VA Tech Wabag (VATWAB)

ICICI Direct

CMP: ₹1263 | Target: ₹1690 (34%) | Target Period: 12 months | BUY

February 9, 2026

Steady Execution, Strong visibility...

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.

Q3FY26 performance: VA Tech Wabag Limited reported a strong consolidated performance in Q3 FY26, with revenue rising 18.5% YoY to ₹961.3 crore, driven by consistent project execution across municipal and industrial segments. EBITDA increased 21% YoY to ₹121.0 crore, with EBITDA margin expanding to 12.6% (vs 12.4% in Q3 FY25). PAT grew 30.6% YoY to ₹91.7 crore, with PAT margin improving to 9.5%. The company remained net cash positive for the 12th consecutive quarter, with net cash (ex-HAM) of ~₹1,006 crore, and maintained a robust order book of over ₹16,300 crore (~15% YoY growth).

Investment Rationale:

- **Strong Visibility Backed by Order Book & Balance Sheet Strength:** The company's robust order book of ~₹16,342 crore, offering nearly 3x revenue visibility and ~15% YoY growth, provides strong earnings predictability over the medium term. Order inflows of ~₹4,748 crore in 9MFY26, driven by desalination, reuse and industrial water projects, indicate sustained demand momentum in core segments. This visibility is further supported by a healthy pipeline across Middle East desalination, solar manufacturing water systems and CBG opportunities in India. Importantly, a net cash position of ~₹1,006 crore (12th consecutive net-cash quarter) and controlled working capital of 101 days give the company financial flexibility to pursue selective PPP/HAM and global projects without stressing the balance sheet.

- **Improving Returns with Structural Growth Tailwinds:** Improving return ratios (RoCE 18.9%, RoE 15.3%) reflect better margins, efficient capital deployment and the benefits of an asset-light model. Management's guidance of 15–20% revenue CAGR and 13–15% sustainable EBITDA margins suggest a stable profitability trajectory. The diversified mix EPC (82%) and O&M (18%) balances execution revenues with annuity-like stability, while a 50:50 India and overseas split reduce geographic risk. With a strategic focus on high-growth areas such as desalination, water reuse and energy-transition themes (green hydrogen, solar, CBG), along with a target to raise O&M to ~20% of revenues and RoCE above 20%, the company is well positioned for quality growth.

Rating and Target Price

- We expect Revenue and PAT to grow at 15% and 19% CAGR over FY25-FY28E.
- Focus on improving return ratios and asset light model may lead to rerating. We value the company at **₹1690 i.e. 21x FY28E EPS.**

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

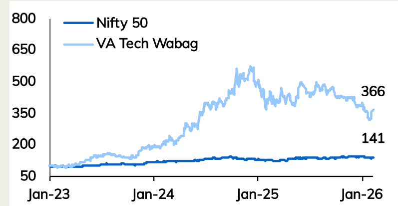
Market data

Particular	Rs (in crore)
Market Capitalisation	7,568
Total Debt (H1FY26)	236.5
Cash and Inv (H1FY26)	798.0
Enterprise Value	7,006.5
52 Week H/L (Rs.)	1680/1033
Equity Capital	12.4
Face Value (Rs.)	2.0

Shareholding pattern

%	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	19.1	19.1	19.1	19.1
FII	18.6	18.7	18.4	19.0
DII	3.0	3.7	4.5	4.3
Public	59.3	58.5	58.0	57.6

Price chart



Key risks

(i) Delay in execution;

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

Research Analyst

Chirag J Shah
shah.chirag@icicisecurities.com

Dilip Pandey
dilip.pandey@icicisecurities.com

Gourav Aggarwal
gourav.aggarwal@icicisecurities.com

Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

Particulars (₹ crore)	FY22	FY23	FY24	FY25	3 year CAGR (FY22-25)	FY26E	FY27E	FY28E	3 year CAGR (FY25-28E)
Revenues	2,979.3	2,960.5	2,856.4	3,294.0	3.4%	3,799.7	4,336.0	5,044.5	15.3%
EBITDA	237.0	317.8	375.7	422.3	21.2%	468.1	616.1	718.1	19.4%
EBITDA Margin (%)	8.0	10.7	13.2	12.8		12.3	14.2	14.2	
Net Profit	131.9	200.8	245.6	295.3	30.8%	323.4	421.2	500.4	19.2%
EPS (₹)	21.2	32.3	39.5	47.5		52.0	67.7	80.5	
P/E (x)	59.5	39.1	32.0	26.6		24.3	18.7	15.7	
Price / Book (x)	5.1	5.0	4.3	3.7		3.2	2.7	2.3	
EV/EBITDA (x)	33.1	24.5	20.3	17.2		16.2	12.1	10.3	
RoCE (%)	13.2	20.3	19.6	18.5		18.0	20.1	20.1	
RoE (%)	8.6	12.8	13.5	13.8		13.1	14.6	14.8	

