Major (INR6-10b)
150 MLD Digha & Kankarbagh	STP and Network	Mega (Above INR 10b)
BWSSB, Bengaluru	WWTP	Large (INR2.5-6b)

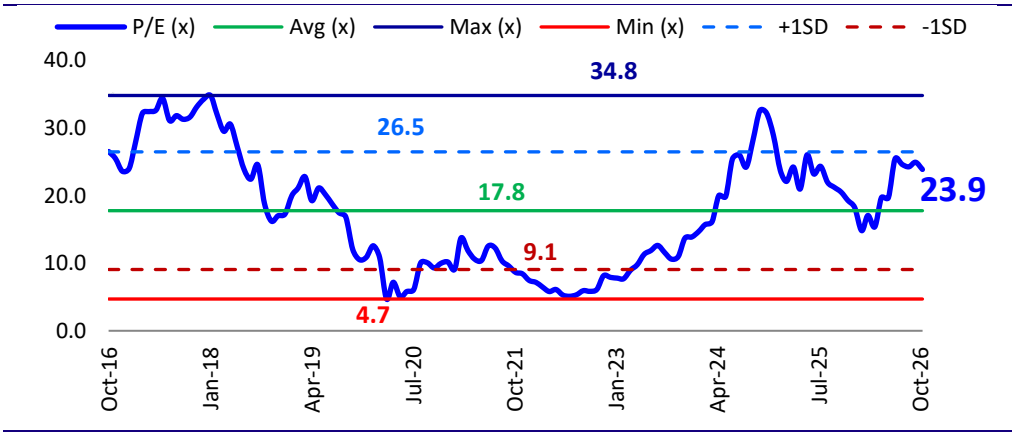
Source: Company

Exhibit 2: Changes to our estimates

INR m	Old		New		Change	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Revenue	47,057	56,151	47,126	56,088	0	(0)
EBITDA	5,897	7,542	5,894	7,576	(0)	0
EBITDA margin %	*12.5*	*13.4*	*12.5*	*13.5*		
PAT	4,708	5,643	4,997	5,643	6	(0)
EPS	75.3	90.3	79.9	90.3	6	(0)

Source: MOFSL, Company

Exhibit 3: One-year forward P/E band and standard deviation



Source: Bloomberg, MOFSL

Financials and valuations

Consolidated - Income Statement								(INR m)
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Total Income from Operations	**28,345**	**29,793**	**29,605**	**28,564**	**32,940**	**39,442**	**47,126**	**56,088**
Change (%)	10.8	5.1	-0.6	-3.5	15.3	19.7	19.5	19.0
RM Cost	22,331	23,057	22,695	21,667	25,605	30,038	35,118	41,460
Gross Profit	**6,014**	**6,736**	**6,910**	**6,897**	**7,335**	**9,404**	**12,007**	**14,627**
Employees Cost	1,985	2,507	2,655	2,354	2,645	3,004	3,764	4,368
Other Expenses	1,841	1,860	1,077	786	467	1,626	2,349	2,684
Total Expenditure	**26,157**	**27,423**	**26,427**	**24,807**	**28,717**	**34,668**	**41,231**	**48,512**
% of Sales	92.3	92.0	89.3	86.8	87.2	87.9	87.5	86.5
EBITDA	**2,188**	**2,370**	**3,178**	**3,757**	**4,223**	**4,774**	**5,894**	**7,576**
Margin (%)	7.7	8.0	10.7	13.2	12.8	12.1	12.5	13.5
Depreciation	121	101	88	84	59	62	73	84
EBIT	**2,066**	**2,269**	**3,090**	**3,673**	**4,164**	**4,712**	**5,821**	**7,492**
Int. and Finance Charges	903	877	658	711	788	729	684	729
Other Income	82	324	536	434	446	943	1,331	557
PBT bef. EO Exp.	**1,245**	**1,716**	**2,968**	**3,396**	**3,822**	**4,926**	**6,468**	**7,320**
EO Items	0	0	-2,892	0	0	-47	0	0
PBT after EO Exp.	**1,245**	**1,716**	**76**	**3,396**	**3,822**	**4,879**	**6,468**	**7,320**
Total Tax	295	363	59	797	896	1,188	1,532	1,746
Tax Rate (%)	23.7	21.2	77.6	23.5	23.4	24.3	23.7	23.9
Minority Interest	-93	0	-20	48	-5	-7	-5	-6
Share of Profit/Loss of JV and associates	58	-32	93	-95	22	7	55	63
Reported PAT	**1,101**	**1,320**	**130**	**2,456**	**2,953**	**3,705**	**4,997**	**5,643**
Adjusted PAT	**1,101**	**1,320**	**3,022**	**2,456**	**2,953**	**3,752**	**4,997**	**5,643**
Change (%)	21.1	19.9	128.9	-18.7	20.2	27.1	33.2	12.9
Margin (%)	3.9	4.4	10.2	8.6	9.0	9.5	10.6	10.1

