VA Tech Wabag (VATWAB)

ICICI Direct

CMP: ₹1950 | Target ₹ 2530 (30%) | Target Period: 12 months

BUY

August 14, 2026

Robust backlog supports growth momentum...

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).

Q1FY27 performance: VA Tech Wabag reported a mixed quarter with strong order and revenue growth but weaker underlying operating profitability in Q1FY27. Revenue from operations grew 20.8% YoY to ₹886.8 crore from ₹734.0 crore, driven by higher execution, while gross margin contracted 490 bps YoY to 23.8% from 28.7% as material cost rose to 76.2% of revenue from 71.3% YoY. On a forex-neutral basis, operating Adj. EBITDA declined to ₹79.5 crore from ₹109.2 crore, with margin contracting to 9.0% from 14.9%. PAT increased 36.9% YoY to ₹90.1 crore, supported by the forex gain and higher share of profit from associates/JVs.

Investment Rationale:

- **Strong growth visibility backed by record order book:** VA Tech Wabag's order book reached a record ₹19,400 crore, equivalent to ~4.8x FY26 revenue, providing strong visibility for revenue growth over the next 2–3 years. Importantly, the backlog comprises 66% EPC and 34% O&M, providing a mix of near-to-medium-term project execution and recurring revenue. Q1FY27 order intake remained strong at ₹3,400+ crore. With the company maintaining 15–20% FY27 revenue growth guidance, the current backlog provides adequate visibility to sustain double-digit growth, subject to timely project execution.
- **International Expansion & Strong Balance Sheet Support Sustainable Growth:** WABAG's international expansion and asset-light model provide strong growth and financial flexibility. International markets contributed 77% of Q1 order intake, while the Middle East accounts for ~35–40% of the ₹19,400 crore order book. The $2–3 billion (~₹20,000–25,000 crore) bid pipeline, coupled with new wins in Kuwait and UAE, provides further medium-term growth visibility. The increasing 34% O&M share of backlog should improve recurring revenue and cash generation, while the company's ₹965 crore net cash position and improving working capital of 108 days provide sufficient balance-sheet strength to support growth. Management expects 13–14% EBITDA margin in FY27, with a medium-term target of 15%+, providing scope for margin expansion as execution scales.

Rating and Target Price: We expect Revenue and PAT to grow at 20.3% and 30% CAGR over FY26-FY28E. We recommend **BUY** on **Wabag** with a target price of **₹2,530 per share (based on 25x FY28E EPS).**

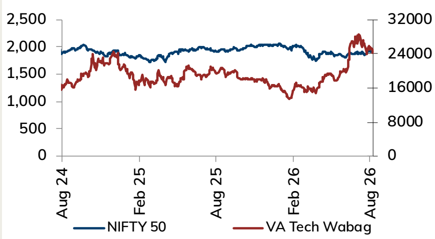
WABAG
sustainable solutions. for a better life.
VA TECH WABAG LIMITED

Particulars	Rs. (in crore)
Market Capitalisation	11,769
Total Debt (FY26)	225.0
Cash and Inv. (FY26)	1,059
Enterprise Value	10,934.8
52 Week H/L (Rs.)	2254/1033
Equity Capital	12.4
Face Value (Rs.)	2.0

Shareholding pattern

%	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	19.1	19.1	19.9	19.1
FII	18.4	19.0	16.6	18.3
DII	4.5	4.3	5.8	6.3
Others	58.0	57.6	58.5	56.3

Price Chart



Key risks

(i) Delay in execution;

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

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Result Update

ICICI Securities – Retail Equity Research

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%	4,740.3	5,710.5	20.3%
EBITDA	375.7	422.3	477.4	12.7%	633.2	812.5	30.5%
EBITDA Margin (%)	13.2	12.8	12.1		13.4	14.2	
Net Profit	245.6	295.3	372.7	23.2%	487.4	628.5	29.9%
EPS (₹)	39.5	47.5	59.9		78.4	101.1	
P/E (x)	49.4	41.1	32.5		24.9	19.3	
Price / Book (x)	6.7	5.7	4.7		4.0	3.3	
EV/EBITDA (x)	31.7	27.3	23.7		18.3	14.3	
RoCE (%)	19.6	18.5	20.2		22.1	23.2	
RoE (%)	13.5	13.8	14.5		16.0	17.1	

Source: Company, ICICI Direct Research.

