VA Tech Wabag Ltd.

VA Tech Wabag reported a strong Q1 FY27 with healthy revenue growth. The all-time-high order book and continued net cash position provide strong revenue visibility.

Record order book provides strong revenue visibility: WABAG's order book reached a record ₹19,400 Cr, over 4x its current revenue base, after Q1 order intake of ₹3,400 Cr, of which 77% came from international markets. The backlog is diversified across 66% EPC / 34% O&M, providing visibility across both project and recurring revenues. With international EPC projects typically executing over 24-30 months versus ~36 months in India, the current backlog supports strong revenue growth over the next several years.

International expansion, particularly GCC, is structurally improving the quality and scale of growth: International markets contributed 52% of Q1 revenue and 77% of order intake, with WABAG entering Kuwait and the UAE and continuing to build its Saudi presence. The company is targeting larger, technology-intensive projects in desalination, wastewater and water reuse, with Kuwait's 60 MIGD SWRO project and Ajman sewage biorefinery providing important regional references. The GCC's growing water-security spending gives WABAG a substantially larger addressable market than its traditional India-focused opportunity.

Margin moderation is the key near-term concern, but management expects gradual recovery rather than structural deterioration: Q1 margins were affected by a less favourable EPC-heavy project mix, with the previous year's quarter having a higher proportion of EP projects. Management expects FY27 EBITDA margins to realistically remain around 13-14%, despite an aspiration to reach 15% by year-end, while retaining the medium-term 13-15% margin band. (Q1 FY27 margin was around 13% if we include forex gains, which management insists is a part of operating revenue.)

O&M provides an increasingly valuable recurring and margin-accretive component: O&M already represents 34% of the ₹19,400 Cr backlog, giving WABAG a significant pool of long-duration recurring revenues alongside EPC. Management highlighted that O&M contracts can run for 5-20 years, with the current backlog implying roughly 7-10 years of recurring revenue visibility on a broad average basis. As more of the company's EPC projects transition into O&M, this should improve revenue predictability, cash generation and overall business quality.

Technology-led positioning provides differentiation and supports entry into higher-value projects: WABAG is positioning itself as a technology-led water infrastructure system integrator rather than a conventional EPC contractor, with management highlighting 125+ internally developed IP rights. The company selectively targets technology-intensive projects such as desalination, complex industrial effluent treatment and advanced wastewater treatment, while maintaining filters around technology, cash flow, margins and payment security. This should help WABAG compete for larger international projects while avoiding commoditized EPC work.

Outlook: At CMP, the stock is trading at PE multiple of 19.5x to its FY28 earnings basis on our projected **Revenue/EBITDA/PAT CAGR growth of 23%/29%/29% over FY26-FY29E**. We remain constructive on WABAG, with the record ₹19,400 Cr order book, strong international order intake and expanding O&M base providing substantial visibility for sustained growth. Near-term margins are likely to remain around 13-14%, reflecting the current EPC-heavy mix, but the increasing contribution from O&M and higher-value international projects should support gradual margin improvement. We expect VA Tech WABAG to deliver strong and increasingly higher-quality growth over the next 3-5 years, with GCC expansion and industrial water providing additional upside basis on these growth prospects we assign **24x P/E multiple on FY28E EPS, and arrive to a TP of ₹2,368, implying an upside of 26%, with BUY rating for the stock.**

