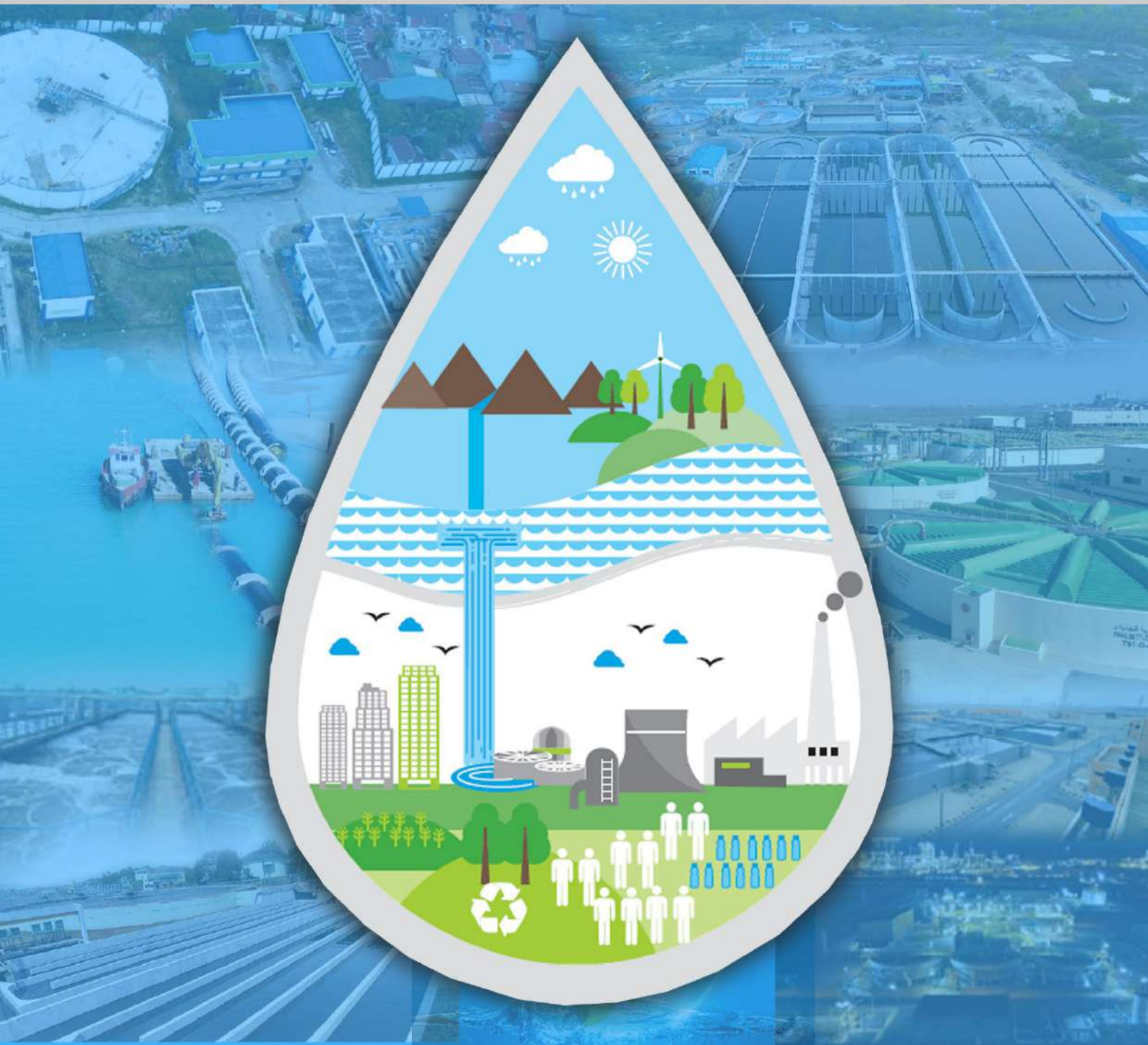


# VA Tech Wabag



## Multi-decadal water theme drives robust outlook

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

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## Multi-decadal water theme drives robust outlook

- ❖ We initiate coverage on VA Tech Wabag (VATW) with a BUY rating and a target price of INR1,900, based on 26x FY27E P/E (premium to historical average of 18x on improved outlook). We believe that VATW has a robust outlook ahead on the back of a strong order book, improving margins and return ratios, and healthy FCF generation, making VATW a cash-rich company. Moreover, any large order inflows and a significant expansion in margins could drive valuation re-rating.
- ❖ VATW is a 100 years old water technology player and provides solutions in the design, construction, and operation of wastewater projects.
- ❖ The company follows an asset-light model with high focus on engineering and procurement (EP) and operations and maintenance (O&M) works. With R&D centers in Europe and India, it holds over 125 intellectual property rights.
- ❖ Despite being eligible to execute large critical projects globally, it is selective in bidding (focus is on margins, cash flows) and has 25-30% win ratio.
- ❖ The focus is clearly visible in its FY21-25 revenue/EBITDA/PAT CAGR of 4%/18%/28%. We estimate a CAGR of 17%/22%/23% over FY25-28E.
- ❖ The current order book of ~INR137b (4.2x FY25 revenue) and a strong bid pipeline of up to INR200b provide 15-20% revenue growth visibility for the next 3-4 years, as guided by management.
- ❖ Its focus on large-scale projects in high-margin segments such as EP (aims 1/3rd mix in EPC) and O&M (18%/39% mix in revenue/order book, 5-20 years execution cycle) augurs well for margins.
- ❖ We expect VATW to sustain strong FCF generation with an average of INR3.5b annually over FY25-28E, given its robust operating performance and scope for further improvement in the working capital cycle.
- ❖ Over FY25-28E, we expect further expansion in RoCE (from ~20% to ~24%), RoE (~14% to ~16%), and RoIC (~28% to ~39%), above its guided range.

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# VA Tech Wabag

BSE Sensex  
81,758

S&P CNX  
24,968

**CMP: INR1,486**

**TP: INR1,900 (+28%)**

**Buy**



## Stock Info

Bloomberg	VATW IN
Equity Shares (m)	62
M.Cap.(INRb)/(USDb)	92.4 / 1.1
52-Week Range (INR)	1944 / 1109
1, 6, 12M Rel. Per (%)	-3/-11/19
12M Avg Vol (INR m)	837

## Financials Snapshot (INR b)

Y/E MARCH	FY25	FY26E	FY27E
Sales	32.9	38.4	44.7
EBITDA	4.2	5.3	6.4
Adj PAT	3.0	3.7	4.5
EPS (INR)	47.6	60.0	73.2
EPS Gr. (%)	20.2	26.0	22.0
BV/Sh (INR)	345.1	399.2	464.4

## Ratios

RoE (%)	13.8	15.0	15.8
RoCE (%)	20.1	21.5	22.8
Payout (%)	8.4	10.0	10.9

## Valuations

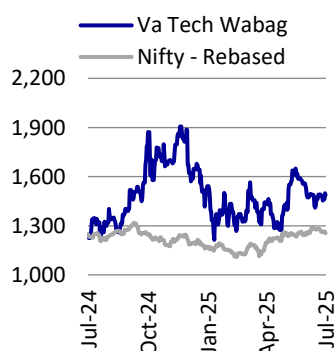
P/E (x)	31.2	24.8	20.3
P/BV (x)	4.3	3.7	3.2
EV/EBITDA (x)	20.4	16.0	12.9
Div Yield (%)	0.3	0.4	0.5

## Shareholding Pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	19.1	19.1	19.1
DII	3.0	2.0	5.6
FII	18.6	18.9	12.5
Others	59.3	60.0	62.8

FII includes depository receipts

## Stock's performance (one-year)



## Multi-decadal water theme drives robust outlook

- We initiate coverage on VA Tech Wabag (VATW) with a BUY rating and a target price of INR1,900, based on 26x FY27E P/E (premium to historical average of 18x on improved outlook). We believe that VATW has a robust growth outlook ahead on the back of a strong order book, improving margins and return ratios, and healthy FCF generation, making VATW a cash-rich company. Moreover, any large order inflows and a significant expansion in margins could drive valuation re-rating in the medium term.
- VATW is a leading 100 years old water technology company. It provides full solutions in the design, construction, and operation of wastewater projects.
- The company follows an asset-light model with high focus on engineering and procurement (EP) and operations and maintenance (O&M) works. With R&D centers in Europe and India, it holds over 125 intellectual property rights.
- Despite being eligible to execute large critical projects globally, it is selective in bidding (focus is on margins and cash flows) and has a win ratio of 25-30%.
- The focus is clearly visible in its FY21-25 revenue/EBITDA/PAT CAGR of 4%/18%/28%. We estimate a CAGR of 17%/22%/23% over FY25-28E.
- The current order book of ~INR137b (4.2x FY25 revenue) and a strong bid pipeline of up to INR200b provide 15-20% revenue growth visibility for the next 3-4 years, as guided by the management.
- Its focus on executing large-scale projects in high-margin segments such as EP (aims 1/3<sup>rd</sup> mix in EPC) and O&M (18%/39% mix in revenue/order book, 5-20 years execution cycle) augurs well for margins.
- We expect VATW to sustain strong FCF generation with an average of INR3.5b annually over FY25-28E, given its robust operating performance and scope for further improvement in the working capital cycle.
- Over FY25-28E, we expect further expansion in RoCE (from ~20% to ~24%), RoE (from ~14% to ~16%), and RoIC (~28% to ~39%), above its guided range.

## Water management is a multi-decadal theme with new emerging areas

- The global water & waste management market is estimated to reach USD576b by 2032, from USD329b in 2023, at a CAGR of ~6%. Of this, smart water management market is projected to grow at a 11% CAGR to reach USD44b in 2029.
- Rising water pollution, increasing environmental compliances, water scarcity, and demand for wastewater services from industries are key growth drivers.
- The global wastewater treatment market is fully developed in Europe, North America and some parts of the Asia-Pacific region. On the other hand, the Middle East and Africa (MEA) and Latin America are high-potential markets.
- Large projects are backed by central governments, sovereign funds and multi-lateral agencies to support companies to execute with payment security.



### VATW is the world's leading pure-play water technology company

- VATW, with over 100 years of experience, is a global leader in the water treatment industry and offers a complete range of technologies and services for total water solutions in both municipal and industrial sectors.
- It ranks 3rd as a private water operator globally (up from 6th in 2019 and 10th in 2017) and as a desalination plant supplier. (Source: GWI)
- The company is present in 25+ countries in all major segments of water treatment, including drinking water, sewage, industrial, seawater desalination, and water recycling.
- It follows an asset-light model with high focus on EP and O&M works. It has R&D centers in Europe and India and holds over 125 intellectual property rights.
- **With technical expertise and vast experience in executing large critical projects, VATW is now qualified to independently bid for marquee projects globally. However, it is selective in bidding, with a focus on margins and cash flows, and has a win ratio of 25-30%.**

### Growth strategy 'Wriddhi' drives business transformation

- VATW's initiated a long-term comprehensive plan, 'Wriddhi', in FY23, in response to the ever evolving and complex global water treatment market.
- The strategy focuses on advancing technological innovation, increasing global footprint, fostering strategic partnerships, and driving sustainable practices.
- It is aimed at profitable growth, global market leadership, free cash generation and improved valuation, results of which are already visible.
- **Outlook for next 3-5 years under 'Wriddhi': a) order book 3x of revenue, b) revenue CAGR of 15-20%, c) EBITDA margin of 13-15%, d) RoCE of >20%, e) O&M mix at 20%, f) RoE of >15%, and g) net-cash positive.**
- **VATW has already achieved most of the guidance laid out in the strategy.**

### Strong book-to-bill ratio of 4.2x supports 15-20% revenue CAGR guidance

- VATW's current order book of about INR137b (4.2x FY25 revenue) provides strong revenue growth visibility for the next 3-4 years.
- The order book has a rich mix of O&M (39%, 5-20 years execution cycle) and EPC (52%, 2-3 years execution cycle) projects.
- Long-duration O&M projects (up to 20 years vs. 2-5 years a decade ago) provide annuity-based sustainable revenue over the long term. These orders account for 18% of total revenue mix and 39% of the order book.
- VATW manages customer default risk by participating majorly in well-funded projects by central government programs such as Namami Gange Mission and Atal Mission for Rejuvenation and Urban Transformation (AMRUT), bilateral (JICA) and other multilateral (World Bank, ADB etc.) agencies.
- **With a strong bid pipeline of INR150-200b, the company expects to capture orders worth INR60-70b annually.**
- **Thus, we expect a revenue CAGR of ~17% over FY25-28E (in line with company guidance of 15-20% CAGR), after a subdued ~4% CAGR during FY21-25 (impacted by focused bidding and divestment of European subsidiaries).**

### Focused bidding to support 13-15% EBITDA margin

- VATW has guided for EBITDA margin of 13-15% (FY24/25: 13.2%/12.8%) over the next 3-5 years. Key margin levers include its healthy order book (INR137b, 4.2x FY25 revenue), execution of large projects (INR25.6b Chennai plant, INR14.2b Al Haer KSA ISTP plant), and greater focus on winning orders in EP, O&M, industrial, and overseas segments and markets.
- Expenses related to bad debt provisioning have declined materially in the last 6-8 years. VATW booked INR101m in expenses in FY24 (0.4% of revenue, the least in the last 10 years), which fell from its peak of ~INR1.1b in FY22 and FY23 (~3.9% of revenue, mainly Gammon Genco projects and European subsidiaries).
- Since the launch of '*Wriddhi*' in FY23, the company has already achieved a notable expansion in its EBITDA margin to ~13% (vs. 7-9% band historically).
- **Going ahead, we expect VATW's EBITDA margin to further expand toward the higher range of its guidance of 13-15% in the coming years.**

### Turned net-cash company with healthy return ratios

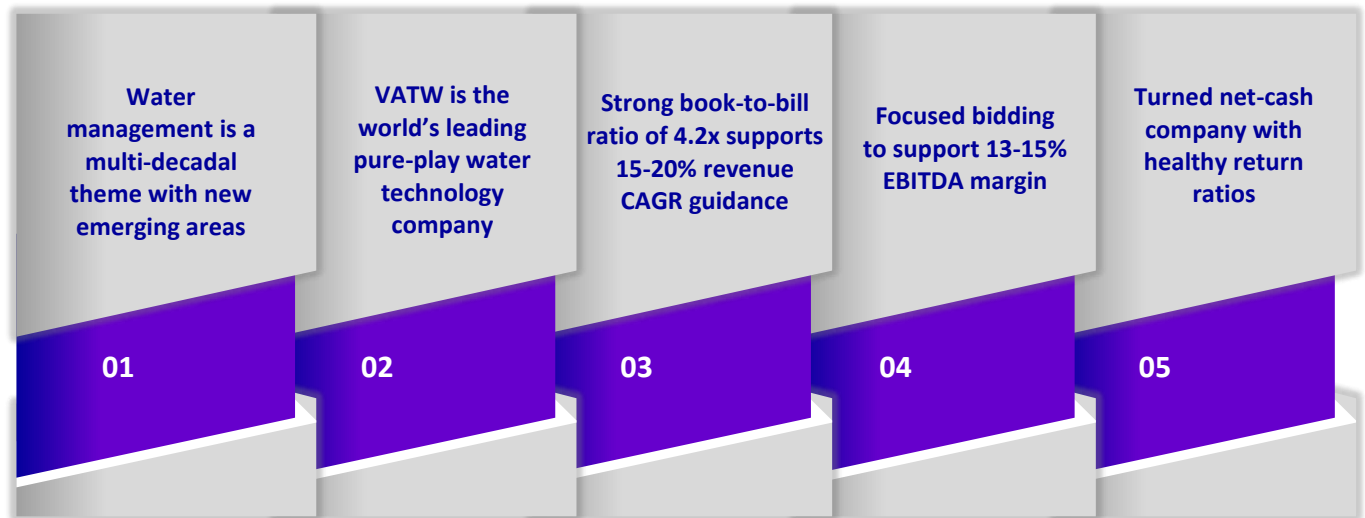
- VATW has witnessed a remarkable turnaround in its free-cash flow generation in the last five years, achieving a net-cash balance of INR5.9b as of FY25 end from net debt of INR4b in FY19.
- RoCE/RoIC have also doubled to ~20%/28% in FY25 from ~11%/12% in FY19. RoE has also expanded to 13.8% in FY25 from 8-9% reported till FY22.
- A significant improvement in EBITDA margins (~2x), tightening of the working capital cycle and an asset-light business model have been key drivers.
- Its asset-light strategy (FY25 net block ~INR0.7b for INR32.9b revenue, gross block broadly same since FY14), R&D capabilities and focus on EP jobs (while subcontracting the machinery-intensive civil construction work) have paid off.
- Leveraging its technical skills, VATW has followed a partnership model for investment in R&D (mostly done by customers) and HAM projects (with less than 5% equity contribution and an option to monetize after three years).
- **We expect strong FCF generation (~INR3.5b annually over FY25-28E) to sustain on the back of healthy operating performance and improvement in WC cycle.**
- **During FY25-28E, we expect further expansion in RoCE (from ~20% to ~24%), RoE (from ~14% to ~16%), and RoIC (~28% to ~39%), above its guided range.**