Q1FY27 key results highlights

- **Financial Performance**:
  - VA Tech Wabag reported a mixed quarter with strong order and revenue growth but weaker underlying operating profitability in Q1FY27. Revenue from operations grew 20.8% YoY to ₹886.8 crore from ₹734.0 crore, driven by higher execution, while gross margin contracted 490 bps YoY to 23.8% from 28.7% as material cost rose to 76.2% of revenue from 71.3% yoy.
  - Reported EBITDA rose 21.7% YoY to ₹116.3 crore from ₹95.6 crore, with margin improving marginally to 13.1% from 13.0%; however, this included a ₹36.8 crore forex gain vs a ₹13.6 crore forex loss in Q1FY26. On a forex-neutral basis, operating EBITDA declined to ₹79.5 crore from ₹109.2 crore, with margin contracting to 9.0% from 14.9%.
  - PAT increased 36.9% YoY to ₹90.1 crore, supported by the forex gain and higher share of profit from associates/JVs.
- **Order Intake & Order Book:**
  - Q1 order intake exceeded ₹3,400 crore, comprising ₹2,960 crore of EPC and ₹470 crore of O&M, with international markets accounting for 77% of order intake.
  - Order book reached a record ₹19,400 crore, equivalent to over ~4.8x of FY26 revenue base, providing strong execution visibility.
  - Backlog mix stood at 66% EPC / 34% O&M, with India and international markets broadly balanced.
  - International execution remains faster, with typical timelines of 24–30 months vs ~36 months in India, supporting quicker revenue conversion.
- **International Growth & Middle East:**
  - The Middle East remains a key growth market, with the company securing its maiden 60 MIGD SWRO desalination project in Kuwait and the third phase of the 60 MLD Ajman STP in UAE during the quarter.
  - Despite ongoing geopolitical developments, management indicated no material impact on project execution or underlying demand, as WABAG's projects are largely water-security related and located away from affected areas.
- **Management commentary:**
  - O&M revenue grew ~7% YoY in Q1FY27. Management expects growth to accelerate as completed EPC projects transition into O&M, including Ghaziabad and Digha Kankarbagh, while Perur is expected to enter O&M next year.
  - Net working capital stood at 108 days in Q1FY27, with management targeting further improvement while indicating that 100–110 days remains a healthy range given the company's asset-light model and growth trajectory.
  - **Guidance:** Management reiterated 15–20% revenue growth guidance for FY27 and expressed confidence of delivering at the higher end of the guidance range. For EBITDA margin Management sees 13–14% as realistic for FY27, while aspiring to reach 15% by year-end.
  - Management highlighted a robust bidding pipeline of around US$2–3 billion across Middle East, Africa and India, equivalent to roughly ₹20,000–25,000 crore, providing continued visibility for future order additions.

Financial summary

Exhibit 1: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Revenue	**3,294**	**3,944**	**4,740**	**5,710**
% Growth	15.3	19.7	20.2	20.5
Other income	44.6	94.3	103.7	114.1
Total Revenue	3,294	3,944	4,740	5,710
% Growth	15.3	19.7	20.2	20.5
Total Raw Material Costs	2,561	3,004	3,595	4,281
Employee Expenses	265	300	361	436
Other expenses	46.7	162.6	150.4	181.3
Total Operating Expenditure	2,872	3,467	4,107	4,898
Operating Profit (EBITDA)	**422**	**477**	**633**	**812**
% Growth	12.4	13.0	32.6	28.3
Interest	78.8	72.9	77.2	77.2
PBDT	388	499	660	849
Depreciation	5.9	6.2	7.6	8.6
PBT before Exceptional Items	382	493	652	841
Total Tax	89.6	118.8	164.7	212.3
PAT before MI	294.8	369.1	487.4	628.5
PAT	**295**	**369**	**487**	**628**
% Growth	20.2	25.0	32.1	28.9
EPS	**47.5**	**59.9**	**78.4**	**101.1**