CMP: ₹1,880
Reco: BUY
Target Price: ₹2,368

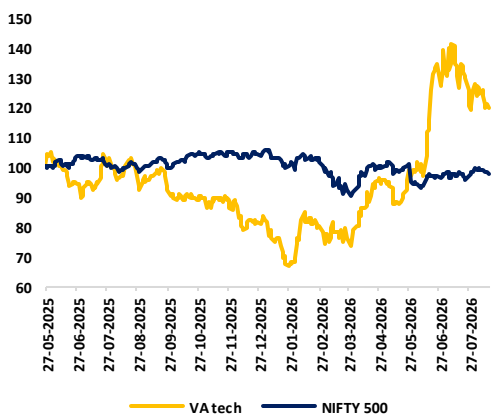
Stock Info	
BSE	533269
NSE	WABAG
Sector	Water management
Face Value (₹)	2
Equity Capital (₹ Cr)	12.5
Mkt Cap (₹ Cr)	11,956
Avg volume (1 year)	4,31,425
Dividend yield (%)	0.26
52w H/L (₹)	2,254/ 1,033

Source: Company filings, PESB research

Shareholding Pattern (June 2026)	
Promoters	19.08%
FII	18.25%
DII	6.33%
Public	56.33%

Source: Company filings, PESB research

Va Tech Wabag vs NIFTY 500



Source: nse, PESB research

VA Tech Wabag previous update link:

Va Tech Wabag Q4 FY26 Update 1.pdf

Anupama Bhootra
Analyst
Aman Bansal
Associate

Concall Highlights

Margin performance and provisions: The lower gross margin versus the previous year was attributed primarily to project mix, with the prior-year period having a higher share of EP projects versus EPC projects in Q1 FY27. Higher other expenses were linked to more stringent provisioning policies for potential delays and anticipated defaults as WABAG has tightened risk assessment alongside improving order-book quality. Management clarified these are standard provisions and can reverse as collections occur.

Forex gains are part of operating performance: Management clarified that forex gains/losses arise from actual transactions such as invoicing, collections, costs and payments across international operations. As WABAG's international exposure increases, such gains/losses will naturally become more visible in reported earnings and should be considered part of operational results, rather than treated as purely accounting adjustments. (EBITDA margin excluding forex gain is 9%).

Order intake and order book at record levels: Q1 order intake exceeded ₹3,400 Cr, comprising ₹2,960 Cr of EPC and ₹470 Cr of O&M, with 77% from international markets and 23% from India. The order book reached a record ₹19,400 Cr, equivalent to >4x the revenue base, providing strong execution visibility. The backlog is diversified between 66% EPC / 34% O&M and broadly balanced between India and international markets.

International markets becoming the key growth engine: International markets contributed 52% of Q1 revenue and 77% of order intake, reflecting WABAG's increasing international orientation. The company entered Kuwait and the UAE during the quarter, while strengthening its presence in Saudi Arabia, Africa and Europe. Management highlighted that larger project sizes, multilateral funding and stronger water-security requirements make international markets increasingly attractive relative to India.

Middle East demand remains resilient despite geopolitics: Management sees no material impact from recent geopolitical developments on projects, operations or underlying demand in the GCC. Water infrastructure is considered strategic and largely insulated from geopolitical disruptions, while contractual provisions allow WABAG to address potential delays and cost increases through force-majeure mechanisms. Management therefore has no material concerns around international revenue execution at present.

Technology-led positioning remains a key differentiator: Management emphasized that WABAG is a technology-led water infrastructure system integrator rather than a conventional EPC contractor. Projects are screened for technology intensity, cash flows, margins and payment security, with the company holding 125+ internally developed IP rights. Its four-decade Middle East track record, ~7,000 plants installed globally, engineering database and lower-cost workforce provide competitive advantages against European competitors.

Developed-market expansion remains selective: The new Vienna project demonstrates WABAG's ability to compete in technologically demanding developed markets, but management remains cautiously optimistic rather than aggressively pursuing the segment. The company will bid selectively where projects meet its requirements for technology, margins, cash flow and payment security, while emerging markets remain the primary focus.

Execution timelines better internationally: International projects generally have more defined timelines and stronger execution incentives because they are often funded projects where water is sold on a tariff basis. Management indicated that international projects can typically be executed in 24-30 months versus ~36 months in India, providing faster revenue conversion from the growing international order book.