### Valuation and view – Initiate with BUY

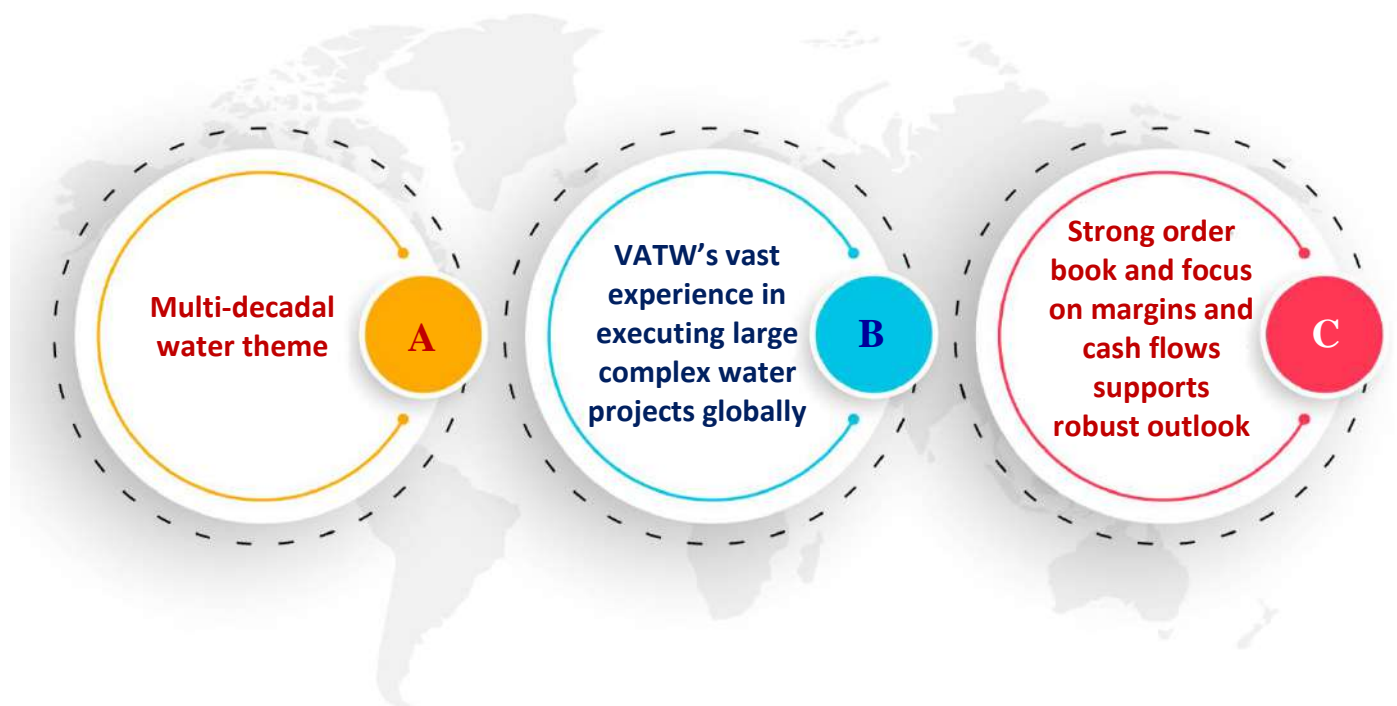
- After delivering a CAGR of 4%/18%/28% in revenue/EBITDA/PAT over FY21-25, we estimate them to clock a CAGR of 17%/22%/23% over FY25-28E.
- VATW's current order book of ~INR137b (4.2x FY25 revenue) and a strong bid pipeline of up to INR200b provide 15-20% revenue growth visibility.
- Greater focus on executing large-scale projects in the high-margin segments (EP, O&M and Industrial) augurs well for the overall margins of the company.
- Outlook of strong FCF generation, net-cash status and expansion in return ratios make VATW's scrip attractive at ~20x FY27E EPS on CMP.
- **We initiate coverage on VATW with a BUY rating and a target price of INR1,900, based on 26x FY27E P/E (premium to historical average of 18x on improved outlook). We believe large order inflows and a significant margin expansion could fuel valuation re-rating in the near to medium term.**

## STORY IN CHARTS

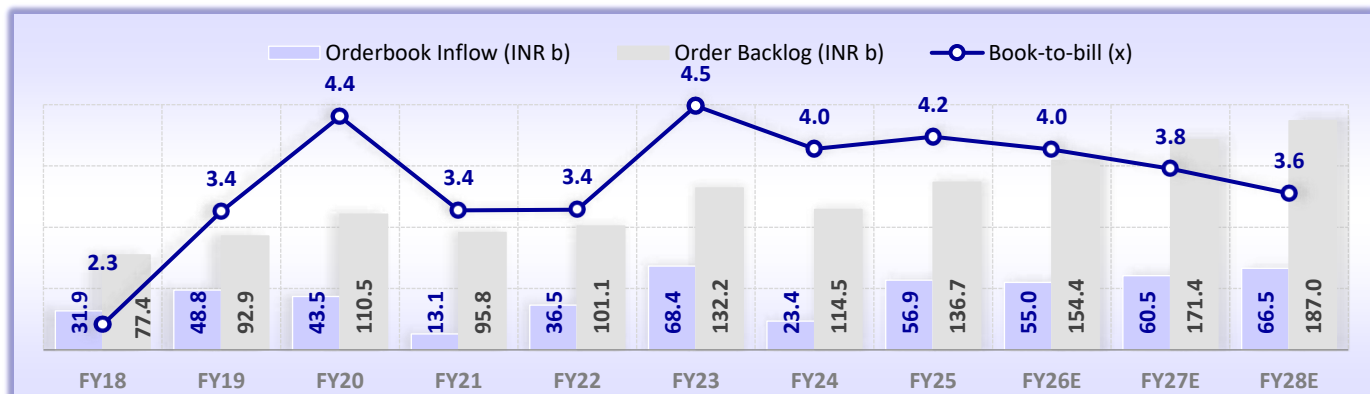
### Investment arguments



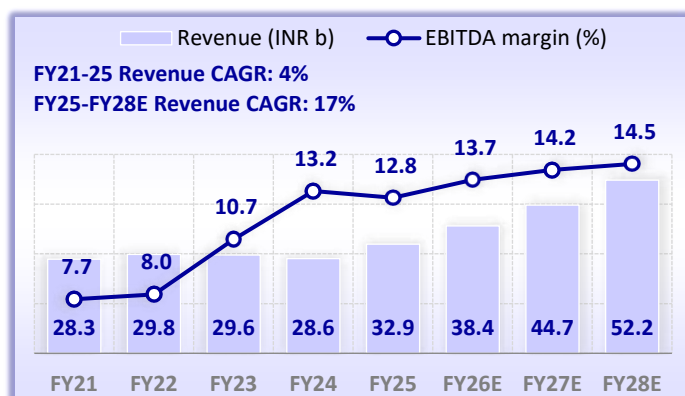
### Growth drivers



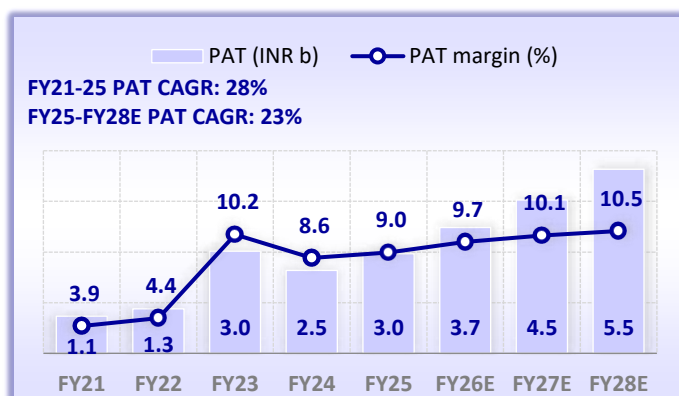
A strong book-to-bill ratio (~4x) provides high comfort on 15-20% revenue growth guidance



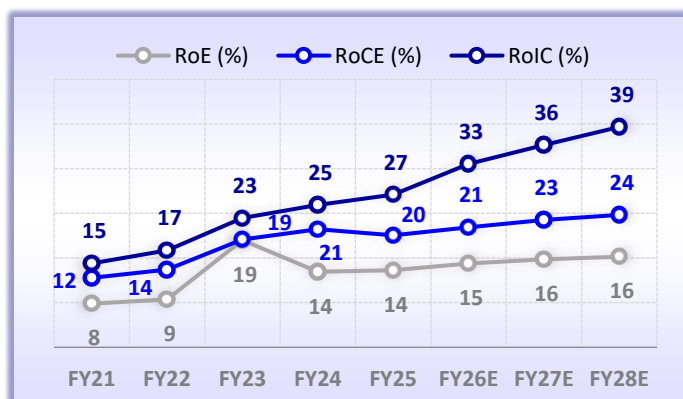
We expect 17% revenue CAGR, 14-15% EBITDA margin...



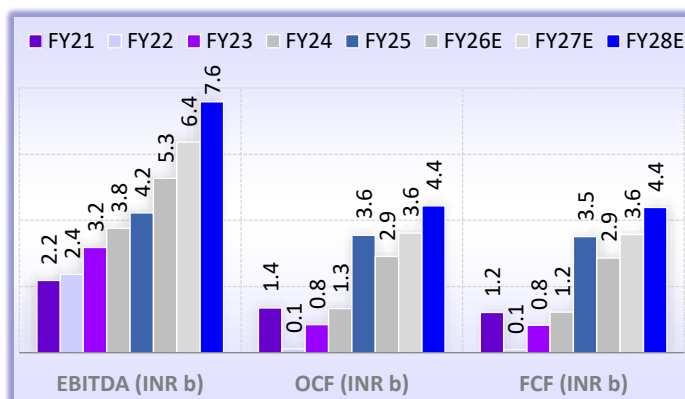
...and 23% CAGR in PAT over FY25-FY28E



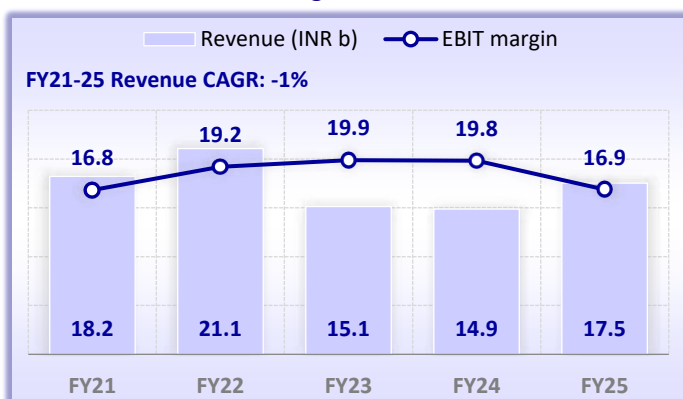
Return ratios to witness further improvement



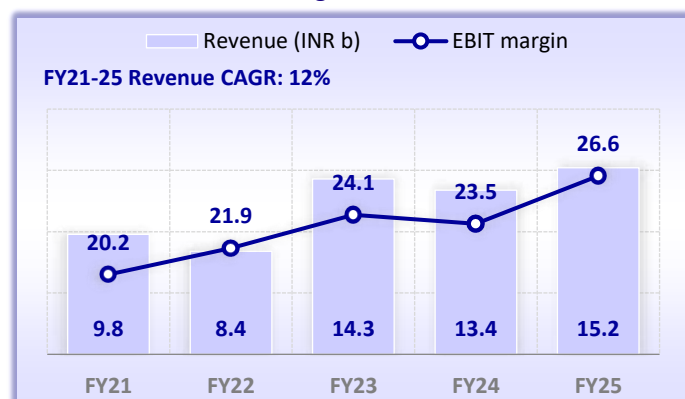
Healthy FCF aided by margins and tight WC cycle



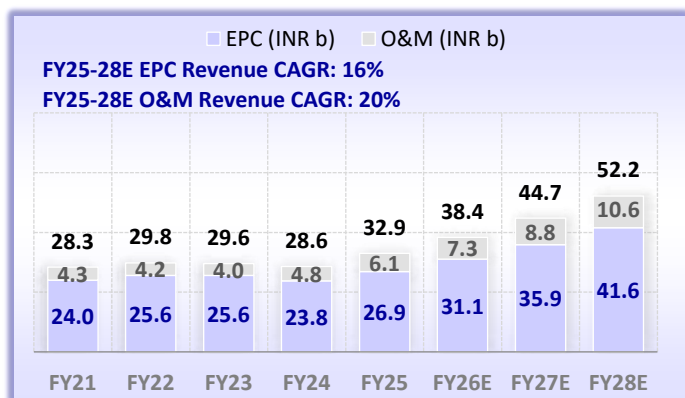
India – Revenue, EBIT margin trends



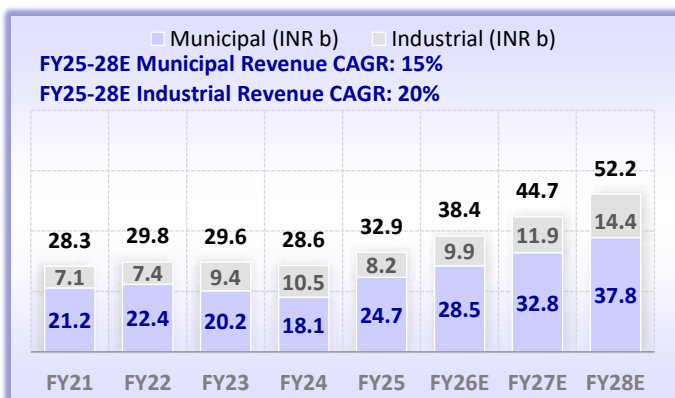
RoW – Revenue, EBIT margin trends



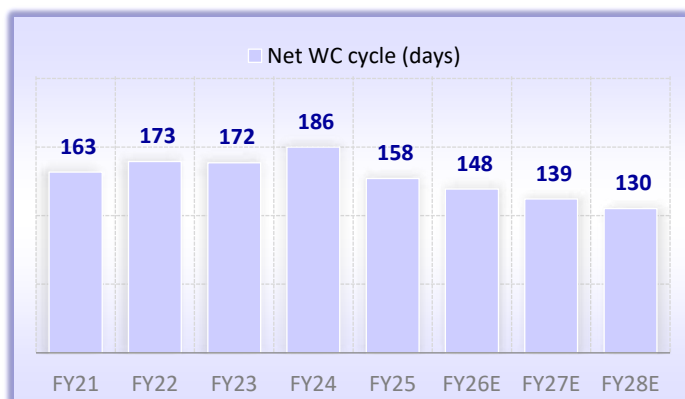
### Rising O&M mix in revenue to drive margins...