Source: Company, ICICI Direct Research

Key result and concall highlights

- Consolidated revenue for Q3FY26 was ₹961.3 crore, up 18.5% YoY. EBITDA grew by 21% to ₹121 crore, with EBITDA margin expanding to 12.6% (vs 12.4% in Q3FY25), PAT for Q3FY26 stood at ₹91.7 crores, up 30% YoY with PAT margin improving to 9.5%.

- Revenue mix remained diversified with EPC contributing about 82% and O&M about 18%, ensuring a mix of execution and annuity income. The municipal segment formed roughly 80% of revenue while industrial contributed 20%. Geographically, revenue was evenly split between India and overseas markets, reducing concentration risk.

- The company maintained a robust order book of about ₹16,342 crore, providing nearly three times revenue visibility and rising ~15% YoY. Order intake during 9MFY26 was around ₹4,748 crore, driven by desalination, reuse and industrial water projects. Management highlighted a strong pipeline across Middle East desalination, solar manufacturing water systems and CBG-related opportunities in India.

- Management indicated ~₹3,000 crore of orders already in visibility, with 2–3 large projects where the company is either L1 or preferred bidder, across India and international markets. Tendering momentum remains strong across municipal, industrial and desalination segments.

- The company continued to demonstrate balance sheet strength with a net cash position of about ₹1,006 crore, marking the 12th consecutive quarter of net-cash positive status.

- Net working capital days improved to ~101 days in 9MFY26, driven by better receivables management, improved billing discipline and a favourable mix of international and O&M projects, supporting liquidity and execution flexibility.

- Return ratios showed improvement with RoCE at 18.9% and RoE at 15.3%. The improvement is attributed to better margins, efficient capital deployment and the company's asset-light business model. Management indicated continued focus on sustaining and improving these metrics.

- Management reiterated its medium-term guidance of 15–20% revenue CAGR and sustainable EBITDA margins of 13–15%. The company is targeting RoCE above 20%, Order book to revenue > 3x and increasing O&M share to ~20% of revenues for stability. Focus areas remain desalination, water reuse and energy-transition linked sectors such as green hydrogen, solar and CBG.

Financial Summary

Exhibit 1: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	**2,856**	**3,294**	**3,800**	**4,336**	**5,045**
% Growth	(3.5)	15.3	15.4	14.1	16.3
Other income	43.4	44.6	49.1	54.0	59.4
Total Revenue	2,856	3,294	3,800	4,336	5,045
% Growth	(3.5)	15.3	15.4	14.1	16.3
Total Raw Material Costs	2,167	2,561	2,890	3,252	3,782
Employee Expenses	235	265	310	331	385
Other expenses	78.6	46.7	132.1	137.2	159.8
Total Operating Expenditure	2,481	2,872	3,332	3,720	4,326
Operating Profit (EBITDA)	**376**	**422**	**468**	**616**	**718**
% Growth	18.2	12.4	10.8	31.6	16.6
Interest	71.1	78.8	78.5	98.0	98.0
PBDT	348	388	439	572	680
Depreciation	8.4	5.9	6.1	8.7	10.1
PBT before Exceptional Items	340	382	433	563	669
Total Tax	79.7	89.6	109.2	142.3	169.0
PAT before MI	250.4	294.8	323.4	421.2	500.4
PAT	**246**	**295**	**323**	**421**	**500**
% Growth	NA	20.2	9.5	30.2	18.8
EPS	**39.5**	**47.5**	**52.0**	**67.7**	**80.5**

