

# VA Tech Wabag Ltd.

**BUY**

Sector: Capital Goods

5<sup>th</sup> June 2026

<b>Key Changes</b>	<b>Target</b> ▲	<b>Rating</b> ●	<b>Earnings</b> ▼	<b>Target</b>	<b>Rs. 1,870</b>		
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	<b>CMP</b>	<b>Rs. 1,560</b>
Small Cap	VATW:IN	74,360	WABAG	533269	12 Months	<b>Return</b>	<b>+20%</b>

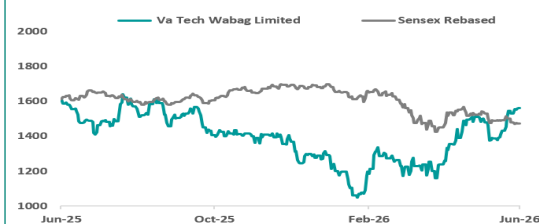
Data as of: 04-06-2026 18:00 hrs

Company Data	
Market cap. (Rs.cr)	9,723
52 Week High — Low (Rs.)	1,671 – 1,034
Enterprise Value (Rs. cr)	9,062
Outstanding Shares (cr)	6.2
Free Float (%)	81
Dividend Yield (%)	0.3
6m average volume (cr)	0.04
Beta	1.6
Face value (Rs)	2.0

Shareholding (%)	Q2FY26	Q3FY26	Q4FY26
Promoters	19.1	19.1	19.1
FII's	18.4	19.0	16.6
MFs/Institutions	4.5	4.3	5.8
Public	58.0	57.6	58.5
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	28.1%	14.2%	-3.2%
Absolute Sensex	-7.1%	-13.2%	-8.7%
Relative Return	35.2%	27.4%	5.5%

\*over or under performance to benchmark index



Y.E March (Rs. cr)	FY26A	FY27E	FY28E
Sales	3,944	4,661	5,474
Growth (%)	20	18	17
EBITDA	477	613	727
EBITDA Margin (%)	12.1	13.2	13.3
PAT Adjusted	373	462	555
Growth (%)	27	24	20
Adjusted EPS	59.9	74.1	89.1
Growth (%)	28	24	20
P/E	19.3	21.1	17.5
P/B	2.8	3.2	2.8
EV/EBITDA	13.6	14.5	13.5
ROE (%)	15.8	16.6	17.1
D/E	0.1	0.1	0.0

Author: Arun Kailasan, Research Analyst

## Orderbook Visibility Supports Sustainable Growth...

VA Tech Wabag (VATW) is a Chennai-based multinational company specialising in water technology. With its expertise in the turnkey execution and operation of water and wastewater treatment plants, the company primarily serves both municipal and industrial sectors, focusing on providing comprehensive solutions for water-related challenges.

- Q4FY26 revenue grew 22% YoY to Rs. 1,414cr, driven by strong execution across both the EPC Industrial and Municipal segments.
- FY26 revenue increased 20% YoY to Rs. 3,944cr. Gross margin expanded by 157bps to 23.8%, while EBITDA stood at Rs. 679cr, with EBITDA margin contracting by 53bps YoY.
- Q4FY26 EBITDA stood at Rs. 198cr, with a margin of 11.1%, down 102 bps YoY. The contraction came despite a 363 bps expansion in gross margin, primarily due to higher other expenses.
- Higher other income, up 180% YoY driven by Forex Gains, supported PBT growth to Rs. 170cr, while adjusted PAT rose 29% YoY to Rs. 128cr, with PAT margin improving by 44 bps to 9.0%.
- The balance sheet remains robust with ~₹950cr net cash position for the sixth consecutive year, supported by ~₹300cr annual free cash flow generation and disciplined working capital management.

## Outlook & Valuation

VA Tech remains well positioned for sustained growth, supported by a robust order backlog of ~Rs.17,200cr (~4x revenue visibility) and strong order inflows during FY26. The company's earnings are expected to grow at 23% CAGR over FY26-28E with disciplined margin delivery around 13%, underpinned by operating leverage and an increasing share of annuity-like O&M revenues. A balanced geographic mix (~50% international) and strengthening presence in high-growth regions such as the Middle East and Africa are expected to support both margin profile and working capital efficiency. Improving return ratios and strong structural tailwinds in desalination, water reuse and emerging segments, the company offers favourable earnings visibility and scope for gradual re-rating. Hence, **we value the stock at 21x FY28E EPS to arrive at a target price of Rs.1,870 and maintain a BUY rating.**