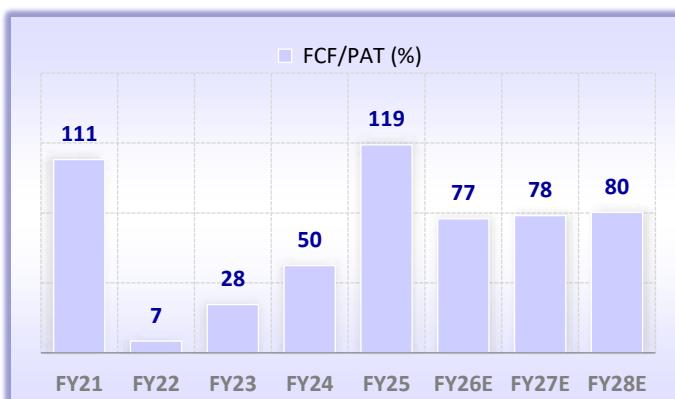
### ...along with faster growth in industrials over municipal



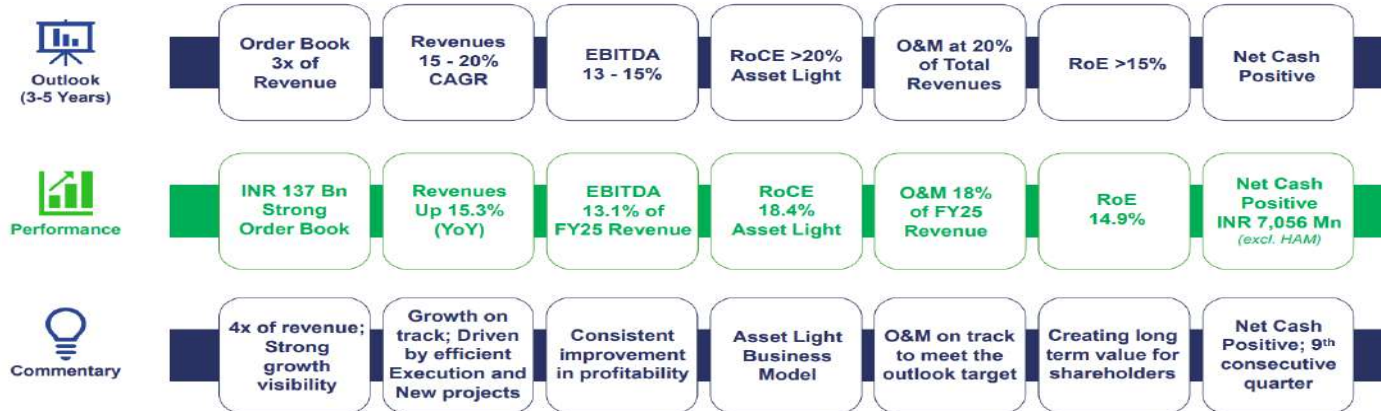
### Further tightening of net working capital to aid cash flows



### FCF/PAT is aimed to sustain in the 75-80% range



### Medium-term guidance achieved much ahead of timeline after the implementation of 'Wriddhi'



### Strong order book position supports 15-20% revenue CAGR guidance

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue (INR b)	24.4	25.1	32.1	34.6	27.8	25.6	28.3	29.8	29.6	28.6	32.9	38.4	44.7	52.2
% YoY		9	3	28	8	-20	-8	11	5	-1	-4	15	17	17
O&M mix		20	20	16	12	13	14	15	14	13	17	18	19	20
Industrial mix		32	44	49	50	47	31	25	25	32	36	25	26	27
International mix		50	41	45	47	38	32	35	28	49	47	46	48	49
Order book (INR b)	68.4	83.2	81.9	77.4	92.9	110.5	95.8	101.1	132.2	114.5	136.7	154.4	171.4	187.0
Book-to-bill ratio (x)		2.8	3.3	2.6	2.3	3.4	4.4	3.4	3.4	4.5	4.0	4.2	4.0	3.8

Source: Company, MOFSL



## Water management is a multi-decadal theme

### Expanding scope in new emerging areas

- Wastewater treatment refers to the elimination of contaminants from sewage or wastewater to make it recyclable, reusable, and safe for the environment. After the treatment, the wastewater is discharged into water bodies without any risk of pollution.
- Increasing environmental compliances, rising water pollution, scarcity of water, and demand for wastewater services from various industries drive the growth of the market.
- The global water and waste management sector is estimated to reach a size of USD576b by 2032 from USD329b in 2023, exhibiting a CAGR of ~6% over 2023-2032. Of this, smart water management industry is projected to grow at 11% CAGR to reach USD44b in 2029.
- The global wastewater treatment market is fully developed in Europe, North America and some parts of the Asia-Pacific region. On the other hand, the MEA and Latin America are high-potential markets with plenty of room for expansion.
- Large projects are backed by central governments, sovereign funds and multi-lateral agencies (World Bank, ADB etc.) to attract companies to execute such large complex projects with payment security.

### Global wastewater treatment market – well funded, robust outlook

The global water and waste management sector is estimated to reach a size of USD576b by 2032 from USD329b in 2023, exhibiting a CAGR of ~6% over 2023-2032. Of this, the smart water management industry is projected to grow at 11% CAGR to reach USD44b in 2029. Wastewater technology is primarily used by municipal authorities to treat wastewater in various cities around the world. With increasing industrialization, private sectors are also engaged to meet the goal of environmental sustainability. In the coming years, desalination is expected to be a prominent technology worldwide for water filtration due to the rising scarcity of fresh water. The global wastewater treatment market is fully developed in Europe, North America and some parts of the Asia-Pacific region. On the other hand, the MEA and Latin America are high-potential markets with plenty of room for expansion.

**Funding agencies** include the Asian Development Bank (ADB), the World Bank, and other multi-lateral institutions. Under its 'Strategy 2030', ADB is determined to increase support for regional public goods and collective actions to mitigate cross-border risks such as climate change, pollution, energy and water security, and communicable and infectious diseases.

**Factors driving global water market:** a) massive outlay under govt. schemes (Amrut, Jal Jeevan Mission, Namami Gange, Swacch Bharat Mission, etc.) in India, b) Recycle & Reuse (R&R) to drive sustainability, c) Increased regulatory compliances with regard to discharge norms in the industrial segment, d) Large-scale desalination projects announced in Saudi Arabia and Egypt over the next three years, e) Growing semiconductor and green hydrogen markets will drive the demand for industrial projects, and f) CIS countries emerge as focus markets for the oil and gas projects.

### India cluster – market size and growth opportunities

With just 4% of the world's freshwater available for 16% of global population, water balance is adversely affected in India. Over reliance on agriculture has further

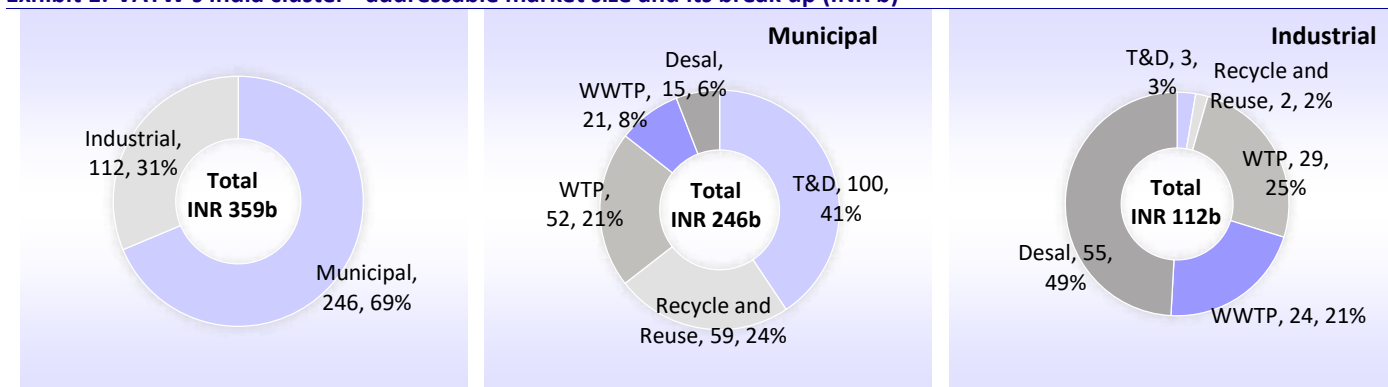




strained the water availability and rapid depletion of groundwater. To address this issue, the government is taking the required actions to improve the access of water and increase the treatment of wastewater to safeguard the existing freshwater sources. Ministry of Jal Shakti (MoJS) have been allocated ~INR100b (~USD12b) budget to drive various programs such as Jal-Jeevan Mission, Namami Gange, Amrut, and Swacch Bharat Mission, among others. Projects worth INR450b is expected to be awarded shortly. It has also taken various other actions such as setting up more sewage treatment plants and mandatory use of treated wastewater for power generation. The government has also issued guidelines emphasizing the reuse of treated sewage and sullage in commercial or residential multi-storied complexes for flushing toilets, horticulture and fire-fighting purposes. Desalination plants are being set up in states like Tamil Nadu, Andhra Pradesh and Maharashtra to provide additional sources of water for industrial and human usage.

As per VATW, its India cluster has an addressable market size of INR359b (~USD4.5b), of which INR246b (~70%) comes from Municipal and INR112b (~30%) from Industrial.

**Exhibit 1: VATW's India cluster - addressable market size and its break up (INR b)**



Source: Company

### South East Asia markets – market size and growth opportunities

As per VATW, Singapore, Philippines, Vietnam, Indonesia and Thailand have announced some large-scale projects in wastewater treatment and desalination plants, which VATW is looking to capitalize on given its strong references in the Asia Pacific.

**Indonesia's** wastewater treatment market is expected to clock a 6.6% CAGR over 2024-2030. It has investments of USD10b under the National Strategic Plan.

**Singapore** targets 55% water recycling by 2060 (currently 40%) to cut import reliance. This market is expected to grow from USD 1.5b in 2023 to USD2.1b in 2030.

**Vietnam** water market size is projected to exhibit a CAGR of 13.7% during 2024-2032. **Malaysia's** industrial wastewater treatment market size is anticipated to witness a CAGR of 4.2% during 2024-2030.

## MEA – market size and growth opportunities

As per VATW, the Middle Eastern countries have set aggressive targets to address water scarcity issue amid population growth and rapid industrialization. The Middle East and Africa water and wastewater treatment market is expected to reach USD44.5b by 2030 at a CAGR of 4.1% during 2023-2030. The water crisis is being addressed by installing many desalination plants.

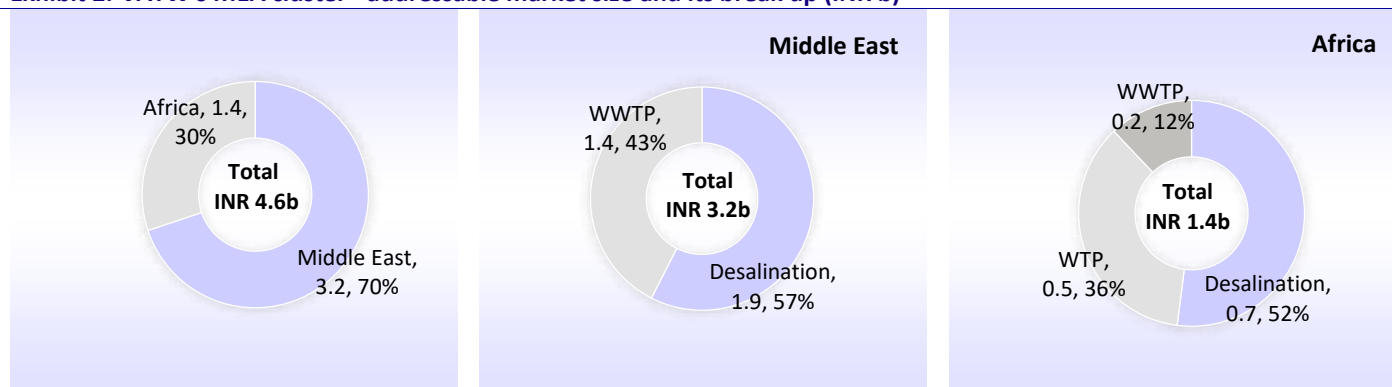
**Saudi Arabia** has allocated USD80b for the development of water infrastructure by 2027 under Vision 2030, including desalination (USD32b) and wastewater treatment plants. It plans to meet 90% of water demand using desalination and the remaining 10% by ground and surface water by 2030. Additionally, it aims to achieve 100% reuse of treated urban wastewater by 2025, repurposing it for irrigation, industrial use and urban green spaces.

**UAE** has one of the highest per capita consumption rates but almost no renewable freshwater. It heavily depends on desalination plants, groundwater and treated wastewater. About 42% of water needs are met by desalination. It launched *Water Strategy 2036*, aiming to increase wastewater reuse to 95% and boost desalination with renewable energy. It plans to invest USD2.1b in desalination by 2027.

**Africa** Water Investment Action Plan has laid a roadmap to mobilize USD30b annually for water security and sanitation by 2030. It will focus on increasing investments in desalination plants in Northern and Western Africa. The market is predominantly centered on the establishment of drinking water treatment plants.

As per VATW, its MEA cluster has an addressable market size of USD4.6b, of which Middle East contributes USD3.2b and the balance USD1.4b comes from Africa.

**Exhibit 2: VATW's MEA cluster - addressable market size and its break up (INR b)**



Source: Company

## World's leading pure-play water technology company

### Ranks 3rd as a private water operator and desalination plant supplier

- VATW, with over 100 years of experience, is a global leader in the water industry and offers a complete range of technologies and services for total water solutions in both municipal and industrial sectors.
- Its global ranking as a private water operator improved to 3rd in 2022 from 6th in 2019 and 10th in 2017. (Source: GWI)
- VATW is present in 25+ countries in all major segments of the water treatment industry, including drinking water, sewage, industrial, seawater desalination, and water recycling.
- Since 1995, VATW has delivered more than 1,500 municipal and industrial water treatment plants worldwide.
- It follows an asset-light model with high focus on EP and O&M works. VATW has R&D centers in Europe and India and holds over 125 intellectual property rights.
- With technical expertise and vast experience in executing large critical projects, VATW is now qualified to independently bid for marquee projects globally. However, it is very selective in bidding (focus on margins and cash flows) and has a win ratio of 25-30%.

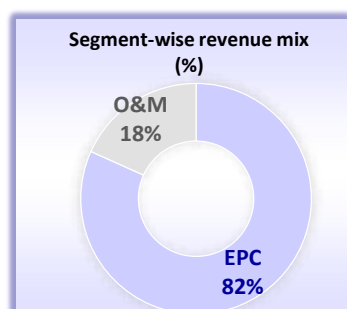
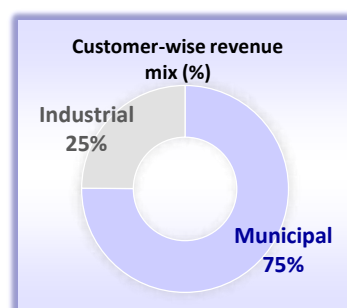
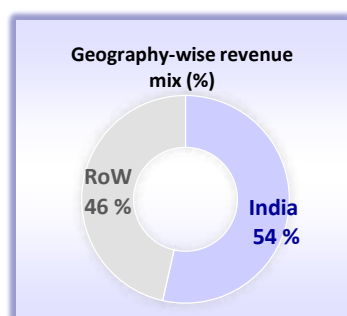
### Exhibit 3: World's 3rd largest private water operator and desalination plant supplier



Source: Company

### VATW's business model and focus areas

- VATW is a professionally managed company, led by Rajiv Mittal, with 100+ years of experience in total water solutions in both municipal and industrial sectors.
- With technical expertise and vast experience in executing large critical projects, VATW is now qualified to independently bid for marquee projects globally.
- However, it is selective in bidding with a focus on margins and cash flows, and has a win ratio of 25-30%. It follows an asset-light model with high focus on EP and O&M works.
- The company has R&D centers in Europe and India and holds over 125 intellectual property rights. A lot of R&D is undertaken in collaboration with customers to keep its own spending low.
- The company bids for projects with payment securities (funded by central government programs or multi-lateral agencies such as ADB, World Bank, etc.).
- It divested three of its European subsidiaries in the last two years due to growth saturation in these developed markets and less engineering works.
- On the other hand, it has shifted its focus to fast-growing emerging markets, including India, South East Asia, and MEA regions.





- A growing focus on Design-Build-Operate (DBO) and O&M projects could translate into an efficient mix of revenue and predictable annuity incomes.
- Along with municipal projects, private industrial activities are also slated for growth in various sectors (power, oil & gas etc.).
- Emerging themes like desalination, ultra-pure water for semiconductor manufacturing, solar PV, green hydrogen, and clean fuel generation from biogas, etc. also provide healthy order intake tailwinds for the company.

**Exhibit 4: Sustainable water solutions across segments...**



Source: Company

**Exhibit 5: ...with strong technical and operational expertise**



Source: Company

**Tobruk MED, Libya**



**Jajmau Tannery Effluent Treatment Association – CETP, UP**



### Key strategies and enablers to expand presence in global markets

- **New market expansion:** VATW is planning to enter into new markets in GCC, Africa and Central Asia, UAE, Kuwait, Jordan, Morocco, Uzbekistan and Kazakhstan. It's vast experience under WABAG brand is enabling to expand.
- **Global strategy:** VATW will align with "Go Global Think Local" strategy. Partnership and strategic alliances will be planned on case-to-case basis. It has recently signed a non-binding agreement with the Norfund-led consortium to provide an opportunity of USD100m in capital projects over a 3–5 year period.
- **Team development:** It is strengthening the offshore and onshore teams for MEA with strategic positions already recruited.
- **Diversified Portfolio:** It aims healthy mix of municipal and industrial projects, a strong customer base and balanced mix of EP, EPC and O&M orders.

### Rising presence of VATW in the fast-growing Middle Eastern markets

VATW is present in MEA markets since 4 decades. However, it has increased its focus to consistently expand in these markets since the last few years. The company has won several orders over the past few years solidifying its presence. The company is classified as a "Class 1" bidder in Saudi Arabia, making it a preferred company for water and wastewater treatment plants. Riyadh Green Initiative and the 2034 FIFA World Cup are also expected to open large opportunities for VATW.

