VA Tech Wabag (VATWAB)

CMP: ₹1980 | Target ₹ 2525 (27%) | Target Period: 12 months

BUY

November 9, 2026

Record Backlog and Healthy Balance Sheet Support Growth ...

About the stock: VA Tech Wabag (WABAG), ranked among the top 3 global pure-play water technology companies, provides end-to-end water solutions across desalination, municipal water treatment, industrial wastewater treatment and water reuse, with a robust order book of ~₹17,200 crore and presence across 25+ countries.

- Revenue Mix: EPC (~82% of revenue) and operation & maintenance (~18% of revenue).

Q2FY27 performance: VA Tech Wabag reported a healthy operating performance in Q2FY27, with revenue from operations increasing 19.9% YoY to ₹1,000.2 crore from ₹834.5 crore in Q2FY26. Operating EBITDA grew 37.3% YoY to ₹124.3 crore from ₹90.5 crore, with EBITDA margin expanding 148 bps to 12.4% from 10.8%. PAT increased 23.2% YoY to ₹104.5 crore from ₹84.8 crore.

Investment Rationale:

- **Record Order Book Provides Strong Revenue Visibility:** VA Tech Wabag's order book reached a record ₹20,207 crore at H1FY27-end, equivalent to over ~4x annual revenue, providing strong visibility for growth. Order intake exceeded ₹5,200 crore in H1FY27, while the O&M order backlog stood at a record ₹6,500 crore, supporting a gradual increase in recurring revenue. The company's medium-term revenue growth objective of 15–20%, alongside an EBITDA margin target of 13–15%, provides a framework for sustained growth, subject to timely project execution. Recent wins, including the 60 MIGD Kuwait desalination project and the Reliance Jamnagar desalination project, further strengthen the order pipeline and reinforce WABAG's positioning in large, technology-led water projects.
- **International Expansion and Strong Balance Sheet Support Sustainable Growth:** International markets contributed 54% of H1FY27 revenue, with the Middle East accounting for around 60–70% of the international order book. Recent wins in Kuwait and the UAE, alongside opportunities across Europe, Africa and Southeast Asia, support geographical diversification. The company is also pursuing opportunities in industrial water, semiconductors, solar, data centres and green hydrogen, which could provide incremental growth avenues over the medium term. Financial flexibility remains healthy, with net cash of over ₹1,100 crore excluding HAM projects, H1 operating cash flow of ₹225 crore and net working capital improving to 101 days from 104 days at FY26-end. Management's focus on maintaining positive net cash, ROCE above 20% and ROE above 15%,

Rating and Target Price: We expect Revenue and PAT to grow at 21.2% and 30% CAGR over FY26-FY28E. We recommend **BUY** on **Wabag** with a target price of **₹2,525 per share (based on 25x FY28E EPS).**

VA TECH WABAG LIMITED

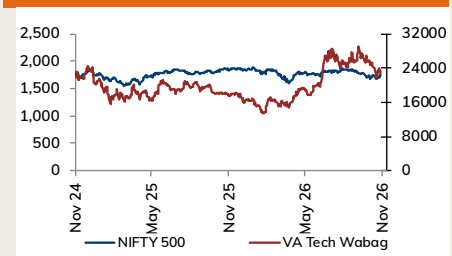
Particulars

	Rs. (in crore)
Market Capitalisation	12,348
Total Debt (FY26)	225.0
Cash and Inv. (FY26)	1,059
Enterprise Value	10,759.8
52 Week H/L (Rs.)	2320/1033
Equity Capital	12.4
Face Value (Rs.)	2.0

Shareholding pattern

%	Dec-25	Mar-26	Jun-26	Sep-26
Promoter	19.1	19.9	19.1	19.0
FII	19.0	16.6	18.3	18.8
DII	4.3	5.8	6.3	5.9
Others	57.6	58.5	56.3	56.3

Price Chart



Key risks

(i) Delay in execution;

(ii)) Increase in receivables can elongate working capital cycle.