Industrial segment to regain importance: Industrial orders currently account for only ~12-13% of the backlog, versus ~30% of revenues historically, but management intends to increase the mix towards 20-25% over time. Traditional industrial opportunities remain concentrated in oil & gas (~90% of traditional industrial market), with recent wins from Reliance, GAIL, BPCL and Saudi Aramco.

Concall Highlights

Working capital remains elevated but improving: Net working capital stood at 108 days in Q1, continuing the multi-year improvement from around 130 days to ~100 days currently. Management expects to maintain working capital in the 100-110 day range despite strong revenue growth, while continuing efforts to reduce it further. Given WABAG's asset-light model, management views working capital as the primary investment required to support growth.

New-age industrial opportunities are a longer-term driver: WABAG is developing capabilities in water-intensive emerging industries including data centres, semiconductors, solar PV and green hydrogen. Management views these as a 3-7 year opportunity rather than a 1-2 year growth driver, given requirements for cooling water, ultra-pure water and demineralized water. Over time, these segments could become a meaningful part of the industrial portfolio.

O&M growth to accelerate as projects mature: O&M revenue grew only ~7% YoY in Q1, but management expects growth to improve as completed EPC projects transition into O&M. Ghaziabad and Digha Tanker Bagh have already moved into O&M, while additional projects will transition over the next 2-3 years.

Yamuna opportunity remains under evaluation: WABAG is actively tracking the Yamuna cleaning opportunity and has already secured an order from DJB at Mitraon. Management is following upcoming tenders but remains selective, stating that it has sufficient backlog and will only pursue projects that fit its technology, contractual and return requirements rather than chasing order-book growth for its own sake.

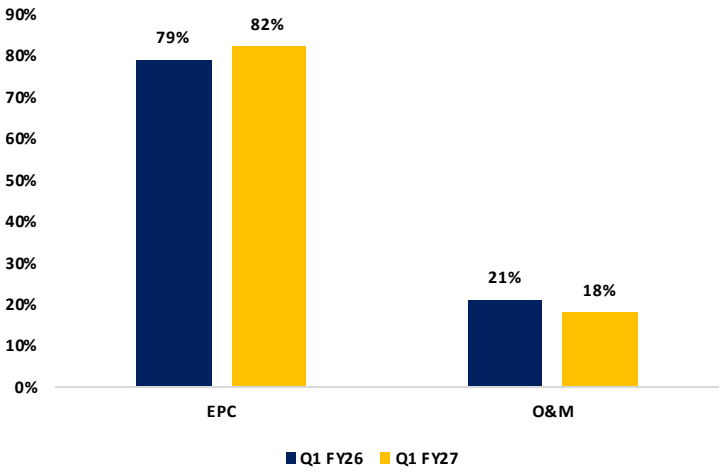
Q1 FY27 Financials

Particulars	Q1 FY27	Q4 FY26	Q1 FY26	YoY (%)	QoQ (%)
In ₹ Crore					
Operational Income	**887**	**1414**	**734**	*21%*	*-37%*
COGS	676	1114	523	*29%*	*-39%*
Employee Expense	80	80	67	*20%*	*-1%*
Other Expense	52	63	49	*6%*	*-18%*
EBITDA	**80**	**157**	**96**	*-17%*	*-49%*
EBITDA Margin	*8.96%*	*11.1%*	*13.0%*	*-406bps*	*-216bps*
Depreciation and Amortization	2	2	1	*14%*	*7%*
Finance Costs	17	17	19	*-9%*	*4%*
Other Income	52	32	11	*360%*	*63%*
exceptional items	0	0	0		
Share of Profit/(Loss) of Associates/JVs	6	-1	0		
EBT	**118**	**170**	**87**	*36%*	*-30%*
EBT Margin	*13.33%*	*12.0%*	*11.8%*	*152bps*	*132bps*
Tax Expense	28	42	21	*34%*	*-33%*
PAT	**90**	**128**	**66**	*37%*	*-30%*
PAT Margin	*10.16%*	*9.0%*	*9.0%*	*120bps*	*111bps*