### Major projects under execution in India and MEA clusters

- VATW secured a consortium order with Mutlaq Al-Ghowairi Contracting Company (MGC) worth INR33b (VATW's share is INR17.2b) for the Al Haer Sewage Treatment Plant in Saudi Arabia. The company shall design and build the 200 MLD treatment plant, while the MCG shall undertake the work pertaining to the transmission pipelines and construction of reservoirs.
- VATW won an SWA tender worth INR27b for the development of a 300 MLD mega seawater desalination plant in Saudi Arabia. However, the same order has

**Sewage Water Treatment Plant,  
Marafiq, KSA**



been put out for retendering according to the tender authority's call for change in scope and certification of the project. This tender was reopened in 4QFY25, and VATW is confident of winning the project again (announcement likely soon).

- The company secured a 73 MLD Lusaka project worth INR7b, which has a construction period of 36 months, followed by 24 months of O&M.
- It won an INR10b order for a 100 MLD desalination plant for Indosol's 10GW cell and module line.

## Emerging opportunities in water recycle and reuse market

### Desalination

- Desalination makes it possible to convert seawater into a potable resource by removing the dissolved mineral salts in water
- Geographically, the Middle East is the largest market for desalination, accounting for over 50% of the current installed capacity
- India's long coastline of ~7,800km provides immense potential too
- VATW is already executing some large projects in India and ME region

**La Mesa WTP, Philippines**



### One-City One-Operator Model

- Under this model, a single contractor is given the entire sewage infrastructure of a city, incl. O&M. This leads to single source accountability and long-term sustainability and provides long-term opportunities for integrated players
- VATW bagged its first One-City-One-Operator project in 2019 for Ghaziabad (INR10.5b) and Agra (INR4.3b) for combined treatment of 650MLD of sewage
- Many more cities across the country would be looking to implement the same

### Biogas to Compressed Biogas (CBG)

- Strategic tie-up with 'Peak Sustainability Ventures' to establish 100 CBG plants
- Business potential of USD200m; in talks with municipal and industrial customers

### Semiconductor

- A large semiconductor fab processing about 40,000 wafers a month could consume up to 18-20m liters of water per day. It takes out 1.5 liter of municipal water to produce 1 liter of ultra-pure water
- The process involves six stages, of which three directly require ultrapure water
- VATW has a track record in supplying ultra-pure water to the Semicon industry

### Zero Liquid Discharge (ZLD)

- There is an increasing trend of industries moving toward ZLD to conserve and reuse water to the maximum extent possible
- It involves technologies such as advanced membranes and AI-driven data analysis to improve water recovery rates and operational efficiency
- Although the cost of implementing ZLD systems is quite high, these systems mitigate regulatory risks and ensure water availability for critical processes

**Digitalization:** Partnered with 'Pani Energy' to implement applied AI for water treatment plants; committed to adopting leading technology and innovations for operational excellence; pilot implemented at Koyambedu TTRO Plant, Chennai.

**H2O to Green H2:** Global leader in clean water production, the key raw material to produce green fuel of the future; in discussion with hydrogen developers and working on enquiries for Green H2 desalination plants.

**AMAS Sewage Treatment Plant,  
Bahrain**

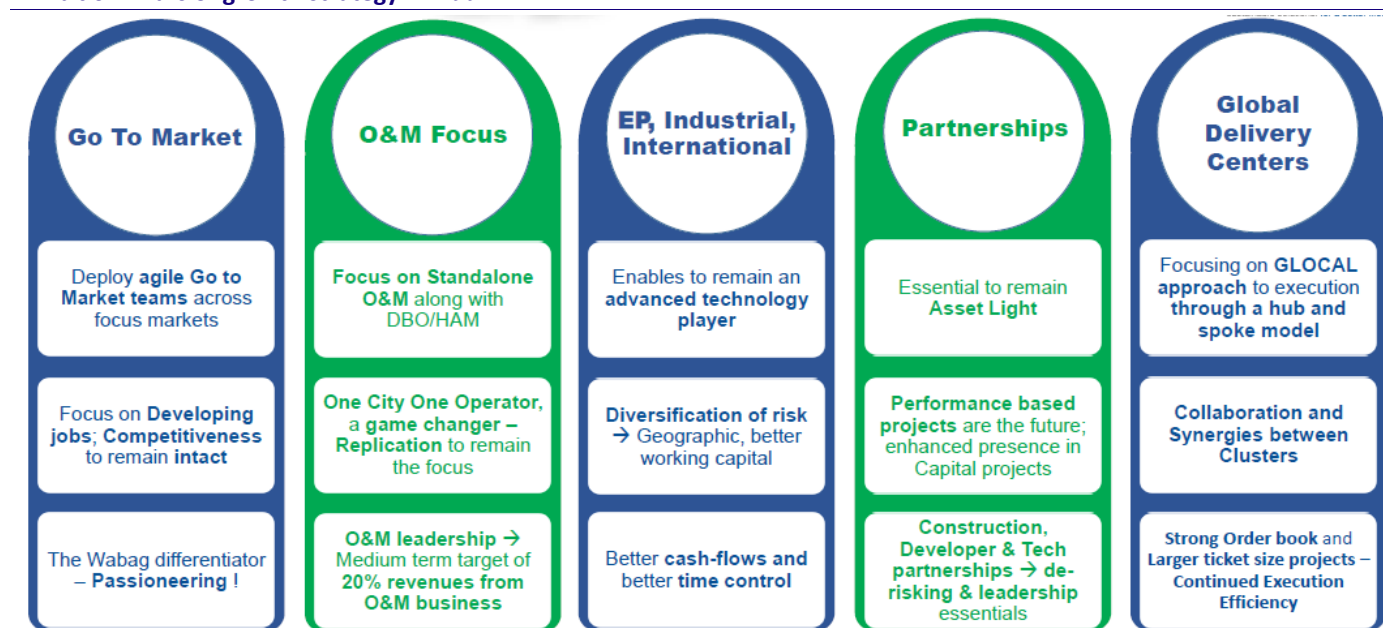




## Growth strategy *Wriddhi* drives business transformation

- VATW initiated a crucial long-term strategy, named '*Wriddhi*', to begin a new phase of growth, innovation, and sustainability.
- In response to the ever-evolving and complex global water market, the strategy focuses on advancing technological innovation, increasing the company's global footprint, fostering strategic partnerships, and driving sustainable practices.
- The strategy focuses on profitable growth, global market leadership, free cash generation and improved valuation, results of which are already visible.
- 3-5-year outlook: a) order book 3x of revenue, b) revenue CAGR 15-20%, c) EBITDA margin 13-15%, d) RoCE >20%, e) O&M mix 20%, f) RoE >15%, and g) net-cash positive
- The company has already achieved most of its guidance laid out in the strategy.

Exhibit 6: Pillars of growth strategy '*Wriddhi*'



Source: Company

### Under the '*Wriddhi*' strategy, VATW aims for:

- **33% of EPC revenues from the EP segment**, driven by a) leveraging competitive advantage, b) outsourcing lower-margin construction works to partners, and c) having better control over time and better profitability & cash flows

**Outcome:** Sustainable growth in margins and cash flows

- **30% of revenue from the industrial segment** by a) growing water management role due to ESG factors, b) focusing on industrial sector such as oil and gas, refinery, power, petro-chemical, chemical, steel, manufacturing, energy production, etc., c) bidding for complex projects with lower competition, and d) value appraisal across technical and price considerations

**Outcome:** Validated global quality at a competitive cost

- **50% of revenue from international projects** by a) having presence across over 25 countries, b) bagging larger and technically complex projects with healthy margins and funded by multilateral and sovereign funds, c) generating export earnings and forex gains, and d) focusing on South and SE Asia, Middle East, CIS, Africa markets

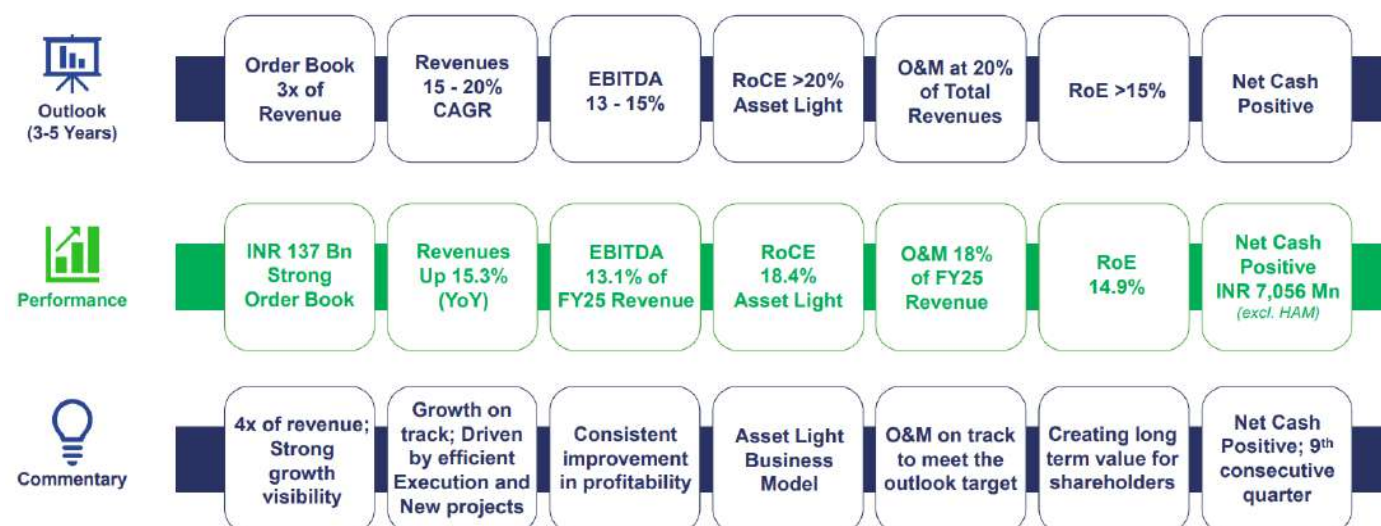
**Outcome:** Access to rich terrain experience across countries

- **20% of revenue from O&M projects** by focusing on a) multi-year projects—average tenure 10-15 years, b) strong mix of ~40% in order book, and c) asset-light, margin & cashflow rich

**Outcome:** Annuity revenue with better margins covering annual fixed costs, predictability of revenues and cash flows, repeat business generator

- **Focus on building marketing and development of jobs instead of tendered jobs**
- **Establish technology, construction partnership** for the business and financial partnerships for BOOT/HAM projects while remaining asset-light

**Exhibit 7: Medium-term guidance achieved much ahead of timeline after the implementation of 'Wriddhi'**



Source: Company



## Strong order book to aid 15-20% revenue CAGR...

...backed by a 4.2x book-to-bill ratio from marquee projects globally

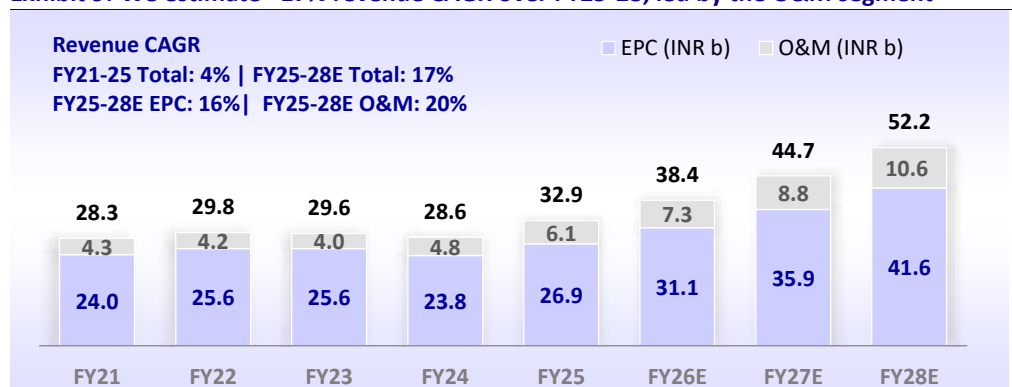
- VATW's current order book of about INR137b (4.2x FY25 revenue) provides strong revenue growth visibility for the next 3-4 years.
- The order book consists of a rich mix of O&M (39%, 5-20 years execution cycle) and EPC (52%, 2-3 years execution cycle) projects.
- During FY25, VATW bagged orders worth about INR57b, with an EPC share of INR41.2b (72% mix) and an O&M share of INR15.7b (28% mix). This includes a INR32.5b contract in consortium (VATW's share is INR17.2b) for the Al Haer ISTP in Saudi Arabia.
- The order book is concentrated. The top five projects accounted for about 50% of the total order book, including the largest project, the Chennai Desalination Project, which contributes about 20%. However, the company's successful track record of executing similar projects in Chennai ensures minimal execution risk.
- The long-duration O&M projects (up to 20 years vs. 2-5 years a decade ago; 18% revenue and ~40% order book mix) provide annuity-based sustainable revenue over the long term.
- Most of VATW's projects are funded by central government programs such as the Namami Gange Mission, AMRUT, and multilateral agencies (such as ADB, World Bank), reducing any customer default risk.
- With combined addressable opportunities of ~USD9b emerging from the India & MEA cluster, VATW is well-positioned to win 25-30% of projects by selectively bidding for quality orders of healthy margins and cash flows.
- With a strong bid pipeline of INR150-200b, the company expects to capture orders worth INR60-70b annually which will support its 15-20% revenue CAGR guidance.
- Thus, we expect ~17% revenue CAGR over FY25-28, following a subdued ~4% CAGR during FY21-25, which was affected by focused bidding and divestment of European subsidiaries.

Exhibit 8: Strong order book position supports 15-20% revenue CAGR guidance

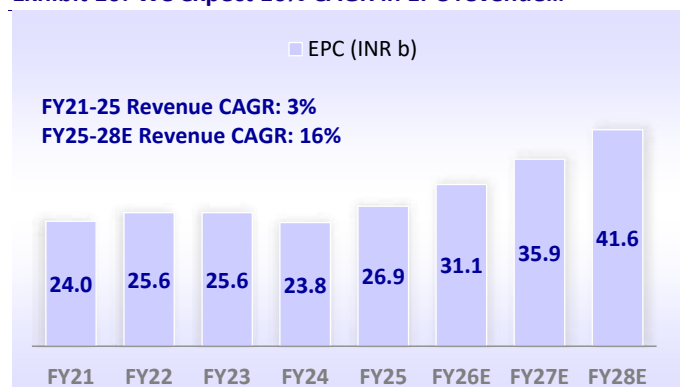
	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue (INR b)	24.4	25.1	32.1	34.6	27.8	25.6	28.3	29.8	29.6	28.6	32.9	38.4	44.7	52.2
% YoY	9	3	28	8	-20	-8	11	5	-1	-4	15	17	17	17
O&M mix	20	20	16	12	13	14	15	14	13	17	18	19	20	20
Industrial mix	32	44	49	50	47	31	25	25	32	36	25	26	27	27
International mix	50	41	45	47	38	32	35	28	49	47	46	48	49	50
Order book (INR b)	68.4	83.2	81.9	77.4	92.9	110.5	95.8	101.1	132.2	114.5	136.7	154.4	171.4	187.0
Book-to-bill ratio (x)	2.8	3.3	2.6	2.3	3.4	4.4	3.4	3.4	4.5	4.0	4.2	4.0	3.8	3.6

Source: Company, MOFSL

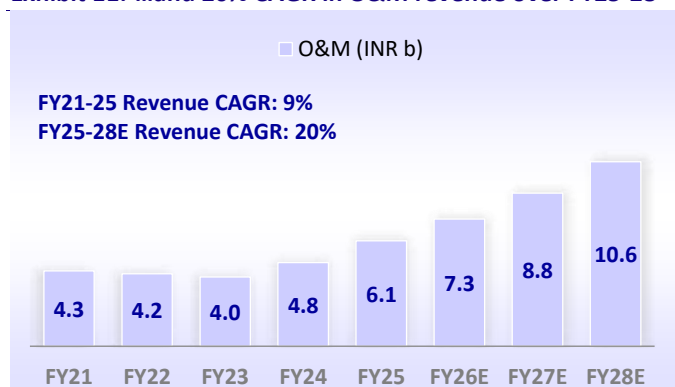
Exhibit 9: We estimate ~17% revenue CAGR over FY25-28, led by the O&M segment



Source: Company, MOFSL

**Exhibit 10: We expect 16% CAGR in EPC revenue...**


Source: Company, MOFSL

**Exhibit 11: ...and 20% CAGR in O&M revenue over FY25-28**


Source: Company, MOFSL

### Key contracts in the order book and upcoming opportunities

FY26 revenue is expected to receive significant contributions from the Perur Desal project (Chennai), Indosol Project (Andhra Pradesh), and Lusaka Water Supply and Sanitation Project (Zambia). The company also expects opportunities from Namami Gange 2.0 and Yamuna Action Plan 3/4 in the medium term.

