

**Accelerating execution pace...**

**About the stock:** VA Tech Wabag (Wabag) leader in the total water management industry, ranked 3rd globally, caters a complete portfolio of water solutions with technological (~81% of revenue) and operational expertise (~19% of revenue)

- Wabag delivers tailored water solutions such as desalination, drinking & municipal water treatment, sludge treatment, industrial water & wastewater treatment etc. Its revenue was stable at 3.4% CAGR (FY22-25) with focus on EBITDA & PAT improvement which grew by 21.2% CAGR & 30.8% CAGR respectively over the same period.

**Investment Rationale:**

- Order book reasonable; International markets to drive inflows in FY26E:** As of FY25, the company commands a reasonable order backlog of ₹13,667 crore, which provides decent revenue visibility in the medium term. This orderbook is on back of achievement of 95% of FY25 order intake guidance of ₹6000 crore in FY25. The company further expects a further order inflow of ~₹3000 crore over next few weeks. The management will continue to focus on the E&P projects rather than EPC projects. The management is targeting an order book of ₹16-₹17,000 crore in FY26E and revenue mix of >50% International Projects, 30% Industrial Customers and 1/3<sup>rd</sup> of EPC being EP Projects. We have built in order inflows of ₹6872 and ₹8,760 crore in FY26E and FY27E respectively. Similarly, with gradual pick up in execution we expect overall consolidated revenues to grow at a CAGR of ~16.2% over FY25-27E.
- Focus on asset light model & working capital to improve ROCE:** The company reported ROCE of 18.4% in FY25 which clearly indicates the strong focus of the management on being an asset light model. The target of taking O&M revenues to be 20% of overall revenues will also further augment cash flow cycle. The company has successfully inducted majority Equity Partner in 2 out of 3 HAM SPVs. Going ahead, with improved operational performance we expect ROCE to improve from 18.4% in FY25 to 20.4% in FY27E.

**Rating and Target Price**

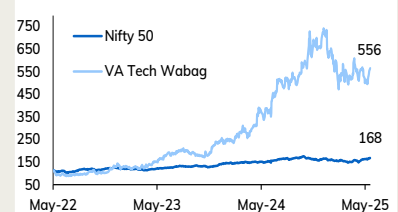
- Company's operational and financial performance to improve significantly in the coming period. We estimate Revenue, EBITDA and PAT to grow at ~15.9%, ~23% and ~21.8% CAGR respectively over FY25-27E. ROCE to be at 20.4% in FY27E from 18.4% in FY25
- Focus on improving return ratios and asset light model can lead to rerating. We value the company at ₹1900 i.e. 27x FY27E EPS.

**Market data**

Particular	Rs. in crore
Market Cap	9,732.0
Gross Debt (FY25)	357.3
Cash (FY25)	944.6
Enterprise Value	9,144.7
52 Week H/L (Rs./share)	1944/820
Equity Capital	12.4
Face Value (Rs./share)	2.0

**Shareholding pattern**

%	Jun-24	Sep-24	Dec-24	Mar-25
Promoter	19.1	19.1	19.1	19.1
FII	11.5	14.7	18.9	18.6
DII	5.0	3.6	2.0	3.0
Public	64.4	62.6	60.0	59.3

**Price chart****Key risks**

- delay in execution;
- Increase in receivables can elongate working capital cycle.

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**Key Financial Summary**

Particulars (₹ crore)	FY22	FY23	FY24	FY25	3 year CAGR (FY22-25)	FY26E	FY27E	2 year CAGR (FY25-27E)
Revenues	2,979.3	2,960.5	2,856.4	3,294.0	3.4%	3,771.5	4,428.5	15.9%
EBITDA	237.0	317.8	375.7	422.3	21.2%	528.9	638.5	23.0%
EBITDA Margin (%)	8.0	10.7	13.2	12.8		14.0	14.4	
Net Profit	131.9	200.8	245.6	295.3	30.8%	361.2	437.8	21.8%
EPS (₹)	21.2	32.3	39.5	47.5		58.1	70.4	
P/E (x)	70.5	46.3	37.9	31.5		25.7	21.2	
Price / Book (x)	6.0	5.9	5.1	4.3		3.7	3.2	
EV/EBITDA (x)	39.2	29.1	24.1	20.6		17.3	14.0	
RoCE (%)	13.2	20.3	19.6	18.5		19.8	20.4	
RoE (%)	8.6	12.8	13.5	13.8		14.4	14.9	