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Key Financial Summary

Particulars (₹ crore)	FY24	FY25	FY26	2-year CAGR (FY24-26)	FY27E	FY28E	2-year CAGR (FY26-28E)
Revenues	2,856.4	3,294.0	3,944.2	17.5%	4,789.8	5,791.4	21.2%
EBITDA	375.7	422.3	477.4	12.7%	591.9	808.9	30.2%
EBITDA Margin (%)	13.2	12.8	12.1		12.4	14.0	
Net Profit	245.6	295.3	372.7	23.2%	460.3	627.8	29.8%
EPS (₹)	39.5	47.5	59.9		74.0	100.9	
P/E (x)	50.1	41.7	33.0		26.8	19.6	
Price / Book (x)	6.8	5.8	4.8		4.1	3.4	
EV/EBITDA (x)	32.2	27.8	24.1		20.0	14.7	
RoCE (%)	19.6	18.5	20.2		21.0	23.3	

Source: Company, ICICI Direct Research.

Result Update

ICICI Securities – Retail Equity Research

Q2FY27 key results highlights

- **Order Intake & Order Book:**
  - Order intake stood at over ₹5,200 crore in H1FY27 including ₹1769 order intake in Q2, taking the order book to a record ₹20,207 crore, equivalent ~4x annual revenue.
  - The company secured two landmark mega orders during H1FY27: a 60 MIGD (272 MLD) seawater reverse osmosis (SWRO) desalination project in Kuwait, along with a five-year O&M contract post EPC completion, and a mega desalination order from Reliance Industries at Jamnagar.
  - Backlog mix stood at 68% EPC / 32% O&M, with India and international markets broadly balanced.
- **International Growth & Middle East:**
  - The company has expanded its international presence through its maiden entry into Kuwait, entry into UAE through the Ajman project and expansion in Europe through the Vienna waterworks order. International markets contributed 54% of H1FY27 revenue, with the Middle East accounting for around 60–70% of the international order book.
  - Management indicated that project execution in the Middle East remains largely on track, with no material impact on project-site activities or margins so far. However, the company has faced delays in equipment shipments due to disruptions in sea freight and supply chains. It has been using alternative shipping routes and air freight for critical equipment, while monitoring the situation closely over the next 3–6 months.
- **Project Execution & Key Updates:**
  - The 400 MLD Perur desalination project in Chennai has achieved around 90% concreting. Mechanical equipment erection is progressing, and management expects the project to be completed in the coming year.
  - The Bangladesh project, funded by the World Bank, has faced delays due to political and administrative changes. Engineering is largely complete, around 90% of ordering has been completed, 30–40% of material has been dispatched, and civil works are also 30–40% complete. Management indicated that the project may face an approximately six-month delay, but payment collections remain on track, and margins are not expected to be affected.
- **New-Age Opportunities – Solar, Semiconductors & Data Centres:**
  - WABAG is actively pursuing opportunities in solar manufacturing, semiconductors, data centres and green hydrogen, where its capabilities in water reuse, ultra-pure water (UPW), effluent treatment and zero-liquid discharge (ZLD) solutions are relevant. The company is engaging with potential customers, including Google, Adani and Reliance.
  - Management highlighted that these opportunities are relatively smaller ticket but modular in nature, with potential for repeat orders as customers expand capacity. The company has created a dedicated team to pursue and execute these projects, which typically have a shorter execution period of around 12–15 months.

- **Margin Outlook & Commodity Price Management:**
  - Management reiterated its medium-term EBITDA margin guidance of 13–15%. The margin guidance factors in prevailing commodity price inflation. Management highlighted that several contracts, particularly in India, have escalation formulas to pass on commodity cost increases to customers. For international projects, the company follows a hedging strategy by placing major procurement orders within a few months of securing an order to lock in commodity prices.
  - **Guidance:** Management reiterated its medium-term objectives of 15–20% revenue CAGR and EBITDA margin of 13–15%, with ROCE above 20%, ROE above 15%, O&M contribution increasing to 20% of revenue and sustained positive net cash.
  - Management indicated that the existing strategy plan, Vridhi 1.0, is nearing completion, with most key objectives achieved or exceeded. The next five-year strategy plan, Vridhi 2.0, is under development and is expected to be unveiled at the annual investor meet in May 2027.