## Quarterly Financials Consol.

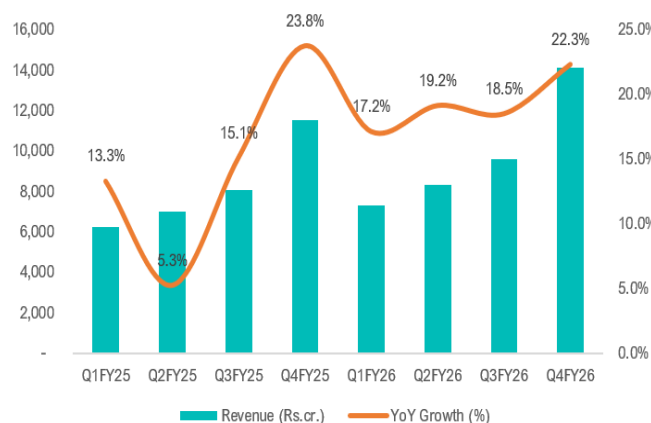
Rs. cr	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	FY26	FY25	YoY (%)
Sales	1,414	1,156	22.3	961	47.1	3,944	3,294	19.7
EBITDA	157.4	140.8	11.8	121.5	29.5	477.4	422.3	13.0
Margin (%)	11.1	12.2	-105bps	12.6	-151bps	12.1	12.8	-72bps
EBIT	155.9	139.4	11.8	119.9	30.0	471.2	416.4	13.2
PBT	169.9	131.1	29.6	121.3	40.1	398.3	337.6	18.0
Rep. PAT	128.0	99.5	28.6	91.3	40.2	369.8	294.8	25.4
Adj PAT	128.0	99.5	28.6	96.0	33.3	373.4	294.8	26.7
EPS (Rs)	20.6	16.0	28.8	14.7	39.9	59.9	46.7	28.2



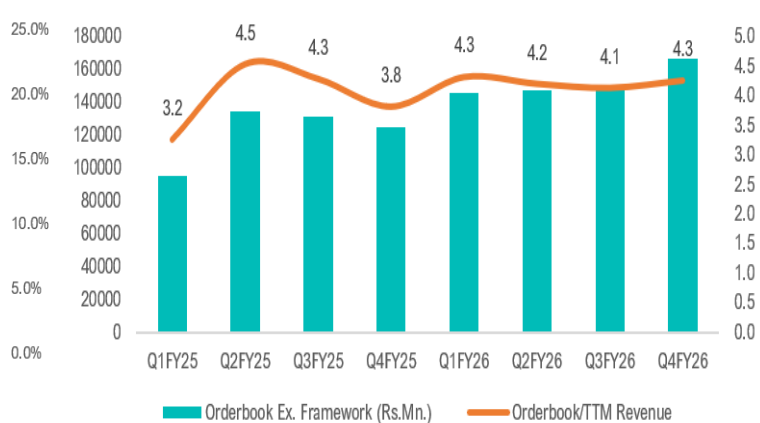
## Key Concall Highlights

- Management says that capital allocation to water is at an all-time high with sustained government capex across India and global markets and new demand drivers are emerging in the form of semiconductors, Solar/PV manufacturing, Data Centers, Green hydrogen and AI infrastructure.
- WABAG continues to benefit from large structural opportunities in water, with a visible addressable market of ~\$75–100bn, Future energy solutions at \$4-6bn and long term O&M annuity market to be close to \$10bn over 5–7 years across India, Africa, and Southeast Asia.
- WABAG has a strong order backlog of Rs.17,200cr with around 40% contribution from O&M contracts offering annuity-like revenues, strong margin profiles and long term cash flow stability.
- WABAG secured multiple large-ticket projects during the year, including 3 mega orders (>Rs.1,000cr each), such as the Chennai TTRO plant, Chennai city-wide looped water grid, and Yanbu desalination project in Saudi Arabia.
- WABAG's strong focus on technology and innovation continues, with investments in membrane technologies, AI-driven plant optimization, and process engineering to reduce lifecycle costs and improve competitiveness.