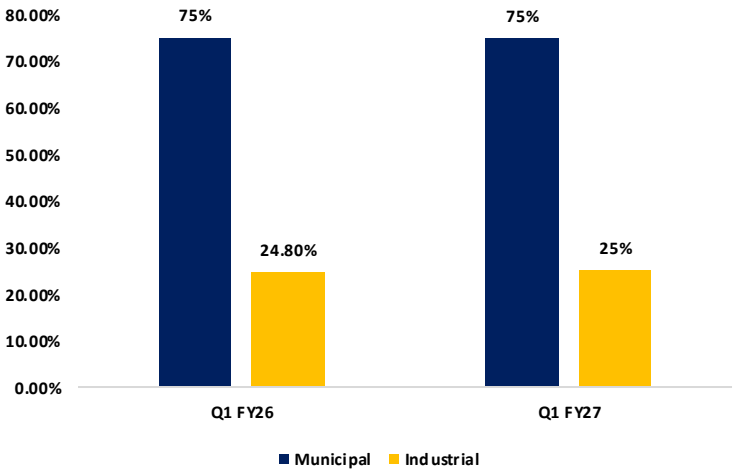
Source: Company filings, PESB research

Charts

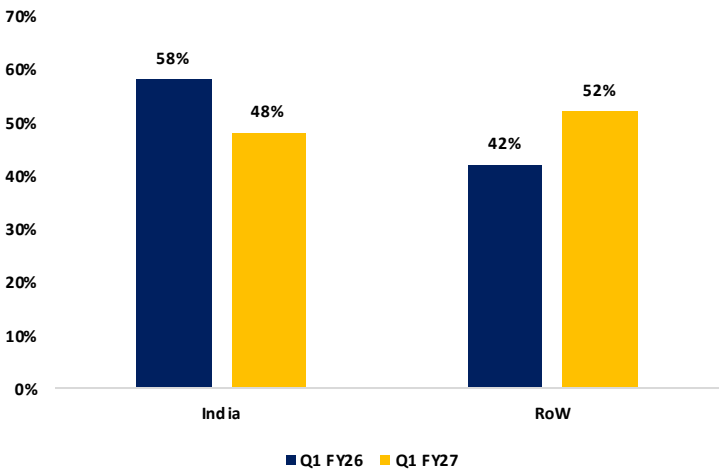
Revenue Split – EPC and O&M %



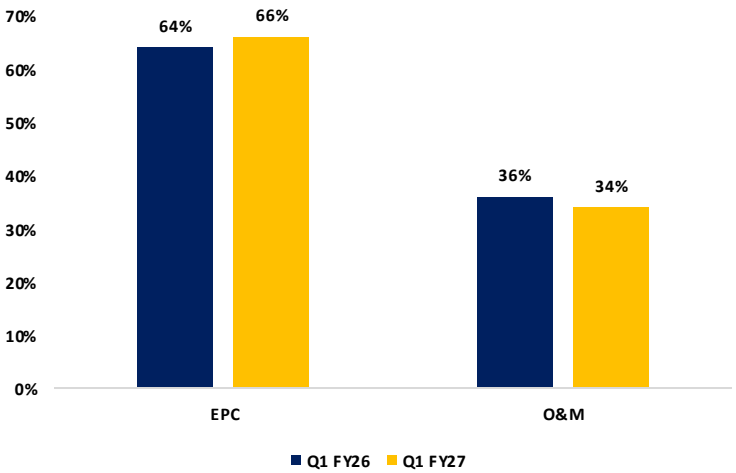
Revenue Split Municipal and Industrial %