**Exhibit 12: Key contracts in the order book (INR b)**

	Amount (INR b)
400 MLD Perur, Chennai – Desalination	25.6
200 MLD Al Haer ESC, KSA- ISTP	14.2
UPJN, O&M of Agra & Ghaziabad – OCOO	9.9
100 MLD Indosol, Andhra Pradesh – Desalination	9.6
73 MLD Lusaka Water Supply and Sanitation Company - WWTP	7.5
200 MLD Pagla, Bangladesh – STP	5.3
150 MLD Digha & Kankarbagh – Network	3.9
110 MLD CMWSSB, Chennai – Desalination	3.7
GAIL Pata, Uttar Pradesh – ETP, WWTP & ZLD	3.4
270 MLD CIDCO, Maharashtra – WTP	3.3
<b>Key framework contracts</b>	
Libya STP	6.1
Bomba MED, Libya	5.7

Source: Company

### Confident of winning the Yanbu Al-Bahr contract again

After a blip in FY24 (down 66% YoY at INR23.4b), VATW's order intake surged 143% YoY at INR56.9b, aided by large order intake in both EPC and O&M segments in India and the Middle East markets. The company is currently the preferred bidder in projects of over INR30b, apart from the INR27b 300MLD Yanbu Al-Bahr contract in Saudi Arabia, which has been put out for retendering (terminated in Dec'24 due to internal administrative procedure). VATW is confident of winning the project again (announcement likely soon) due to its competitive edge.

**Exhibit 13: New order wins in FY25 (INR b)**

	Nature	Order Value (INR b)
200 MLD Al Haer ESC, KSA - ISTP	EPC	17.2
100 MLD Indosol, Andhra Pradesh - Desalination	DBO	10.0
73 MLD Lusaka WSSC, Zambia - WWTP	DBO	7.8
110 MLD CMWSSB, Nemmeli Chennai – Desalination	O&M	4.1
RIL, Nagothane & Dahej – Water Systems	EP	3.4
GAIL Pata, Uttar Pradesh – ETP, WWTP & ZLD	DBO	3.4
CPCL – Pipeline, Chennai - Desalination	EPC	1.5
Bapco Refining, Bahrain – IWTP	O&M	1.2

Source: Company

### Highlights of the key projects under planning and execution:

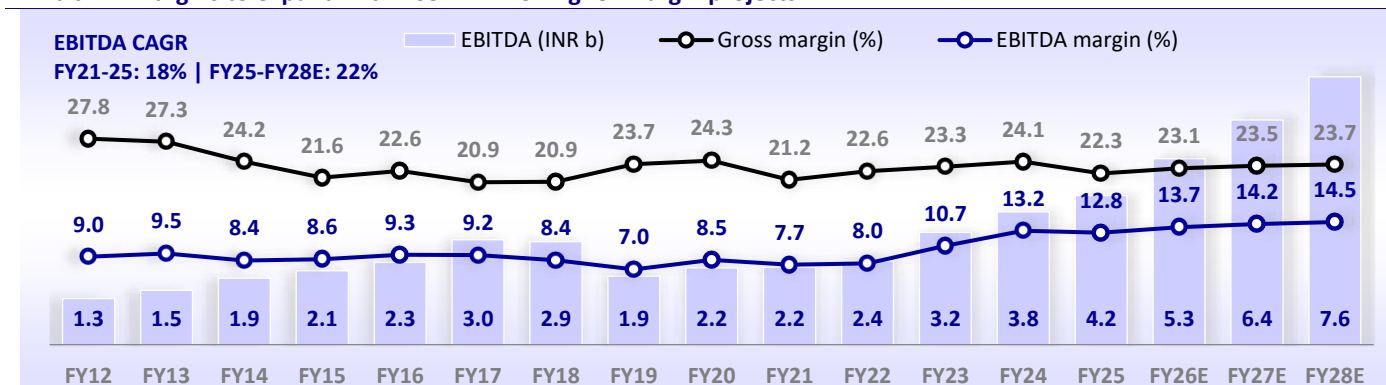
- VATW secured a consortium order with Mutlaq Al-Ghowairi Contracting Company (MGC) worth INR33b for the Al Haer Sewage Treatment Plant in Saudi Arabia (VATW's share at INR17.2b). The company shall design and build the 200 MLD treatment plant, while the MCG shall undertake the work pertaining to the transmission pipelines and construction of reservoirs.
- VATW won an SWA tender worth INR27b for the development of a 300 MLD mega seawater desalination plant in Saudi Arabia. However, the same order has been put out for retendering according to the tender authority's call for change in scope and certification of the project. This tender was reopened in 4QFY25, and VATW is confident of winning the project again (announcement likely soon).
- The company secured a 73 MLD Lusaka project worth INR7b, which has a construction period of 36 months, followed by 24 months of O&M.
- It won an INR10b order for a 100 MLD desalination plant for Indosol's 10GW cell and module line.
- After the successful execution of HAM projects under the Namami Gange river cleaning projects in the last five years, VATW expects more order inflows, including from the tributaries and neighboring rivers, considering the vast scope of work. The third and fourth phases of the Yamuna Action Plan are also likely to be awarded.
- About six active queries from the ultra-pure water segment (primarily used in the production of semiconductors and solar PV cells) are likely to be finalized in early 2HFY26.

## Focused bidding to support 13-15% EBITDA margin...

...aided by large scale EP, O&M, industrial, and overseas projects

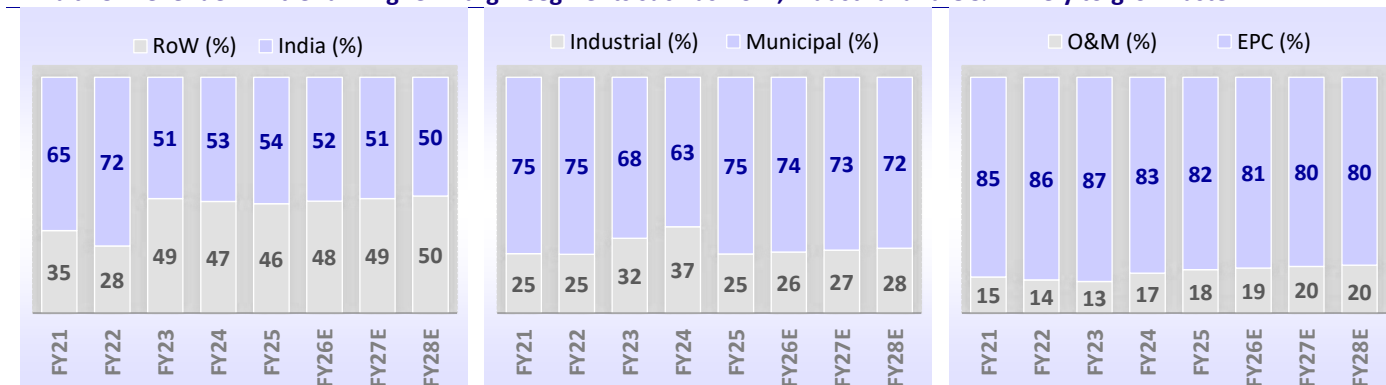
- During FY18-22, VATW's EBITDA margin ranged within the 8-9% band, which inched up to 10.7% in FY23 and ~13% in the last two years.
- Going ahead, we expect VATW's EBITDA margin to further expand toward the higher range of its guidance of 13-15% in the coming years.
- The key enablers are its healthy order book (~INR137b, 4.2x FY25 revenue), execution of large-sized projects (such as the INR25.6b Perur Chennai Desal Plant and the INR14.2b Al Haer KSA ISTP Plant), and heightened focus on winning orders in EP (aims for 33% mix in EPC), O&M (20% mix in revenue vs. 39% mix in order book), and industrial and overseas (aims for 50% mix) segments and markets.
- In EPC projects, management emphasizes the EP job and subcontracts the construction activity, which carries low margins. A rising mix of large-scale projects in the order book improves operational efficiency and augurs well for margins.
- The expense for bad debt provisioning has reduced materially in the last 6-8 years. VATW booked INR101m in expenses in FY24 (0.4% of revenue, the least in the last 10 years), which fell from its peak of ~INR1.1b in FY22 and FY23 (~3.9% of revenue, mainly Gammon Genco projects and European subsidiaries).
- Gross and EBITDA margins may be affected during the early phase of a large EPC project when the revenue mix of construction is higher (as witnessed in 2HFY25 due to the execution of the Perur Chennai desalination and Pagla Bangladesh projects). However, margins improve over a period as engineering and procurement revenue kicks in.

Exhibit 14: Margins to expand with rise in mix of higher margin projects



Source: Company, MOFSL

Exhibit 15: Revenue mix trend – higher margin segments such as RoW, Industrial and O&M likely to grow faster



Source: Company, MOFSL

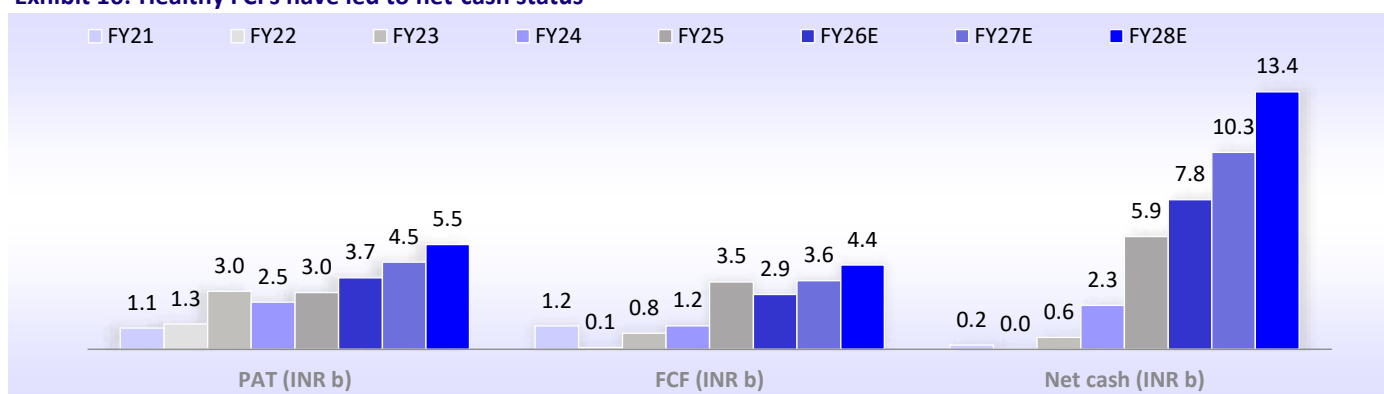


## Turns net cash with healthy return ratios

*Moving towards the guided levels of 20%+ RoCE and 15%+ RoE*

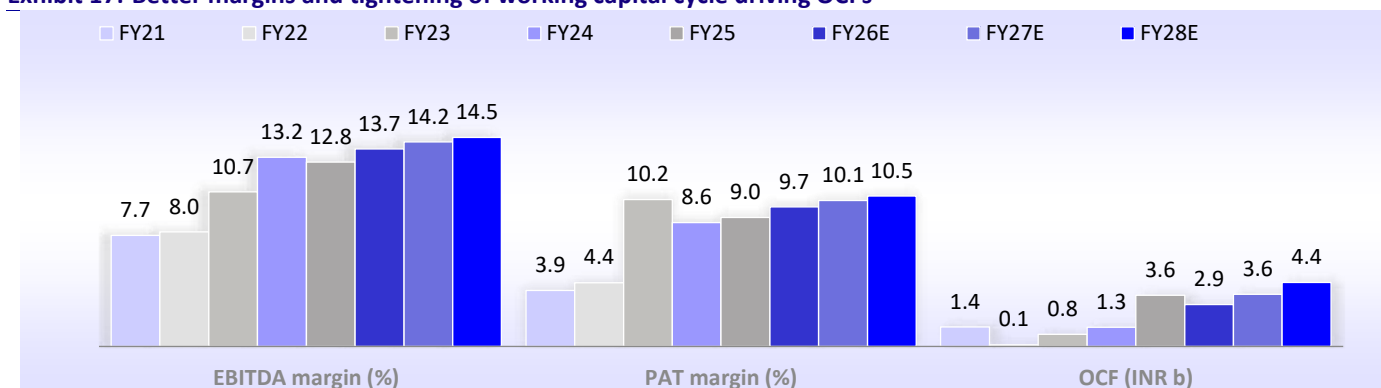
- VATW has recorded a remarkable turnaround in its free cash flow generation in the last five years, achieving a INR5.9b net cash at the end of FY25 (vs. INR4b net debt in FY19).
- Its RoCE/RoIC has also doubled to reach ~20%/28% in FY25 from ~11%/12% in FY19.
- RoE expanded to 13.8% in FY25 from 8-9% reported till FY22.
- Significant improvement in EBITDA margins (~2x to ~13%), tightening of the working capital cycle, and an asset-light business model has been the key enablers.
- VATW's asset-light strategy (FY25 net block ~INR0.7b for INR32.9b revenue, gross block broadly the same since FY14), leveraging its R&D capabilities and focus on EP jobs (while subcontracting the machinery-intensive civil construction work), has paid well.
- Leveraging its technical skills, VATW has followed a partnership model for R&D investments (mostly done by customers) and HAM projects (with less than 5% equity contribution, with an option to monetize after three years).
- We expect the strong FCF generation to sustain (averaging ~INR3.5b annually over FY25-28E) on the back of healthy revenue growth, better margins and working capital cycle.
- During FY25-28E, we expect further expansion in RoCE (from ~20% to ~24%), RoE (from ~14% to ~16%), and RoIC (from ~28% to ~39%), well above its guided range.