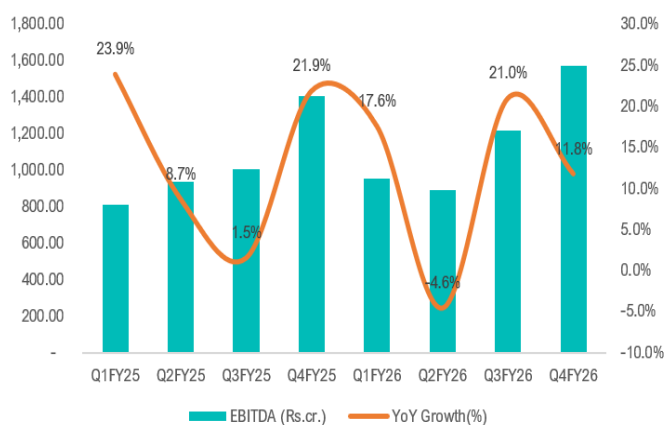
### Revenue



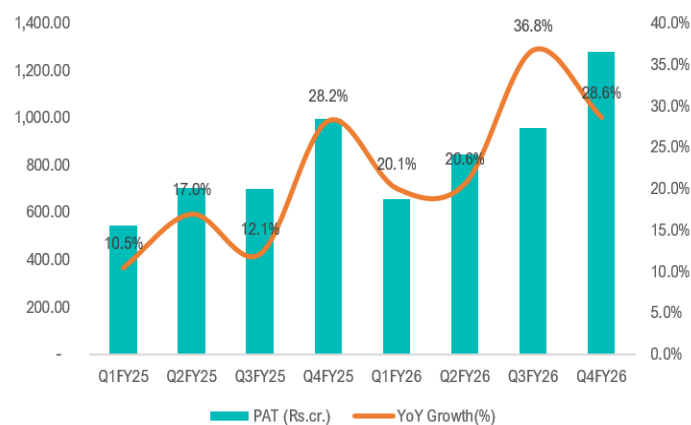
### Orderbook



### EBITDA



### PAT



## Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Revenue	4,398	5,154	4,661	5,474	6.0	6.2
EBITDA	592	741	613	727	3.6	(1.9)
Margins (%)	13.5	14.4	13.2	13.3	-34bps	-112bps
Adj. PAT	445	561	462	555	3.7	(1.1)
EPS	72	90	74	89	2.9	(1.0)



## Consolidated Financials

### Profit & Loss

Y.E March (Rs cr)	FY24A	FY25A	FY26A	FY27E	FY27E
<b>Sales</b>	<b>2,856</b>	<b>3,294</b>	<b>3,944</b>	<b>4,661</b>	<b>5,474</b>
% change	(4)	15	19.7	18.2	17.4
<b>EBITDA</b>	<b>376</b>	<b>422</b>	<b>477</b>	<b>613</b>	<b>727</b>
% change	18	12	13	28	19
Depreciation	8	6	6	7	7
<b>EBIT</b>	<b>367</b>	<b>416</b>	<b>471</b>	<b>607</b>	<b>720</b>
Interest	71	79	73	91	95
Other Income	34	47	95	100	110
<b>PBT</b>	<b>330</b>	<b>384</b>	<b>489</b>	<b>615</b>	<b>735</b>
% change	1,853	16	27	26	19
<b>Tax</b>	<b>80</b>	<b>90</b>	<b>119</b>	<b>154</b>	<b>180</b>
Tax Rate (%)	24	23	24	25	24
<b>Reported PAT</b>	<b>250</b>	<b>295</b>	<b>370</b>	<b>462</b>	<b>555</b>
Adj.	0	0	(5)	0	0
<b>Adj. PAT</b>	<b>250</b>	<b>295</b>	<b>373</b>	<b>462</b>	<b>555</b>
% change	26	18	26.7	23.7	20.2
<b>No. of shares (cr)</b>	<b>6.2</b>	<b>6.3</b>	<b>6.2</b>	<b>6.2</b>	<b>6.2</b>
<b>Adj EPS (Rs)</b>	<b>40.3</b>	<b>46.7</b>	<b>59.9</b>	<b>74.1</b>	<b>89.1</b>
% change	26	16	28	24	20
<b>DPS</b>	<b>0.0</b>	<b>4.0</b>	<b>5.0</b>	<b>6.3</b>	<b>7.6</b>