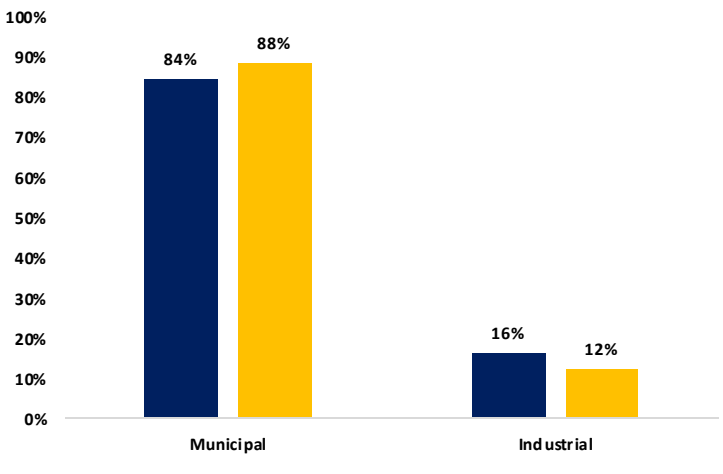
Revenue Split India and RoW %



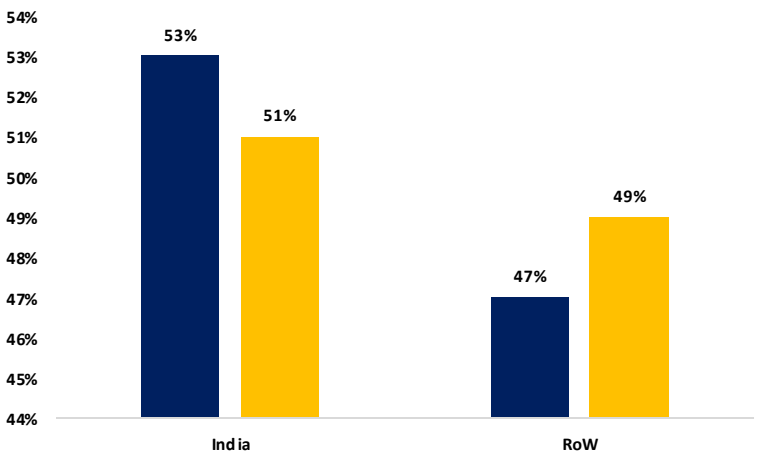
Order Backlog Split – EPC and O&M %



Order Backlog Split – Municipal and Industrial %



Order Backlog Splits – India and RoW%



Consolidated Financials

INCOME STATEMENT

Particulars (₹ Cr)	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Revenue from Operations	2,960	2,856	3,294	3,944	4,891	5,967	7,279
Revenue growth rate		-4%	15%	20%	24%	22%	22%
Expenses							
COGS	2270	2167	2561	3004	3795	4592	5585
Employee Expense	266	235	265	300	376	448	533
Other Expense	108	79	47	163	98	120	146
EBITDA	**318**	**376**	**422**	**477**	**621**	**807**	**1015**
EBITDA Margin	***11%***	***13%***	***13%***	***12%***	***13%***	***14%***	***14%***
EBITDA Growth rate		***18%***	***12%***	***13%***	***30%***	***30%***	***26%***
Depreciation and Amortization	9	8	6	6	3	3	3
EBIT	**309**	**367**	**416**	**471**	**618**	**804**	**1012**
EBIT Margin	***10%***	***13%***	***13%***	***12%***	***13%***	***13%***	***14%***
EBIT Growth rate		***19%***	***13%***	***13%***	***31%***	***30%***	***26%***
Finance Cost	66	71	79	73	99	111	120
Other Income	54	43	45	94	95	116	141
Exceptional items	-280	-10	2	-4	0	0	0
EBT	**17**	**330**	**384**	**489**	**614**	**809**	**1033**
EBT Margin	***1%***	***12%***	***12%***	***12%***	***13%***	***14%***	***14%***
EBT Growth rate		***1861%***	***16%***	***27%***	***26%***	***32%***	***28%***
Tax expense	6	80	90	119	147	194	248
PAT	**11**	**250**	**295**	**370**	**466**	**615**	**785**
PAT Margin	***0%***	***9%***	***9%***	***9%***	***10%***	***10%***	***11%***
PAT Growth rate		***2191%***	***18%***	***25%***	***26%***	***32%***	***28%***
EPS	***2***	***40***	***47***	***59***	***75***	***99***	***126***