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
EPS	**39.5**	**47.5**	**52.0**	**67.7**	**80.5**
Cash per Share	82.0	152.0	105.0	130.2	146.1
DPS	14.0	14.0	15.0	15.0	15.0
BV	292.5	344.1	396.1	463.8	544.3
EBITDA Margin	**13.2**	**12.8**	**12.3**	**14.2**	**14.2**
PAT Margin	8.7	9.0	8.5	9.7	9.9
RoE	13.5	13.8	13.1	14.6	14.8
RoCE	19.6	18.5	18.0	20.1	20.1
RoIC	23.1	26.8	21.1	24.5	24.3
EV / EBITDA	20.3	17.2	16.2	12.1	10.3
P/E	**32.0**	**26.6**	**24.3**	**18.7**	**15.7**
EV / Net Sales	2.7	2.2	2.0	1.7	1.5
Sales / Equity	1.6	1.5	1.5	1.5	1.5
Market Cap / Sales	2.7	2.4	2.1	1.8	1.6
Price to Book Value	4.3	3.7	3.2	2.7	2.3
Asset turnover	1.4	1.3	1.3	1.3	1.3
Debtors Turnover Ratio	1.6	1.6	1.8	1.6	1.6
Creditors Turnover Ratio	2.7	3.2	3.4	3.1	2.9
Debt / Equity	0.2	0.2	0.2	0.1	0.1
Current Ratio	2.6	2.7	2.8	2.5	2.5
Quick Ratio	2.6	2.7	2.8	2.5	2.5

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Equity Capital	12.4	12.4	12.4	12.4	12.4
Reserve and Surplus	1,806	2,128	2,451	2,872	3,373
Total Shareholders funds	1,819	2,140	2,464	2,885	3,385
Total Debt	281	357	382	407	432
Total Liabilities	**2,515**	**2,930**	**3,278**	**3,724**	**4,250**
Gross Block	119.1	119.0	109.9	100.8	91.7
Acc: Depreciation	50.1	46.5	52.6	61.3	71.3
Net Block	68.9	63.4	48.2	30.5	11.3
Capital WIP	-	-	-	-	-
Total Fixed Assets	72.6	66.5	51.3	33.6	14.4
Non Current Assets	814	855	1,038	1,172	1,349
Inventory	35.9	35.8	46.8	53.5	62.2
Debtors	1,991	2,013	2,322	2,970	3,455
Other Current Assets	1,054	1,238	1,438	1,518	1,766
Cash	510	945	653	810	909
Total Current Assets	3,625	4,281	4,503	5,399	6,249
Current Liabilities	1,028	1,046	1,206	1,604	1,866
Provisions	12.8	90.0	91.0	91.0	91.0
Total Current Liabilities	2,059	2,338	2,388	2,955	3,436
Net Current Assets	1,566	1,944	2,115	2,445	2,812
Total Assets	**2,515**	**2,930**	**3,278**	**3,724**	**4,250**

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Profit after Tax	245.6	295.3	323.4	421.2	500.4
Depreciation	8.4	5.9	6.1	8.7	10.1
Interest	71.1	78.8	78.5	98.0	98.0
Cash Flow before WC changes	325.1	380.0	407.9	527.8	608.5
Changes in inventory	5.2	0.1	(11.0)	(6.6)	(8.7)
Changes in debtors	(484.3)	(21.8)	(309.0)	(648.0)	(485.3)
Changes in loans & Advances	-	(12.0)	12.0	-	-
Changes in other current assets	101.1	(184.3)	(199.4)	(79.8)	(248.0)
Net Increase in Current Assets	(319.3)	(220.7)	(513.2)	(740.4)	(750.0)
Changes in creditors	(41.4)	17.5	160.5	397.4	262.1
Changes in provisions	62.2	34.6	(27.2)	68.2	35.5
Net Inc in Current Liabilities	(80.7)	278.4	49.8	567.0	481.8
Net CF from Operating activities	**(74.9)**	**437.7**	**(55.5)**	**354.4**	**340.2**
Changes in deferred tax assets	(7.9)	11.3	(21.3)	-	-
(Purchase)/Sale of Fixed Assets	(5.5)	0.1	-	9.1	9.1
Net CF from Investing activities	**314.7**	**(26.4)**	**(182.9)**	**(125.0)**	**(168.0)**
Dividend and Dividend Tax	-	-	-	-	-
Net CF from Financing Activities	**(5.3)**	**23.9**	**(53.5)**	**(73.0)**	**(73.0)**
Net Cash flow	234.4	435.2	(291.9)	156.4	99.2
Opening Cash/Cash Equivalent	275.4	509.8	945.0	653.2	809.6
Closing Cash/ Cash Equivalent	**509.8**	**945.0**	**653.2**	**809.6**	**908.8**

Source: Company, ICICI Direct Research

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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. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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