**Exhibit 16: Healthy FCFs have led to net-cash status**



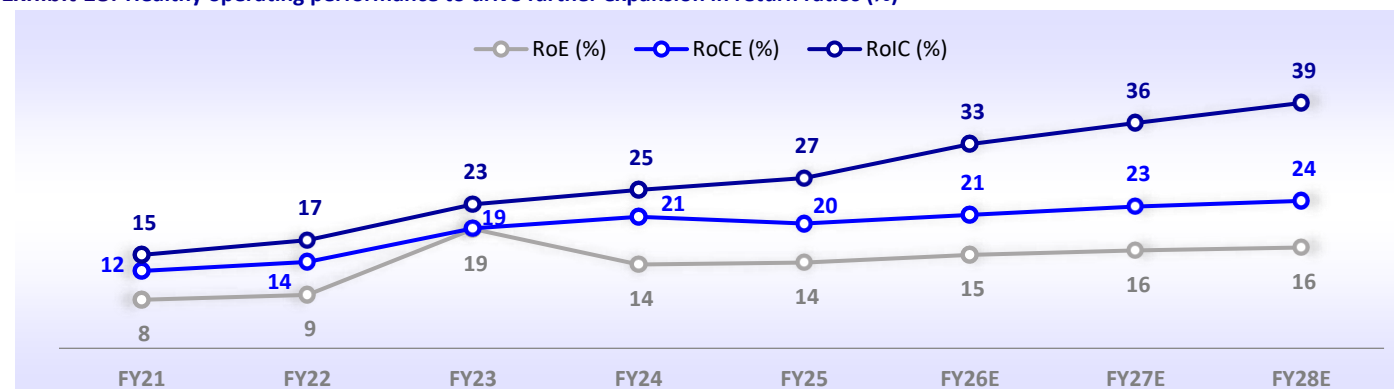
Source: Company, MOFSL

**Exhibit 17: Better margins and tightening of working capital cycle driving OCFs**



Source: Company, MOFSL

**Exhibit 18: Healthy operating performance to drive further expansion in return ratios (%)**

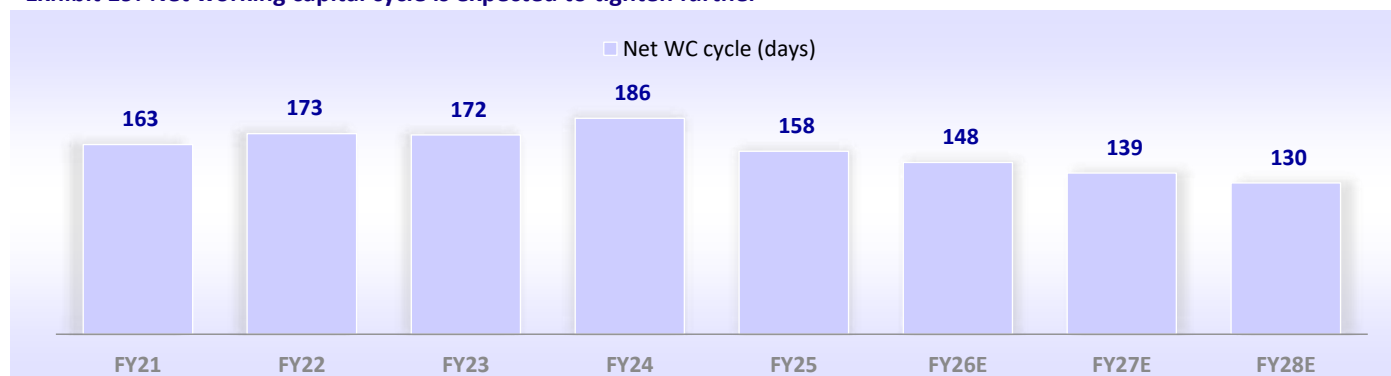


Source: Company, MOFSL

### Scope to tighten net-WC cycle; receivable days to remain elevated though

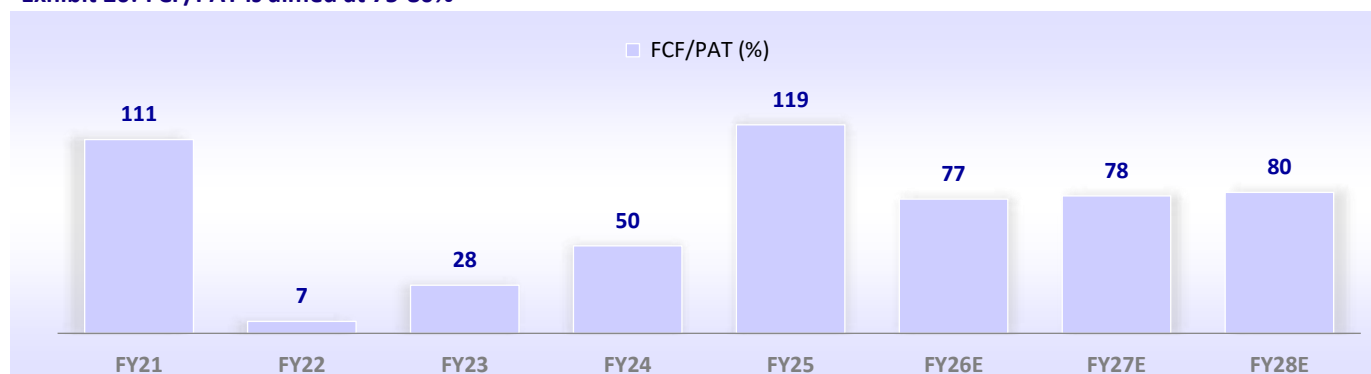
The payment process typically follows a milestone-based billing cycle, resulting in substantial funds being tied up as unbilled revenue. The construction period of the project usually has two-to-three years, followed by one-year defect liability period, causing a material retention money to remain locked until the defect liability period concludes. Furthermore, the company undertakes certain projects in consortium with civil contractors, where the final bill payment linked to plant commissioning, which in turn is contingent on the civil contractor's completion of work. As a result, the company's receivable collection cycle remains elevated. VATW fund the high receivable needs from the payables to keep the net working capital cycle low.

**Exhibit 19: Net working capital cycle is expected to tighten further**



Source: Company, MOFSL

**Exhibit 20: FCF/PAT is aimed at 75-80%**



Source: Company, MOFSL

## Addressing investor concerns...

*...should act as valuation rerating triggers for the stock*

### 1. VATW's low revenue CAGR in the 5-year and 10-year periods

- The company was growing healthy until FY18 and clocked its all-time high revenue of INR34.6b. This was aided by a large project in the power sector.
- However, revenue growth came at the cost of EBITDA margin, which slid to 8.4% in FY18 from 9-10% range historically.
- Further, the large power project did not complete as planned, and VATW had to write off a significant amount of INR2.9b in FY23. This issue is mostly behind now, with some paltry amount lying in receivables, which the company will try hard to recover.
- Learning from the past mistakes, VATW, in FY22, laid out a growth strategy, 'Wriddhi', with a greater focus on margins and cash flows over revenue growth. This made the company very selective in participating in tenders that are complex and of large-scale.
- As part of its strategy to reduce exposure in the European region (a saturated and highly competitive market that had a very low contribution to EBITDA), VATW decided to divest three of its European subsidiaries over FY23 and FY24.
- Reduced exposure to European markets enabled the company to channelize focus and resources to the fast-growing emerging markets such as India, MEA.
- As a result, while revenue grew by a low 4% CAGR over FY21-25, EBITDA/PAT surged by a CAGR of 18%/28% with its EBITDA/PAT margins expanding from 7.7%/3.9% in FY21 to 12.8%/9% in FY25.
- Further, management has given 15-20% revenue CAGR guidance over 3-5 years on the back of a robust 4.2x book-to-bill ratio. It clocked revenue growth of 15.3% YoY in FY25.
- Emerging themes such as desalination, ultra-pure water, etc., also provide healthy order intake tailwinds for the company going ahead.
- **Fitch rating upgrade:** In Feb'25, India Ratings upgraded VATW's NCDs and bank loan long-term rating to 'IND AA-/Stable', which is encouraging for an EPC company. This is also a testimony to VATW's improving operating performance, deleveraging balance sheet, and its sustainable net debt-free status.

### 2. Slowdown in order inflow since 3QFY25 following cancellation of a large INR27b Saudi order

- In Sep'24, VATW won a mega INR2.7b 300MLD Yanbu Al-Bahr Seawater Desalination Plant in Saudi Arabia.
- Subsequently, in Dec'24, the tender was terminated according to the tender authority's call for change in scope and certification of the project.
- This tender was reopened in 4QFY25. VATW submitted a fresh bid and is confident of winning the project again (announcement likely soon) due to its competitive edge.
- Order inflow has slowed down since 3QFY25 following the above event. However, management sees this as a timing issue for the awarding of orders, as bid participations have been robust.
- Despite the slowdown in order intake, the book-to-bill ratio stands robust at 4.2x FY25 revenue.

- Apart from Yanbu, VATW is also the preferred bidder in projects of over INR30b.
- Thus, management expects a bunch of large order inflows in 2Q-3QFY25 (including Yanbu) to make up for the slow intake in previous quarters.
- With a strong bid pipeline of INR150-200b, the company expects to win orders worth INR60-70b annually which will support its 15-20% revenue CAGR guidance.

### 3. Bagging HAM projects may dilute asset-light status and increase payment risk

- The Central government of India has floated large river cleaning projects, such as Namami Gange, on an HAM-based model to increase public-private partnership.
- Looking at the vast opportunities, VATW started participating in such HAM projects by inducting equity funding partners and keeping its own contribution low at <5%, thus maintaining its asset-light strategy.
- It has recently signed a non-binding agreement with the Norfund-led consortium to provide an incremental opportunity of USD100m in capital projects over a three- to five-year period.
- The company has executed three HAM-based projects. It expects to pare its share to 26% of the equity portion (30% of the project) by inducting new investors in the Ghaziabad HAM project, as it has already done in the Kolkata and Bihar HAM projects.
- After completing three years of post-commercial operations, the company has the option to monetize these HAM investments.
- Debt taken for the HAM entities is also transitory in nature. Further, well-funded status of these projects reduces any default or payment risks.

### 4. High business concentration on a few clients and large projects

- VATW's top 5 customers contribute over 50% to the company's revenue.
- The top 2 large projects (Perur Chennai and Pagla Bangladesh) contribute ~30% to the total order book.
- We understand this is the nature of the company's business.
- In fact, such large, complex projects provide revenue visibility for a longer period and have better margins.
- The company's well-funded, strong order book provides comfort on execution and collections going forward.

### 5. High exposure to municipal orders poses risks of bad debt

- Large water projects are primarily driven by central and state governments and categorized as Municipal projects. VATW's ~75% revenue and order book are comprised of such Municipal orders.
- The company participates in tenders of well-funded projects only by central government, sovereign funds, and multilateral agencies. This eliminates any customer default or payment risk.
- There may be some delay in payments from such agencies due to the long approval process; however, there is negligible risk of bad debt provisioning (FY25 at a low 0.4% of revenue).
- Government's reducing its spending on the water infrastructure is also a remote possibility, as water is a very sensitive and priority area.



## 6. Long receivables cycle

- Given the nature of the business, most EPC jobs have lengthy payment cycles.
- The company tries to address the issue of provisions for retention funds as a guarantee by undertaking measures such as accelerating project execution and payment cycles and negotiating with customers to use bank guarantees instead of retention funds.
- Furthermore, it manages its trade receivables by aligning payments with the receipt of payment approvals from customers, thereby balancing trade receivables against trade payables.

## 7. Exposure to cyclical sector and forex risk

- VATW is exposed to the inherent cyclicity of the infrastructure sector and intense competition with several small players vying for tender-based contract awards.
- Further, fluctuations in raw material prices adversely impact profitability.
- VATW partially mitigates this risk through price escalation clauses in orders.
- Overseas revenue contributed 46% of VATW's total revenue, which exposes it to currency fluctuations.
- The company effectively manages the risk through a combination of natural hedging and a defined hedging policy. During FY24, VATW booked INR11m of forex gains (FY23: INR369m).

## 8. Geopolitical risk

- VATW executes projects in over 25 countries, the majority of which are in India and the Middle East regions.
- While any major geopolitical unrest poses business risk, the impact for VATW is limited to some delay in execution. For example, the Pagla project in Bangladesh faced a similar situation, and execution normalized after a few quarters of unrest.
- As the majority of projects are well-funded by multilateral agencies, there is negligible risk of cancellation or nonpayment.

## Robust financial outlook

**We model 17%/23% revenue/PAT CAGR over FY25-28E and 24% RoCE in '28**

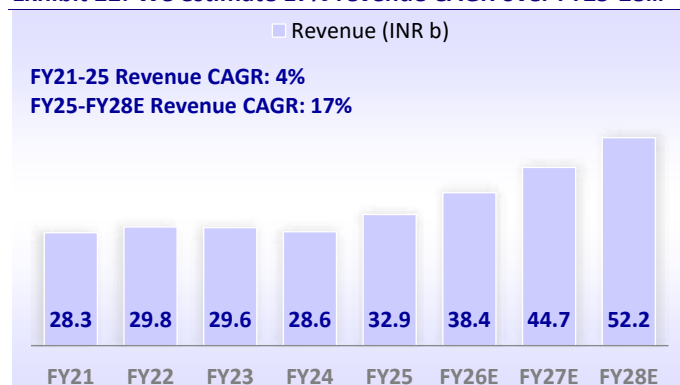
- Following a 4%/18%/28% CAGR in revenue/EBITDA/PAT over FY21-25, we estimate them to grow at 17%/22%/23% CAGR over FY25-28.
- VATW's current order book of about INR137b (4.2x FY25 revenue) provides strong revenue growth visibility for the next 3-4 years.
- With a strong bid pipeline of INR150-200b, the company expects to capture orders worth INR60-70b annually and support its 15-20% revenue CAGR guidance.
- Since the launch of the strategy 'Wridhhi' in 2023, VATW has already achieved a sharp uptick in its EBITDA margin to ~13% levels in the last two years (vs. a 7-9% band historically).
- Going forward, we expect VATW's EBITDA margin to further expand towards the higher range of 13-15% guidance in the coming years.
- Greater focus on executing large-scale projects and high-margin segments, such as O&M (18%/39% mix in revenue/order book, 5-20 years execution cycle), augurs well for margins.
- VATW has experienced a remarkable turnaround in its free cash flow generation over the last five years, achieving a INR5.9b net-cash in FY25 (vs. INR4b net debt in FY19).
- RoCE/RoIC has also doubled during FY19-25 to ~20%/28% in FY25 (FY19: ~11%/12%).
- RoE expanded to 13.8% in FY25 from 8-9% reported till FY22.
- Significant improvement in EBITDA margins (~2x to ~13%), tightening of the working capital cycle, and an asset-light business model has been the key enablers.
- We expect strong FCFs to be sustained at ~INR3.5b annually over FY25-28E owing to robust operating results (strong order book, better margins and working capital cycle).
- During FY25-28E, we expect further expansion in RoCE (from ~20% to ~24%), RoE (from ~14% to ~16%), and RoIC (~28% to ~39%), well above its guided range.

**Exhibit 21: Strong order book position supports 15-20% revenue CAGR guidance**

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue (INR b)	24.4	25.1	32.1	34.6	27.8	25.6	28.3	29.8	29.6	28.6	32.9	38.4	44.7	52.2
% YoY	9	3	28	8	-20	-8	11	5	-1	-4	15	17	17	17
O&M mix	20	20	16	12	13	14	15	14	13	17	18	19	20	20
Industrial mix	32	44	49	50	47	31	25	25	32	36	25	26	27	27
International mix	50	41	45	47	38	32	35	28	49	47	46	48	49	50
Order book (INR b)	68.4	83.2	81.9	77.4	92.9	110.5	95.8	101.1	132.2	114.5	136.7	154.4	171.4	187.0
Book-to-bill ratio (x)	2.8	3.3	2.6	2.3	3.4	4.4	3.4	3.4	4.5	4.0	4.2	4.0	3.8	3.6

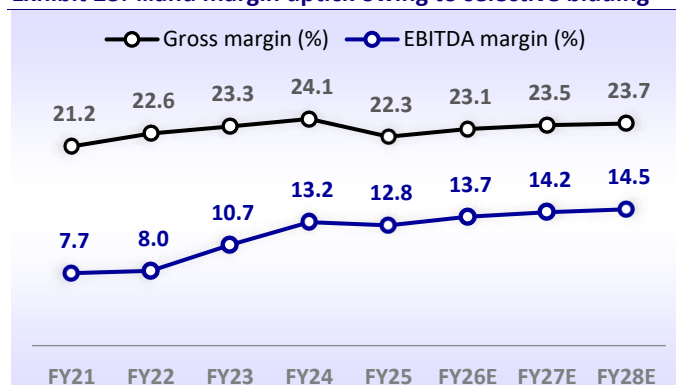
Source: Company, MOFSL

**Exhibit 22: We estimate 17% revenue CAGR over FY25-28...**

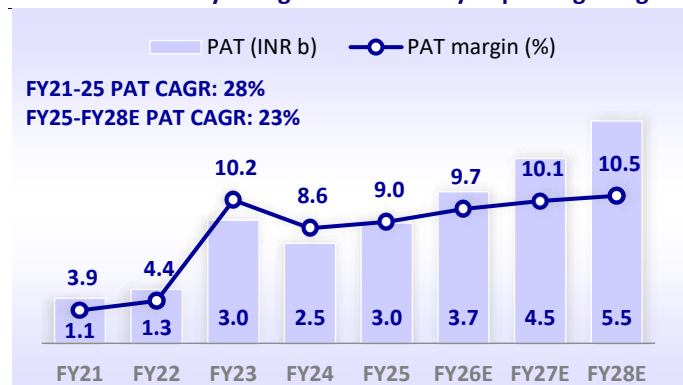


Source: Company, MOFSL

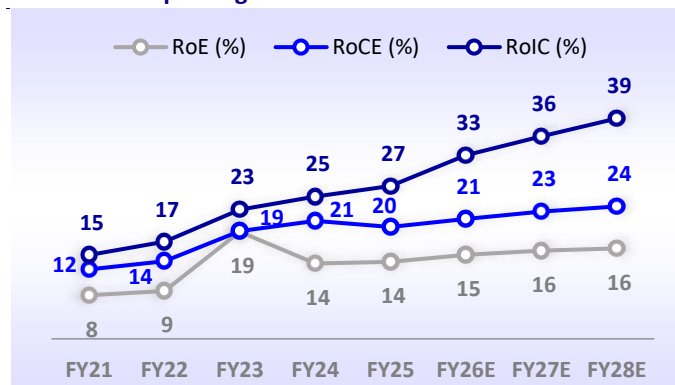
**Exhibit 23: ...and margin uptick owing to selective bidding**