## Key result and concall highlights

- Consolidated revenue for Q4FY25 was ₹1156 crores, up 23.8% YoY. EBITDA grew by 23% to ₹143 crores, EBITDA margins contracted 8 bps YoY in Q4FY25 to 12.3% due to project mix. PAT for Q4FY25 stood at ₹99.5 crores, up 27.4% YoY, with a PAT margin of 8.5%. The company's net working capital stands at 110 days.
- The company has achieved 95% (₹5692 crore) of FY25 order intake guidance (₹6000 crore) in FY25. The company received orders worth ₹5692 crore till date, of which 72% were EPC orders, 53% were international orders and 39% were industrial. The orderbook in FY25 stood at ~₹13,667 crore up 19% YoY, of which operation and maintenance (O&M) constituted 39%. The company expects to further secure orders worth ₹3,000 crore over the next few weeks.
- Wabag had won a contract for 300 MLD seawater desalination EPC contract in Yanbu, Saudi Arabia in September 2024 worth ~₹2700 crore. However, the tender for the order was cancelled by the customer. Subsequently, a new tender was issued. Wabag has participated in the same and is a preferred bidder.
- Work on 200 MLD sewage treatment plant in Pagla, Bangladesh is in full swing, the company expects to align project progress with earlier guidance for the project in FY26. The work on 400 MLD seawater desalination plant in Chennai is progressing well, engineering activities are in advance stage, delivery of equipment has commenced and civil work is progressing in full swing.
- The company entered into long term equity partnership agreement with investor consortium including Norfund, this is towards Municipal platform for capital project investments. This provides Wabag with ability to participate projects costing upto ~₹8000 crore in HAM model.
- Wabag has further bid prospects in India cluster worth ₹35,880 crore (31% is Industrial). The order bid prospects breakup is as follows - for drinking water treatment ~29%, Water treatment plant is 22.4%, Desalination is ~19.4%, Recycle and Reuse is 17%, and waste water treatment plant is 12.4%.
- For Middle East (ME) and Africa cluster, Wabag has business prospects of ~₹39,296 crore, ME and Africa comprises 70% and 30% respectively. In the ME 57% is desalination and rest is waste water treatment plant (WWTP). And in Africa 52% of order prospects is desalination, 36% is water treatment plant and rest is WWTP.
- The company maintains medium term (3-5 years) guidance of 15-20% revenue growth, O&M at ~20% of total revenue, EBITDA margins in range of 13-15%, ROCE >20% and ROE>15%.

## Financial Summary

**Exhibit 1: Profit and loss statement**

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
<b>Revenue</b>	<b>2,856.4</b>	<b>3,294.0</b>	<b>3,771.5</b>	<b>4,428.5</b>
% Growth	(3.5)	15.3	14.5	17.4
Other income	43.4	44.6	49.1	54.0
Total Revenue	2,856.4	3,294.0	3,771.5	4,428.5
% Growth	(3.5)	15.3	14.5	17.4
Total Raw Material Costs	2,166.7	2,560.5	2,840.2	3,311.1
Employee Expenses	235.4	264.5	294.6	339.0
Other expenses	78.6	46.7	107.8	139.8
Total Operating Expenditure	2,480.7	2,871.7	3,242.6	3,790.0
<b>Operating Profit (EBITDA)</b>	<b>375.7</b>	<b>422.3</b>	<b>528.9</b>	<b>638.5</b>
% Growth	18.2	12.4	25.2	20.7
Interest	71.1	78.8	88.8	98.0
PBDT	348.0	388.1	489.2	594.5
Depreciation	8.4	5.9	6.0	8.9
PBT before Exceptional Items	339.6	382.2	483.2	585.6
Total Tax	79.7	89.6	122.0	147.9
PAT before MI	250.4	294.8	361.2	437.8
<b>PAT</b>	<b>245.6</b>	<b>295.3</b>	<b>361.2</b>	<b>437.8</b>
% Growth	1,808.8	20.2	22.3	21.2
<b>EPS</b>	<b>39.5</b>	<b>47.5</b>	<b>58.1</b>	<b>70.4</b>