Consolidated - Balance Sheet								(INR m)
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Equity Share Capital	124	124	124	124	124	125	125	125
Total Reserves	13,973	15,267	15,625	18,062	21,275	25,560	30,119	35,200
Net Worth	**14,098**	**15,391**	**15,749**	**18,186**	**21,399**	**25,685**	**30,244**	**35,325**
Minority Interest	-134	-133	-3	53	51	52	50	48
Total Loans	3,495	4,285	2,132	2,806	3,573	2,255	2,055	1,855
Deferred Tax Liabilities	41	33	11	0	0	0	0	0
Capital Employed	**17,500**	**19,576**	**17,889**	**21,045**	**25,023**	**27,992**	**32,349**	**37,228**
Gross Block	2,335	2,373	2,415	2,470	2,471	2,527	2,577	2,627
Less: Accum. Deprn.	1,472	1,573	1,661	1,745	1,804	1,866	1,939	2,023
Net Fixed Assets	**863**	**800**	**754**	**725**	**667**	**661**	**638**	**604**
Capital WIP	0	0	0	0	0	0	0	0
Total Investments	**244**	**376**	**458**	**671**	**694**	**721**	**821**	**921**
Curr. Assets, Loans&Adv.	**40,506**	**38,848**	**39,681**	**44,349**	**51,312**	**59,842**	**68,118**	**77,544**
Inventory	298	320	353	359	358	358	428	509
Account Receivables	18,972	20,711	21,939	25,215	26,080	31,717	37,250	43,566
Cash and Bank Balance	3,713	4,286	2,754	5,097	9,446	10,592	12,655	15,074
Loans and Advances	17,523	13,532	14,635	13,678	15,428	17,175	17,785	18,395
Curr. Liability & Prov.	**24,112**	**20,447**	**23,004**	**24,700**	**27,650**	**33,232**	**37,228**	**41,842**
Account Payables	10,777	9,853	10,697	10,283	10,458	12,622	14,823	17,642
Other Current Liabilities	12,714	9,777	11,646	13,137	15,576	18,171	19,671	21,171
Provisions	621	816	661	1,280	1,616	2,439	2,734	3,029
Net Current Assets	**16,393**	**18,401**	**16,677**	**19,649**	**23,662**	**26,610**	**30,890**	**35,703**
Misc Expenditure	0	0	0	0	0	0	0	0
Appl. of Funds	**17,500**	**19,576**	**17,889**	**21,045**	**25,023**	**27,992**	**32,349**	**37,228**