Financial summary

Exhibit 1: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Revenue	**3,294**	**3,944**	**4,790**	**5,791**
% Growth	15.3	19.7	21.4	20.9
Other income	44.6	94.3	103.7	114.1
Total Revenue	3,294	3,944	4,790	5,791
% Growth	15.3	19.7	21.4	20.9
Total Raw Material Costs	2,561	3,004	3,560	4,266
Employee Expenses	265	300	394	423
Other expenses	46.7	162.6	243.8	293.6
Total Operating Expenditure	2,872	3,467	4,198	4,982
Operating Profit (EBITDA)	**422**	**477**	**592**	**809**
% Growth	12.4	13.0	24.0	36.7
Interest	78.8	72.9	74.2	77.2
PBDT	388	499	621	846
Depreciation	5.9	6.2	7.7	8.7
PBT before Exceptional Items	382	493	614	837
Total Tax	89.6	118.8	153.4	209.3
PAT before MI	294.8	369.1	460.3	627.8
PAT	**295**	**369**	**460**	**628**
% Growth	20.2	25.0	24.7	36.4
EPS	**47.5**	**59.9**	**74.0**	**100.9**

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax	295	369	460	628
Depreciation	6	6	8	9
Interest	79	73	74	77
Cash Flow before WC changes	380	448	542	714
Changes in inventory	0	-	(23)	(12)
Changes in debtors	(22)	(511)	(560)	(724)
Changes in loans & Advances	(12)	(10)	22	-
Changes in other current assets	(184)	(160)	(130)	(263)
Net Increase in Current Assets	(221)	(697)	(702)	(1,013)
Changes in creditors	18	216	247	316
Changes in provisions	35	82	(11)	67
Net Inc in Current Liabilities	278	571	293	509
Net CF from Operating activities	**438**	**323**	**133**	**210**
Changes in deferred tax assets	11	(5)	(16)	-
(Purchase)/Sale of Fixed Assets	0	(6)	9	9
Net CF from Investing activities	**(26)**	**(67)**	**(385)**	**(241)**
Dividend and Dividend Tax	-	(31)	-	-
Net CF from Financing Activities	**24**	**(146)**	**(49)**	**(52)**
Net Cash flow	435	109	(301)	(83)
Opening Cash/Cash Equivalent	510	945	1,054	754
Closing Cash/ Cash Equivalent	**945**	**1,054**	**754**	**670**

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Equity Capital	12.4	12.4	12.4	12.4
Reserve and Surplus	2,128	2,555	3,015	3,643
Total Shareholders' funds	2,140	2,568	3,028	3,656
Total Debt	357	226	251	276
Total Liabilities	**2,930**	**3,213**	**3,698**	**4,350**
Gross Block	119.0	115.9	106.8	97.7
Acc: Depreciation	46.5	52.7	60.4	69.1
Net Block	63.4	63.2	37.3	19.5
Capital WIP	-	-	-	-
Total Fixed Assets	66.5	66.1	40.2	22.4
Non-Current Assets	855	901	1,295	1,545
Inventory	35.8	35.8	59.1	71.4
Debtors	2,013	2,524	3,084	3,808
Other Current Assets	1,238	1,395	1,533	1,795
Cash	945	1,054	754	670
Total Current Assets	4,281	5,084	5,494	6,423
Current Liabilities	1,046	1,262	1,509	1,825
Provisions	90.0	91.0	91.0	91.0
Total Current Liabilities	2,338	2,909	3,202	3,712
Net Current Assets	1,944	2,175	2,291	2,711
Total Assets	**2,930**	**3,213**	**3,698**	**4,350**

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
EPS	**47.5**	**59.9**	**74.0**	**100.9**
Cash per Share	152.0	169.6	121.2	107.8
DPS	14.0	15.0	15.0	15.0
BV	344.1	412.9	486.9	587.8
EBITDA Margin	**12.8**	**12.1**	**12.4**	**14.0**
PAT Margin	9.0	9.4	9.6	10.8
RoE	13.8	14.5	15.2	17.2
RoCE	18.5	20.2	21.0	23.3
RoIC	26.8	27.1	23.1	24.5
EV / EBITDA	27.8	24.1	20.0	14.7
P/E	**41.7**	**33.0**	**26.8**	**19.6**
EV / Net Sales	3.6	2.9	2.5	2.1
Sales / Equity	1.5	1.5	1.6	1.6
Market Cap / Sales	3.7	3.1	2.6	2.1
Price to Book Value	5.8	4.8	4.1	3.4
Asset turnover	1.3	1.4	1.5	1.5
Debtors Turnover Ratio	1.6	1.7	1.7	1.7
Creditors Turnover Ratio	3.2	3.4	3.5	3.5
Debt / Equity	0.2	0.1	0.1	0.1
Current Ratio	2.7	2.6	2.6	2.6
Quick Ratio	2.7	2.6	2.6	2.6

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%

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