	FY23-25	FY26-29E
Revenue CAGR	**5%**	**23%**
EBITDA CAGR	**15%**	**29%**
PAT CAGR	**419%**	**29%**

Source: Company filings, PESB research

CASH FLOW

Particulars (₹ Cr)	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Net cash from operations	85	134	355	207	334	347	498
Net cash from Investing	41	56	-121	-20	-3	-3	-3
Net cash from Financing	-240	44	34	-185	70	-37	-71

Source: Company filings, PESB research

RATIOS

	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Margin Analysis							
Gross Margins	23%	24%	22%	24%	22%	23%	23%
EBITDA Margin	11%	13%	13%	12%	13%	14%	14%
PAT Margin	0%	9%	9%	9%	10%	10%	11%
	FY23	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Profitability							
ROA	0%	5%	6%	6%	7%	8%	9%
ROCE	17%	17%	17%	17%	18%	19%	20%
ROE	1%	14%	14%	14%	15%	17%	18%
	FY23	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Liquidity and Solvency							
Current ratio (x)	1.3	1.7	1.7	1.7	1.8	1.8	1.9
Quick ratio (x)	1.3	1.7	1.7	1.7	1.7	1.8	1.9
fixed asset turnover (x)	39.2	39.4	49.4	59.7	74.7	92.1	113.6
Total Debt/ Equity (x)	0.1	0.2	0.2	0.1	0.1	0.1	0.1
Interest Coverage Ratio (x)	4.7	5.2	5.3	6.5	6.2	7.3	8.4
	FY23	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Valuation Ratios							
EV/EBITDA (x)				23.4	18.1	13.6	10.4
P/E (x)				32.4	25.7	19.5	15.3
P/B (x)				4.7	3.9	3.3	2.7
EV/Sales (x)				2.8	2.3	1.8	1.5

Source: Company filings, PESB research

BALANCE SHEET

Particulars (₹ Cr)	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Assets							
Net Block	75	73	67	66	65	65	64
Capital WIP	0	0	0	0	0	0	0
Other Non Current Assets	942	877	920	968	1014	1014	1014
Inventories	41	36	36	36	45	55	67
Loans	0	0	12	22	22	22	22
Trade Receivables	1507	1991	2013	2524	3059	3775	4579
Cash and Equivalents	275	510	945	1059	1187	1494	1919
Other Current Assets	1248	1089	1276	1448	1469	1469	1469
Total Assets	**4089**	**4575**	**5267**	**6122**	**6861**	**7893**	**9133**
Equity							
Equity Share Capital	12	12	12	13	13	13	13
Other Equity	1562	1812	2133	2561	3028	3642	4427
Total Equity	**1575**	**1824**	**2145**	**2574**	**3040**	**3655**	**4440**
Liabilities							
Long term borrowings	58	193	179	156	178	178	178
Long term provisions	13	13	12	12	12	12	12
Other Non Current Liabilities	142	389	411	399	339	339	339
Current borrowings	161	96	183	73	219	293	342
Current provisions	53	115	150	232	232	232	232
Trade Payables	1070	1028	1046	1262	1572	1916	2322
Other Current Liabilities	1017	916	1142	1415	1268	1268	1268
Total Equity and Liabilities	**4089**	**4574**	**5267**	**6122**	**6861**	**7893**	**9133**

Source: Company filings, PESB research

Disclosures and Disclaimers:

Rating Guide:

Stock Rating	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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