

Shubh Nivesh



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Execution to drive growth...

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. 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 1/3rd 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 ~15.9% 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.

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	

Source: Company, ICICI Direct Research



VA TECH WABAG LIMITED

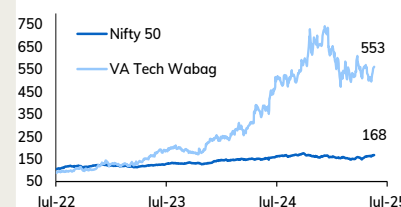
Market data

Particular	Rs. in crore
Market Cap	9,102.0
Gross Debt (FY25)	357.3
Cash (FY25)	944.6
Enterprise Value	8,514.7
52 Week H/L (Rs./share)	1944/1109
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.

Research Analyst

Chirag J Shah
shah.chirag@icicisecurities.com

CA. Samarth Khandelwal
samarth.khandelwal@icicisecurities.com

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Bhavesh Soni Email address: headsquality@icicidirect.com Contact Number: 18601231122

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