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax	295	369	487	628
Depreciation	6	6	8	9
Interest	79	73	77	77
Cash Flow before WC changes	380	448	572	714
Changes in inventory	0	-	(23)	(12)
Changes in debtors	(22)	(511)	(528)	(703)
Changes in loans & Advances	(12)	(10)	22	-
Changes in other current assets	(184)	(160)	(114)	(253)
Net Increase in Current Assets	(221)	(697)	(654)	(981)
Changes in creditors	18	216	231	306
Changes in provisions	35	82	(13)	65
Net Inc in Current Liabilities	278	571	261	491
Net CF from Operating activities	**438**	**323**	**179**	**224**
Changes in deferred tax assets	11	(5)	(16)	-
(Purchase)/Sale of Fixed Assets	0	(6)	9	9
Net CF from Investing activities	**(26)**	**(67)**	**(372)**	**(233)**
Dividend and Dividend Tax	-	(31)	-	-
Net CF from Financing Activities	**24**	**(146)**	**(52)**	**(52)**
Net Cash flow	435	109	(245)	(62)
Opening Cash/Cash Equivalent	510	945	1,054	809
Closing Cash/ Cash Equivalent	**945**	**1,054**	**809**	**747**

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	3,043	3,671
Total Shareholders' funds	2,140	2,568	3,055	3,684
Total Debt	357	226	251	276
Total Liabilities	**2,930**	**3,213**	**3,725**	**4,378**
Gross Block	119.0	115.9	106.8	97.7
Acc: Depreciation	46.5	52.7	60.3	68.9
Net Block	63.4	63.2	37.4	19.7
Capital WIP	-	-	-	-
Total Fixed Assets	66.5	66.1	40.3	22.6
Non-Current Assets	855	901	1,282	1,525
Inventory	35.8	35.8	58.4	70.4
Debtors	2,013	2,524	3,052	3,755
Other Current Assets	1,238	1,395	1,517	1,770
Cash	945	1,054	809	747
Total Current Assets	4,281	5,084	5,500	6,420
Current Liabilities	1,046	1,262	1,494	1,799
Provisions	90.0	91.0	91.0	91.0
Total Current Liabilities	2,338	2,909	3,170	3,660
Net Current Assets	1,944	2,175	2,331	2,759
Total Assets	**2,930**	**3,213**	**3,725**	**4,378**

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
EPS	**47.5**	**59.9**	**78.4**	**101.1**
Cash per Share	152.0	169.6	130.1	120.2
DPS	14.0	15.0	15.0	15.0
BV	344.1	412.9	491.2	592.3
EBITDA Margin	**12.8**	**12.1**	**13.4**	**14.2**
PAT Margin	9.0	9.4	10.3	11.0
RoE	13.8	14.5	16.0	17.1
RoCE	18.5	20.2	22.1	23.2
RoIC	26.8	27.1	25.1	25.0
EV / EBITDA	27.3	23.7	18.3	14.3
P/E	**41.1**	**32.5**	**24.9**	**19.3**
EV / Net Sales	3.5	2.9	2.4	2.0
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	5.7	4.7	4.0	3.3
Asset turnover	1.3	1.4	1.4	1.4
Debtors Turnover Ratio	1.6	1.7	1.7	1.7
Creditors Turnover Ratio	3.2	3.4	3.4	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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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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