Source: Company, ICICI Direct Research

**Exhibit 2: Cash flow statement**

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	245.6	295.3	361.2	437.8
Depreciation	8.4	5.9	6.0	8.9
Interest	71.1	78.8	88.8	98.0
Cash Flow before WC changes	325.1	380.0	456.0	544.6
Changes in inventory	5.2	0.1	(10.7)	(8.1)
Changes in debtors	(484.3)	(21.8)	(616.1)	(404.2)
Changes in loans & Advances	-	(12.0)	12.0	-
Changes in other current assets	101.1	(184.3)	(194.4)	(117.2)
Net Increase in Current Assets	(319.3)	(220.7)	(817.5)	(537.4)
Changes in creditors	(41.4)	17.5	311.9	280.2
Changes in provisions	62.2	34.6	(41.7)	38.7
Net Inc in Current Liabilities	(80.7)	278.4	179.1	452.0
<b>Net CF from Operating activities</b>	<b>(74.9)</b>	<b>437.7</b>	<b>(182.5)</b>	<b>459.1</b>
Changes in deferred tax assets	(7.9)	11.3	(21.3)	-
(Purchase)/Sale of Fixed Assets	(5.5)	(0.1)	0.0	(0.6)
<b>Net CF from Investing activities</b>	<b>314.7</b>	<b>(26.6)</b>	<b>(175.9)</b>	<b>(164.8)</b>
Dividend and Dividend Tax	-	(24.9)	-	-
<b>Net CF from Financing Activities</b>	<b>(5.3)</b>	<b>23.6</b>	<b>(63.8)</b>	<b>(73.0)</b>
Net Cash flow	234.5	434.8	(422.1)	221.3
Opening Cash/Cash Equivalent	275.4	509.9	944.6	522.5
<b>Closing Cash/ Cash Equivalent</b>	<b>509.9</b>	<b>944.6</b>	<b>522.5</b>	<b>743.8</b>

Source: Company, ICICI Direct Research

**Exhibit 3: Balance Sheet**

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Equity Capital	12.4	12.4	12.4	12.4
Reserve and Surplus	1,806.5	2,127.5	2,488.7	2,926.4
Total Shareholders funds	1,818.9	2,139.9	2,501.1	2,938.9
Total Debt	280.6	357.3	382.3	407.3
<b>Total Liabilities</b>	<b>2,515.3</b>	<b>2,929.4</b>	<b>3,315.6</b>	<b>3,778.5</b>
Gross Block	119.1	119.0	119.6	120.2
Acc: Depreciation	50.1	56.0	62.0	70.9
Net Block	68.9	63.6	58.2	49.9
Capital WIP	-	-	-	-
Total Fixed Assets	72.6	66.7	61.3	53.0
Non Current Assets	813.9	854.7	1,030.6	1,194.8
Inventory	35.9	35.8	46.5	54.6
Debtors	1,991.1	2,012.9	2,629.0	3,033.2
Other Current Assets	1,054.1	1,238.4	1,432.8	1,550.0
Cash	509.9	944.6	522.5	743.8
Total Current Assets	3,625.5	4,280.9	4,676.3	5,435.1
Current Liabilities	1,028.3	1,045.8	1,357.7	1,637.9
Provisions	12.8	90.0	91.0	91.0
Total Current Liabilities	2,059.4	2,337.8	2,516.9	2,968.8
Net Current Assets	1,566.1	1,943.1	2,159.5	2,466.2
<b>Total Assets</b>	<b>2,515.3</b>	<b>2,929.5</b>	<b>3,316.3</b>	<b>3,779.2</b>

Source: Company, ICICI Direct Research

**Exhibit 4: Key ratios**

(Year-end March)	FY24	FY25	FY26E	FY27E
EPS	39.5	47.5	58.1	70.4
Cash per Share	82.0	151.9	84.0	119.6
DPS	14.0	14.0	15.0	15.0
BV	292.5	344.1	402.2	472.6
EBITDA Margin	13.2	12.8	14.0	14.4
PAT Margin	8.7	9.0	9.6	9.9
RoE	13.5	13.8	14.4	14.9
RoCE	19.6	18.5	19.8	20.4
RoIC	23.1	26.8	22.1	24.2
EV / EBITDA	24.1	20.6	17.3	14.0
P/E	37.9	31.5	25.7	21.2
EV / Net Sales	3.2	2.6	2.4	2.0
Sales / Equity	1.6	1.5	1.5	1.5
Market Cap / Sales	3.3	2.8	2.5	2.1
Price to Book Value	5.1	4.3	3.7	3.2
Asset turnover	1.4	1.3	1.3	1.3
Debtors Turnover Ratio	1.6	1.6	1.6	1.6
Creditors Turnover Ratio	2.7	3.2	3.1	3.0
Debt / Equity	0.2	0.2	0.2	0.1
Current Ratio	2.6	2.7	2.7	2.6
Quick Ratio	2.6	2.7	2.7	2.5

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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