### Cash Flow

Y.E March (Rs cr)	FY24A	FY25A	FY26A	FY27E	FY27E
Net inc. + Deprn.	339	390	495	622	742
Non-cash adj.	109	39	97	91	95
Changes in W.C	-314	-74	-385	-415	-534
<b>C.F – Operation</b>	<b>134</b>	<b>355</b>	<b>207</b>	<b>298</b>	<b>303</b>
Capital exp.	-11.9	-5	-5	-1	-1
Change in inv.	44.7	11	-2	19	-9
Other invest.CF	51.3	-127.8	-13.5	0	0
<b>C.F – Investment</b>	<b>84.1</b>	<b>-121</b>	<b>-20</b>	<b>18</b>	<b>-10</b>
Issue of equity	0	0	6.3	0	0
Issue/repay debt	66	71	-142	-49	-95
Dividends paid	0	-25	-25	-40	-48
Other finance.CF	-22.4	-37	-24	-91	-95
<b>C.F – Finance</b>	<b>43.6</b>	<b>34</b>	<b>-185</b>	<b>-180</b>	<b>-238</b>
Chg. in cash	261.2	268	1	137	55
<b>Closing cash</b>	<b>440</b>	<b>718</b>	<b>785</b>	<b>922</b>	<b>977</b>

### Balance Sheet

Y.E March (Rs cr)	FY24A	FY25A	FY26A	FY27E	FY27E
Cash	440	718	785	922	977
Accounts Receivable	2522	2608	3172	3629	4262
Inventories	36	36	36	49	58
Other Cur. Assets	234	222	209	273	321
Investments	67	69	72	53	62
Gross Fixed Assets	130	130	136	137	138
Net Fixed Assets	69	64	63	57	52
CWIP	0	0	0	0	0
Intangible Assets	4	3	3	3	3
Def. Tax (Net)	45	34	39	48	56
Other Assets	1158	1515	1744	1818	2088
<b>Total Assets</b>	<b>4,575</b>	<b>5,267</b>	<b>6,122</b>	<b>6,852</b>	<b>7,878</b>
Current Liabilities	1,948	2,190	2,678	3,024	3,551
Provisions	128	162	244	229	269
Debt Funds	281	357	226	176	81
Other Liabilities	394	414	401	428	474
Equity Capital	12.4	12.4	12.5	12.5	12.5
Reserves & Surplus	1,806	2,128	2,555	2,978	3,485
Non-Controlling Interest	5.3	5.1	5.2	5.2	5.2
Shareholder's Fund	1,824	2,145	2,573	2,995	3,503
<b>Total Liabilities</b>	<b>4,575</b>	<b>5,267</b>	<b>6,122</b>	<b>6,852</b>	<b>7,877</b>
BVPS (Rs.)	293	340	413	481	562

### Ratios

Y.E March	FY24A	FY25A	FY26A	FY27E	FY27E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	13.2	12.8	12.1	13.2	13.3
EBIT margin (%)	12.9	12.6	11.9	13.0	13.2
Net profit margin (%)	8.8	8.9	9.5	9.9	10.1
ROE (%)	14.7	14.9	15.8	16.6	17.1
ROCE (%)	17.5	16.1	16.0	18.1	18.9
<b>W.C &amp; Liquidity</b>					
Receivables (days)	301.3	284.2	267.4	266.3	263.1
Inventory (days)	6.0	5.1	4.4	4.4	4.7
Payables (days)	198.7	164.9	152.7	153.2	152.6
Current ratio (x)	1.7	1.7	1.7	1.7	1.7
Quick ratio (x)	1.2	1.2	1.2	1.2	1.2
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	21.9	25.3	29.0	34.0	39.6
Total asset T.O (x)	0.7	0.7	0.7	0.7	0.7
Int. coverage ratio (x)	4.0	4.1	4.8	5.0	5.7
Adj. debt/equity (x)	-0.1	-0.2	-0.2	-0.2	-0.3
<b>Valuation</b>					
EV/Sales (x)	1.6	2.7	1.7	1.9	1.8
EV/EBITDA (x)	12.1	20.7	13.6	14.5	13.5
P/E (x)	19.0	31.1	19.3	21.1	17.5
P/BV (x)	2.6	4.3	2.8	3.2	2.8



## Recommendation Summary (last 3 years)

Dates	Rating	Target
16-Feb-24	ACCUMULATE	855
10-Jun-24	ACCUMULATE	1,340
14-Aug-24	HOLD	1,424
07-Mar-25	ACCUMULATE	1,571
27-May-25	BUY	1,924
27-Nov-25	BUY	1,877
18-Feb-26	BUY	1,626
05-Jun-26	BUY	1,870



## Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%


### Not rated/Neutral


#### Definition:

**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

#### Symbols definition:

 Upgrade

 No Change

 Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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