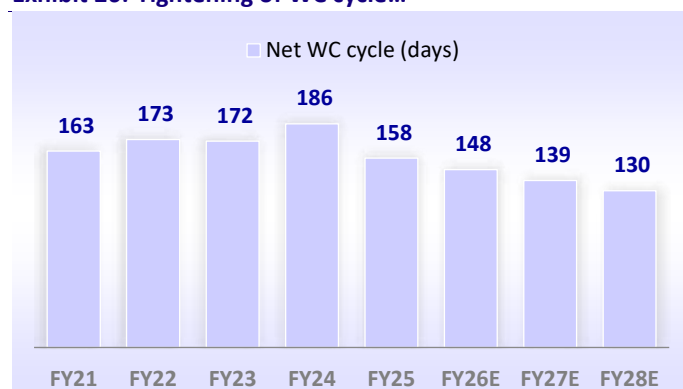
Source: Company, MOFSL

**Exhibit 24: Healthy PAT growth driven by improving margins**


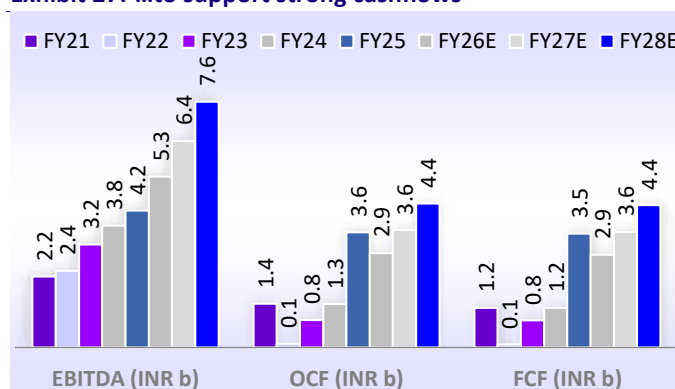
Source: Company, MOFSL

**Exhibit 25: Improving return ratios**


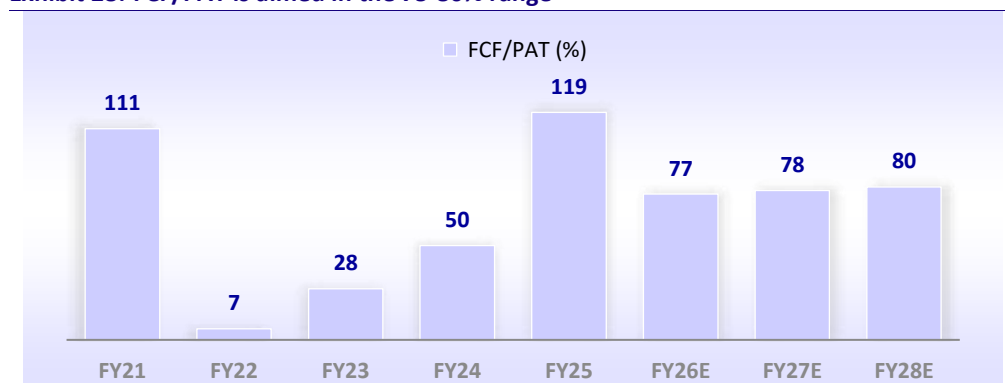
Source: Company, MOFSL

**Exhibit 26: Tightening of WC cycle...**


Source: Company, MOFSL

**Exhibit 27: ...to support strong cashflows**


Source: Company, MOFSL

**Exhibit 28: FCF/PAT is aimed in the 75-80% range**


Source: Company, MOFSL

**Exhibit 29: DuPont analysis**

	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
ROE (%)	7.8	8.6	19.2	13.5	13.8	15.0	15.8	16.2
PAT margin %	3.9	4.4	10.2	8.6	9.0	9.7	10.1	10.5
Total Asset Turnover (x)	1.6	1.5	1.7	1.4	1.3	1.4	1.4	1.4
Equity Multiplier (x)	1.2	1.3	1.1	1.2	1.2	1.1	1.1	1.1

Source: Company, MOFSL

## Valuation and View: Initiate coverage with a BUY rating

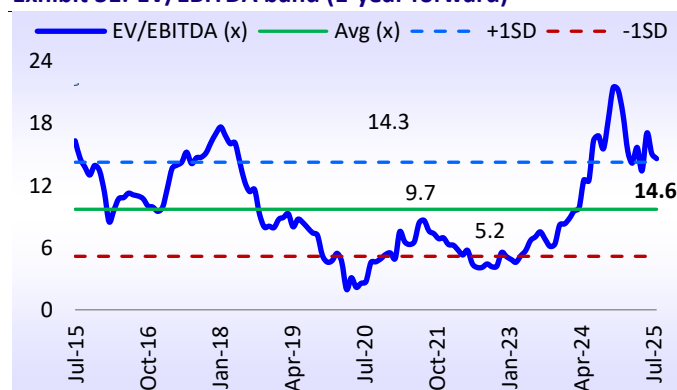
- VATW, with over 100 years of experience, is a global leader in the water industry and offers a complete range of technologies and services for total water solutions in both municipal and industrial sectors. Its global ranking as a private water operator improved to three in 2022 from six in 2019 and ten in 2017 (source: GWI).
- It follows an asset-light model with a high focus on EP (R&D centers located in Europe and India, and holds over 125 intellectual property rights) and O&M works.
- With this technical expertise and vast experience in executing large, critical projects, VATW is now qualified to independently bid for marquee projects globally. However, it is very selective in bidding (focusing on margins and cash flows) and has a win ratio of 25-30%.
- After a 4%/18%/28% CAGR in revenue/EBITDA/PAT over FY21-25, we estimate them to grow at 17%/22%/23% CAGR over FY25-28E.
- VATW's current order book of ~INR137b (4.2x FY25 revenue) and a strong bid pipeline of INR150-200b provide strong 15-20% revenue growth visibility for the next 3-4 years.
- Greater focus on executing large-scale projects in high-margin segments such as EP, Industrial and O&M augurs well for margins.
- We expect strong FCF to be sustained (~INR3.5b annually over FY25-28E) owing to robust operating performance and further tightening of the working capital cycle.
- Over FY25-28, we expect further expansion in RoCE (from ~20% to ~24%), RoE (from ~14% to ~16%), and RoIC (~28% to ~39%), well above its guided range.
- Outlook of strong FCF generation, net-cash status and expansion in return ratios make VATW's scrip attractive at ~20x FY27E EPS on CMP.
- We initiate coverage on VATW with a BUY rating and a target price of INR1,900, based on 26x FY27E P/E (premium to historical average of 18x on improved outlook). We believe large order inflows and a significant margin expansion could fuel valuation rerating in the near to medium term.

Exhibit 30: P/E band and standard deviation (1-yr forward)



Source: Bloomberg, MOFSL

Exhibit 31: EV/EBITDA band (1-year forward)



Source: Bloomberg, MOFSL

Exhibit 32: Peers at a glance

(INR)	CMP	M-cap (INR b)	FY25 (INR b)			CAGR FY21-25 (%)			RoCE (%)		RoE (%)	
			Revenue	EBITDA	PAT	Rev	EBITDA	PAT	FY24	FY25	FY24	FY25
VATW	1,486	92	32.9	4.2	3.0	4	18	28	21	20	14	14
Ion Exchange	548	80	27.4	2.9	2.1	17	10	10	27	22	21	19
Enviro Infra Engineers	285	50	10.7	2.7	1.8	71	106	111	47	32	35	27
EMS	634	35	9.7	2.5	1.8	31	26	26	29	27	22	21

Source: screener.in, MOFSL



## Key risks & concerns

- **High dependence on government clients:** About 75% of VATW's revenue is linked to municipal and other government entities. This exposes the company to delays or cancellations arising from political changes, policy shifts, or budgetary constraints, both in India and abroad.
- **Client concentration risk:** A significant portion of revenue is derived from a few large clients. Any loss or scale-down by key customers could materially impact financial performance.
- **Intense competitive pressure:** The company faces strong competition from global players, small Indian players, and new entrants. Aggressive bidding and pricing pressure, especially in BOOT projects where VATW has limited experience, could impact margins.
- **Supply chain vulnerability:** Raw material prices and availability are influenced by factors such as domestic and international general economic conditions, competition, availability of quality suppliers, production levels, transportation costs, and import duties. Although the company enters into back-to-back supplier contracts or provides for price contingencies, disruptions or uncompetitive sourcing could delay project execution and escalate costs.
- **Elongated receivable cycle:** Long collection periods increase exposure to client credit risk and seasonal delays. Non-payment or delays from clients, despite 95% of the order book being funded by multilateral agencies or letters of credit, can lead to provisioning, higher working capital needs, or write-offs.
- **Geopolitical and regulatory risks:** About 35% of the company's current order book is exposed to overseas operations, which are affected by currency controls, legal uncertainties, local partner risks, and economic instability, and could disrupt business continuity.
- **Forex risk:** A substantial portion of the revenues is denominated in Indian rupees. However, the company incurs significant payment obligations denominated in foreign currencies for various equipment. It also plans to increase contributions from overseas projects. Volatility in INR or global currencies may adversely affect margins and profitability.

## Bull and bear case scenarios



### Bull case scenario

	FY25	FY26E	FY27E	FY28E	CAGR FY25-28E
Target Price: INR 2,564 (73% upside) (at 35x FY27E P/E)	1. We expect ~22%/28%/30% CAGR in revenue/EBITDA/PAT over FY25-28E. 2. Revenue is expected to be driven by ~30% CAGR in O&M and ~20% CAGR in EPC segments. 3. We estimate EBITDA margin of 12.8% in FY25 to gradually improve to 15% in FY28.				
Revenue (INR m)	32,940	40,072	48,771	59,426	22
EBITDA (INR m)	4,223	5,578	7,082	8,926	28
EBITDA margin %	12.8	13.9	14.5	15.0	
PAT (INR m)	2,953	3,940	5,048	6,417	30
EPS (INR)	47.6	63.6	81.4	103.5	30

### Base case scenario

	FY25	FY26E	FY27E	FY28E	CAGR FY25-28E
Target Price: INR 1,900 (28% upside) (at 26x FY27E P/E)	1. We expect ~17%/22%/23% CAGR in revenue/EBITDA/PAT over FY25-28E. 2. Revenue is expected to be driven by ~21% CAGR in O&M and ~16% CAGR in EPC segments. 3. We estimate EBITDA margin of 12.8% in FY25 to gradually improve to 14.5% in FY28.				
Revenue (INR m)	32,940	38,387	44,746	52,204	17
EBITDA (INR m)	4,223	5,267	6,363	7,580	22
EBITDA margin %	12.8	13.7	14.2	14.5	
PAT (INR m)	2,953	3,722	4,541	5,456	23
EPS (INR)	47.6	60.0	73.2	88.0	23

### Bear case scenario

	FY25	FY26E	FY27E	FY28E	CAGR FY25-28E
Target Price: INR 1,318 (11% downside) (at 18x FY27E P/E)	1. We expect ~12%/14%/15% CAGR in revenue/EBITDA/PAT over FY25-28E. 2. Revenue is expected to be driven by ~15% CAGR in O&M and ~11% CAGR in EPC segments. 3. We estimate EBITDA margin of 12.8% in FY25 to gradually improve to 13.5% in FY28.				
Revenue (INR m)	32,940	36,787	41,255	46,296	12
EBITDA (INR m)	4,223	4,827	5,495	6,259	14
EBITDA margin %	12.8	13.1	13.3	13.5	
PAT (INR m)	2,953	3,404	3,915	4,502	15
EPS (INR)	47.6	54.9	63.1	72.6	15

## SWOT analysis

- ❖ Over 100 years of experience in water management under the WABAG brand
- ❖ Ranked top 3 private water operators and top 5 desalination plant suppliers globally
- ❖ 6,500 projects executed across 25+ countries
- ❖ Preferred bidder in large-scale desalination and wastewater treatment projects across geographies
- ❖ Strong technological edge with 125+ IPRs and in-house R&D

**S**

**STRENGTH**



- ❖ Long project cycles and dependence on timely client clearances can delay revenue recognition
- ❖ Execution across diverse geographies requires adhering to different region-specific regulations, adding operational complexity
- ❖ The presence of small local players in O&M reduces differentiation and leads to fragmented competition

**W**

**WEAKNESS**



- ❖ Large-scale policy-driven water infrastructure push in India and rising industrial water treatment demand globally
- ❖ Strong project pipeline in desalination, recycling, tertiary treatment, and ZLD projects in India, the Middle East, and Africa
- ❖ Growing demand for advanced water solutions in green hydrogen and semiconductor sectors

**O**

**OPPORTUNITY**



- ❖ High competition in EPC and O&M businesses
- ❖ Project execution delay risks from supply chain bottlenecks, regulatory approvals, or geopolitics
- ❖ Raw material and exchange rate volatility may affect margins
- ❖ Dependence on government spending

**T**

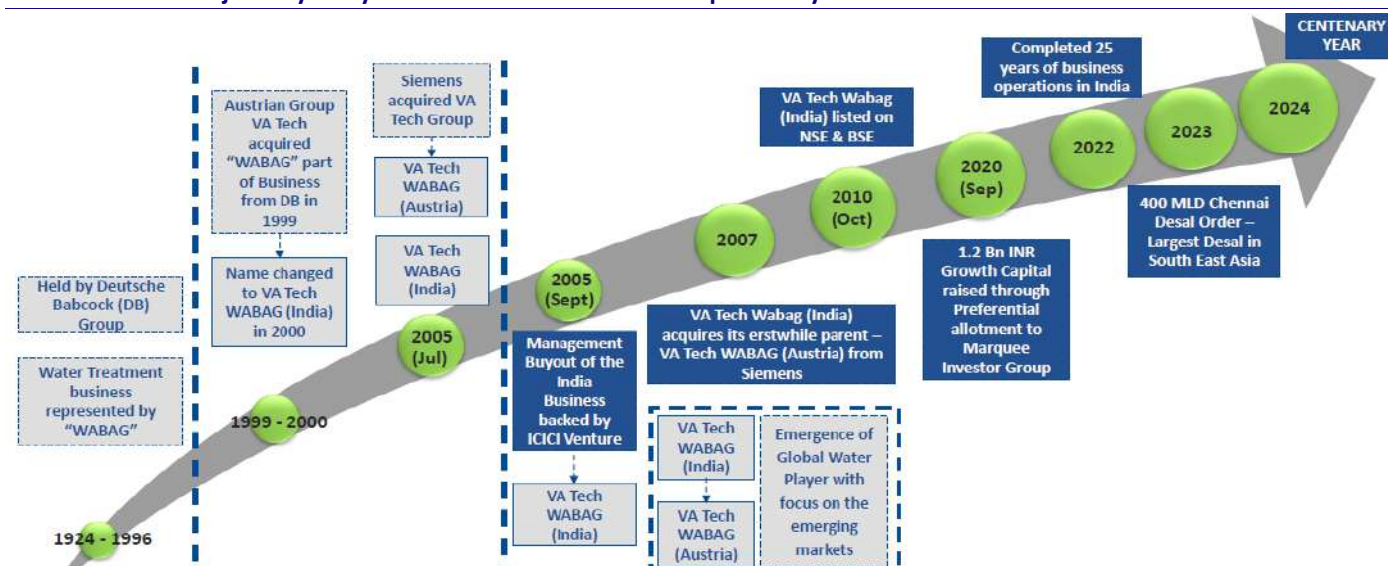
**THREATS**



## Company overview

VATW is a pure-play water and wastewater treatment company offering a wide range of products and services for water treatment and desalination to its industrial and municipal clients. Headed by Mr. Rajiv Mittal (CMD), the company was incorporated in 1924 in Germany and started operations in India in 1996. It has a presence in over 25 countries and has over 1,600 employees across locations. The company has a strong foothold in India and has established bases in the Middle East, Africa, Europe, and Southeast Asia. It has completed 1,600+ plants since 1995 and ranks third in the “top 50 private water operators”, according to Global Water Intelligence (GWI). It also ranks third in the “Top Desalination Plant Suppliers”. VATW has core expertise in Engineering & Procurement (EP), while Civil & Construction works are outsourced. This helps the company in maintaining an asset-light model. It also provides margin-accretive O&M services to its clients. It has R&D centers located in Europe and India and holds over 125 intellectual property rights. With this technical expertise and vast experience in executing large, critical projects, VATW is now qualified to independently bid for marquee projects globally. However, management is very selective in bidding (focusing on margins and cash flows), and the company has a win ratio of 25-30%.

Exhibit 33: VATW's journey – key milestones achieved over the past 100 years



Source: Company

Exhibit 34: VATW is present in 25+ countries...