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)								
Adj EPS	**17.6**	**21.1**	**48.4**	**39.3**	**47.2**	**60.0**	**79.9**	**90.3**
Cash EPS	19.6	22.7	49.8	40.6	48.2	61.0	81.1	91.6
BV/Share	226	246	252	291	342	411	484	565
DPS	0.0	0.0	0.0	0.0	4.0	5.0	7.0	9.0
Payout (%)	0.0	0.0	0.0	0.0	8.4	8.4	8.8	10.0
Valuation (x)								
P/E	112.8	94.1	41.1	50.6	42.1	33.1	24.9	22.0
Cash P/E	101.6	87.4	40.0	48.9	41.3	32.6	24.5	21.7
P/BV	8.8	8.1	7.9	6.8	5.8	4.8	4.1	3.5
EV/Sales	4.4	4.2	4.2	4.3	3.6	2.9	2.4	2.0
EV/EBITDA	56.7	52.4	38.9	32.5	28.0	24.3	19.3	14.7
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.2	0.3	0.4	0.5
FCF per share	19.5	1.4	13.3	19.6	56.2	32.3	32.6	53.3
Return Ratios (%)								
RoE	7.8	8.6	19.2	13.5	13.8	14.6	16.5	16.0
RoCE (pre-tax)	12.4	13.9	19.3	21.1	20.1	21.4	23.7	23.2
RoIC (pre-tax)	15.0	17.4	23.2	25.5	27.6	32.4	36.5	36.4
Working Capital Ratios								
Fixed Asset Turnover (x)	12.1	12.6	12.3	11.6	13.3	15.6	18.3	21.3
Net Working Capital Cycle (Days)	163	173	172	186	158	148	141	134
Debtor (Days, incl. CA)	470	420	451	497	460	452	426	403
Inventory (Days)	4	4	4	5	4	3	3	3
Creditor (Days, incl. CL)	310	251	284	316	306	308	288	272
Leverage Ratio (x)								
Current Ratio	1.7	1.9	1.7	1.8	1.9	1.8	1.8	1.9
Interest Cover Ratio	2.4	3.0	5.5	5.8	5.9	7.8	10.5	11.0
Net Debt/Equity	0.0	0.0	0.0	-0.1	-0.3	-0.3	-0.4	-0.4

Consolidated - Cash Flow Statement (INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
OP/(Loss) before Tax	1,303	1,684	169	3,301	3,844	4,886	6,468	7,320
Depreciation	121	101	88	84	59	62	73	84
Interest & Finance Charges	366	363	287	255	334	230	684	729
Direct Taxes Paid	-319	-186	-275	-260	-817	-997	-1,585	-1,799
(Inc)/Dec in WC	-968	-2,817	491	-2,882	76	-2,850	-2,217	-2,393
CF from Operations	**502**	**-856**	**760**	**498**	**3,496**	**1,331**	**3,423**	**3,941**
Others	851	972	89	837	56	736	-1,333	-559
CF from Operating incl EO	**1,353**	**116**	**849**	**1,335**	**3,552**	**2,067**	**2,090**	**3,382**
(Inc)/Dec in FA	-136	-26	-17	-110	-40	-49	-50	-50
Free Cash Flow	**1,217**	**90**	**832**	**1,225**	**3,512**	**2,018**	**2,040**	**3,332**
(Pur)/Sale of Investments	0	-183	0	0	0	-20	-100	-100
Others	95	-131	175	951	-1,170	-135	1,331	557
CF from Investments	**-41**	**-340**	**158**	**841**	**-1,210**	**-204**	**1,181**	**407**
Issue of Shares	1,178	0	0	0	0	1	0	0
Inc/(Dec) in Debt	-1,737	826	-2,101	660	714	-1,421	-200	-200
Interest Paid	-347	-364	-281	-249	-333	-227	-684	-729
Dividend Paid	-13	2	0	0	0	-249	-438	-563
Others	60	-18	-18	25	-41	47	113	122
CF from Fin. Activity	**-859**	**446**	**-2,400**	**436**	**340**	**-1,849**	**-1,209**	**-1,370**
Inc/Dec of Cash	**453**	**223**	**-1,393**	**2,612**	**2,682**	**14**	**2,063**	**2,420**
Opening Balance	2,489	3,038	3,210	2,066	4,399	7,177	7,851	9,914
Other cash & cash equivalent	55	-51	249	-279	96	660	0	0
Closing Balance	**2,997**	**3,210**	**2,066**	**4,399**	**7,177**	**7,851**	**9,914**	**12,333**

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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