India cluster	Europe cluster	MEA cluster
India (global headquarters)	Austria	Bahrain
Nepal	Switzerland	Saudi Arabia
Sri Lanka	Romania	Qatar
Thailand	Germany	Oman
Malaysia	Russia	UAE
Singapore	Turkey	Tunisia
Philippines	Czech Republic	Egypt
Vietnam		Libya
Bangladesh		Nigeria
		Tanzania
		Senegal
		Namibia

Source: Company

Exhibit 35: ...and provides complete lifecycle partnerships



Source: Company



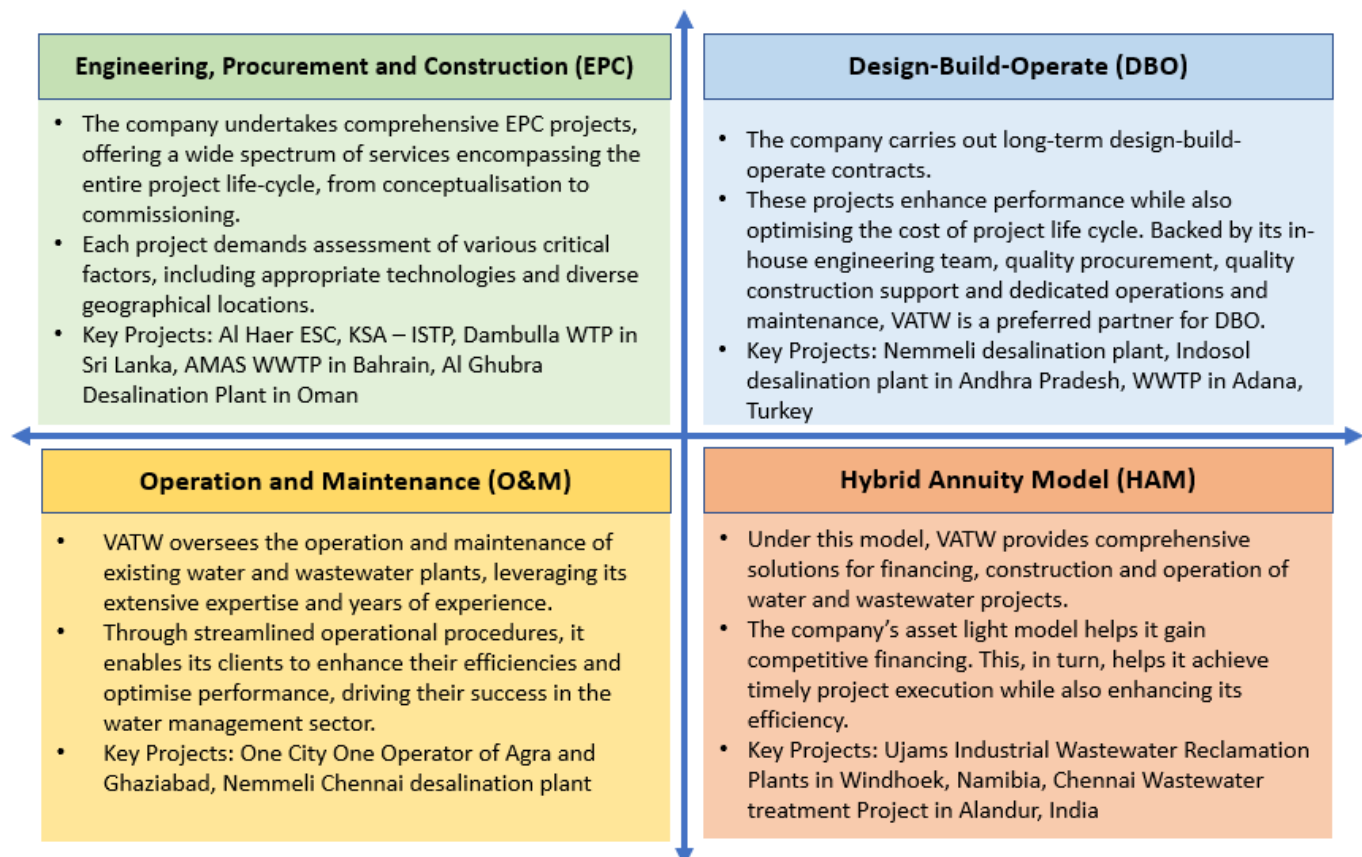
**Customer segments:** VATW serves customers in both Municipal and Industrial sectors. Municipal clients include government water and sewerage authorities and other related entities. Industrial customers comprise companies operating in sectors such as Oil & Gas, Petchem, F&B, Power, Steel, Fertilizers, etc.

**Exhibit 36: Key clients and funding agencies**



Source: Company

**Exhibit 37: Business models**



Source: Company

## Management Team



**Mr. Rajiv Mittal, Chairman and Managing Director**, has a total experience of over 4 decades and was appointed as the MD in 2000. He holds a degree in Chemical Engineering from the University of Mumbai, Department of Chemical Technology, and is a Fellow of the International Water Association and a corporate member of the Indian Desalination Association.



**Mr. S. Varadarajan, Whole Time Director and Chief Growth Officer**, was appointed as the Whole Time Director and Chief Growth Officer in 2018. He is an Associate Member of the Institute of Cost and Management Accountants of India and the Institute of Company Secretaries of India. He has been associated with the company for the past 27 years. He played an active role during the demerger of the company.



**Mr. Skandaprasad Seetharaman, CFO**, has been associated with the company since 2015 in various roles. He was appointed as the CFO in FY22. He is a member of the Institute of Chartered Accountants of India (ICAI). He has worked in a variety of roles, such as overall management of group controlling, consolidation/financial reporting, financial controlling for business verticals, project financial controlling – EPC and O&M, investor relations, fundraising, taxation, audit, and business strategy.



**Mr. Shailesh Kumar, CEO, India Cluster**, joined the company in January 2022. He is a graduate in Civil Engineering from NIT, Kurukshetra, and a Postgraduate in Structural Engineering from IIT Delhi. The India cluster is the largest and has contributed significantly to the company.

### Exhibit 38: Shareholding pattern and key shareholders

Shareholding Pattern (%)				Key Shareholders	% Equity Mar'25
	Mar'25	Dec'24	Sep'24		
Promoter	19.1	19.1	19.1	❖ Rekha Jhunjhunwala	8.0
Free Float				❖ Federated Hermes Global Emerging Markets Equity Fund	2.2
Foreign Institutions	18.6	18.9	14.7	❖ Government Pension Fund Global	1.4
Domestic Institutions	3.0	2.0	3.6	❖ Vanguard Total International Stock Index Fund	1.2
Public & Others	59.3	60.0	62.6	❖ ISHARES Global Water UCITS ETF	1.1

Source: BSE

## ESG initiatives



### Environmental initiatives

- VATW reduces, recycles, and reuses water. The company's cutting-edge sewage treatment plants comprise tertiary treatment capabilities, ensuring zero wastewater discharge from campuses.
- Over 97% of the power requirement at the company's headquarters in Chennai is sourced from wind energy. WABAG HOUSE was re-certified as a Platinum-rated green building by the Indian Green Building Council. WABAG HOUSE has been certified as a 'NEAR NET ZERO ENERGY Building' by the CII-IGBC.
- The company is also setting up 100 bio-CNG plants to harness energy from sewage treatment plants.

### CSR initiatives

- The company has implemented 24 CSR projects until FY24, which have benefited farmers, students and teachers, and the urban poor.
- Numerous trainees have been imparted training and development through NAPS and NATS, making them skilled water professionals.

### Governance

- As of Mar'24, the Board comprised six Directors, including two Executive Directors, one Non-Executive Non-Independent Director, and three Non-Executive Independent Directors (including one Woman Independent Director).
- All the board committees are chaired by the Independent Directors.
- None of the Directors of the company are related to one another, and there are no inter-se relationships among the Directors.
- None of the Directors on the Board is a Director in more than six listed entities.
- None of the Independent Directors serves as an Independent Director in more than six listed entities, as required under the listing regulations.

**Exhibit 39: ESG initiatives**



Source: Company



## Financials and valuations

### Consolidated - Income Statement

	(INRm)							
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Total Income from Operations</b>	<b>28,345</b>	<b>29,793</b>	<b>29,605</b>	<b>28,564</b>	<b>32,940</b>	<b>38,387</b>	<b>44,746</b>	<b>52,204</b>
Change (%)	10.8	5.1	-0.6	-3.5	15.3	16.5	16.6	16.7
RM Cost	22,331	23,057	22,695	21,667	25,605	29,532	34,245	39,848
Employees Cost	1,985	2,507	2,655	2,354	2,645	3,044	3,504	4,035
Other Expenses	1,841	1,860	1,077	786	467	544	634	740
<b>Total Expenditure</b>	<b>26,157</b>	<b>27,423</b>	<b>26,427</b>	<b>24,807</b>	<b>28,717</b>	<b>33,120</b>	<b>38,383</b>	<b>44,624</b>
% of Sales	92.3	92.0	89.3	86.8	87.2	86.3	85.8	85.5
<b>EBITDA</b>	<b>2,188</b>	<b>2,370</b>	<b>3,178</b>	<b>3,757</b>	<b>4,223</b>	<b>5,267</b>	<b>6,363</b>	<b>7,580</b>
Margin (%)	7.7	8.0	10.7	13.2	12.8	13.7	14.2	14.5
Depreciation	121	101	88	84	59	61	63	68
<b>EBIT</b>	<b>2,066</b>	<b>2,269</b>	<b>3,090</b>	<b>3,673</b>	<b>4,164</b>	<b>5,205</b>	<b>6,300</b>	<b>7,512</b>
Int. and Finance Charges	903	877	658	711	788	875	962	1,052
Other Income	82	324	536	434	446	495	552	619
<b>PBT bef. EO Exp.</b>	<b>1,245</b>	<b>1,716</b>	<b>2,968</b>	<b>3,396</b>	<b>3,822</b>	<b>4,825</b>	<b>5,891</b>	<b>7,080</b>
EO Items	0	0	2,892	0	0	0	0	0
<b>PBT after EO Exp.</b>	<b>1,245</b>	<b>1,716</b>	<b>5,860</b>	<b>3,396</b>	<b>3,822</b>	<b>4,825</b>	<b>5,891</b>	<b>7,080</b>
Total Tax	295	363	59	797	896	1,134	1,384	1,664
Tax Rate (%)	23.7	21.2	1.0	23.5	23.4	23.5	23.5	23.5
Minority Interest	-93	0	-20	48	-5	-6	-6	-7
Share of Profit/Loss of JV and associates	58	-32	93	-95	22	25	29	33
<b>Reported PAT</b>	<b>1,101</b>	<b>1,320</b>	<b>5,914</b>	<b>2,456</b>	<b>2,953</b>	<b>3,722</b>	<b>4,541</b>	<b>5,456</b>
<b>Adjusted PAT</b>	<b>1,101</b>	<b>1,320</b>	<b>3,022</b>	<b>2,456</b>	<b>2,953</b>	<b>3,722</b>	<b>4,541</b>	<b>5,456</b>

### Consolidated - Balance Sheet

	(INRm)							
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	124	124	124	124	124	124	124	124
Total Reserves	13,973	15,267	15,625	18,062	21,275	24,625	28,671	33,507
<b>Net Worth</b>	<b>14,098</b>	<b>15,391</b>	<b>15,749</b>	<b>18,186</b>	<b>21,399</b>	<b>24,749</b>	<b>28,795</b>	<b>33,631</b>
Minority Interest	-134	-133	-3	53	51	49	47	45
Total Loans	3,495	4,285	2,132	2,806	3,573	3,373	3,173	2,973
Deferred Tax Liabilities	41	33	11	0	0	0	0	0
<b>Capital Employed</b>	<b>17,500</b>	<b>19,576</b>	<b>17,889</b>	<b>21,045</b>	<b>25,023</b>	<b>28,171</b>	<b>32,015</b>	<b>36,649</b>
Gross Block	2,335	2,373	2,415	2,470	2,471	2,521	2,571	2,621
Less: Accum. Deprn.	1,472	1,573	1,661	1,745	1,804	1,866	1,928	1,996
<b>Net Fixed Assets</b>	<b>863</b>	<b>800</b>	<b>754</b>	<b>725</b>	<b>667</b>	<b>656</b>	<b>643</b>	<b>625</b>
Capital WIP	0	0	0	0	0	0	0	0
<b>Total Investments</b>	<b>244</b>	<b>376</b>	<b>458</b>	<b>671</b>	<b>694</b>	<b>794</b>	<b>894</b>	<b>994</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>40,506</b>	<b>38,848</b>	<b>39,681</b>	<b>44,349</b>	<b>51,312</b>	<b>57,486</b>	<b>64,776</b>	<b>73,409</b>
Inventory	298	320	353	359	358	417	486	567
Account Receivables	18,972	20,711	21,939	25,215	26,080	29,867	34,202	39,187
Cash and Bank Balance	3,713	4,286	2,754	5,097	9,446	11,164	13,440	16,396
Loans and Advances	17,523	13,532	14,635	13,678	15,428	16,038	16,648	17,258
<b>Curr. Liability &amp; Prov.</b>	<b>24,112</b>	<b>20,447</b>	<b>23,004</b>	<b>24,700</b>	<b>27,650</b>	<b>30,764</b>	<b>34,298</b>	<b>38,379</b>
Account Payables	10,777	9,853	10,697	10,283	10,458	11,977	13,716	16,002
Other Current Liabilities	12,714	9,777	11,646	13,137	15,576	16,876	18,376	19,876
Provisions	621	816	661	1,280	1,616	1,911	2,206	2,501
<b>Net Current Assets</b>	<b>16,393</b>	<b>18,401</b>	<b>16,677</b>	<b>19,649</b>	<b>23,662</b>	<b>26,721</b>	<b>30,478</b>	<b>35,030</b>
Misc Expenditure	0	0	0	0	0	0	0	0
<b>Appl. of Funds</b>	<b>17,500</b>	<b>19,576</b>	<b>17,889</b>	<b>21,045</b>	<b>25,023</b>	<b>28,171</b>	<b>32,015</b>	<b>36,649</b>



## Financials and valuations

### Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Basic (INR)</b>								
<b>Adj EPS</b>	<b>17.8</b>	<b>21.3</b>	<b>48.7</b>	<b>39.6</b>	<b>47.6</b>	<b>60.0</b>	<b>73.2</b>	<b>88.0</b>
Cash EPS	19.7	22.9	50.2	41.0	48.6	61.0	74.3	89.1
BV/Share	227	248	254	293	345	399	464	542
DPS	0.0	0.0	0.0	0.0	4.0	6.0	8.0	10.0
Payout (%)	0.0	0.0	0.0	0.0	8.4	10.0	10.9	11.4
<b>Valuation (x)</b>								
P/E	83.7	69.8	30.5	37.5	31.2	24.8	20.3	16.9
Cash P/E	75.4	64.8	29.6	36.3	30.6	24.3	20.0	16.7
P/BV	6.5	6.0	5.8	5.1	4.3	3.7	3.2	2.7
EV/Sales	3.3	3.1	3.1	3.3	3.0	2.6	2.3	2.0
EV/EBITDA	42.1	39.0	28.8	23.9	20.4	16.0	12.9	10.4
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.3	0.4	0.5	0.7
FCF per share	19.6	1.5	13.4	19.8	56.6	46.1	57.5	70.8
<b>Return Ratios (%)</b>								
RoE	7.8	8.6	19.2	13.5	13.8	15.0	15.8	16.2
RoCE (pre-tax)	12.4	13.9	19.3	21.1	20.1	21.5	22.8	23.7
RoIC (pre-tax)	15.0	17.4	23.2	25.5	27.4	32.9	36.3	39.5
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	12.1	12.6	12.3	11.6	13.3	15.2	17.4	19.9
Net Working Capital Cycle (Days)	163	173	172	186	158	148	139	130
Debtor (Days, incl. CA)	470	420	451	497	460	436	415	395
Inventory (Days)	4	4	4	5	4	4	4	4
Creditor (Days, incl. CL)	310	251	284	316	306	293	280	268
<b>Leverage Ratio (x)</b>								
Current Ratio	1.7	1.9	1.7	1.8	1.9	1.9	1.9	1.9
Interest Cover Ratio	2.4	3.0	5.5	5.8	5.9	6.5	7.1	7.7
Net Debt/Equity	0.0	0.0	0.0	-0.1	-0.3	-0.3	-0.4	-0.4

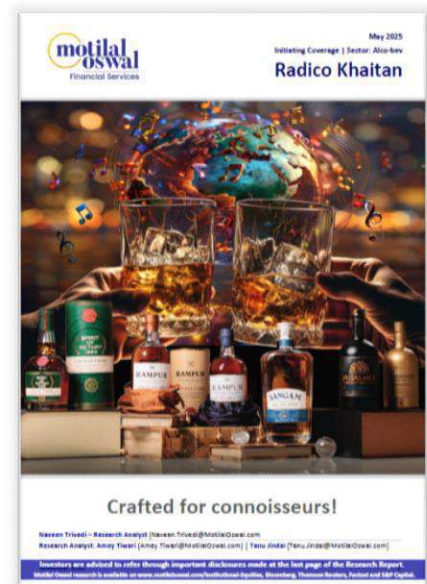
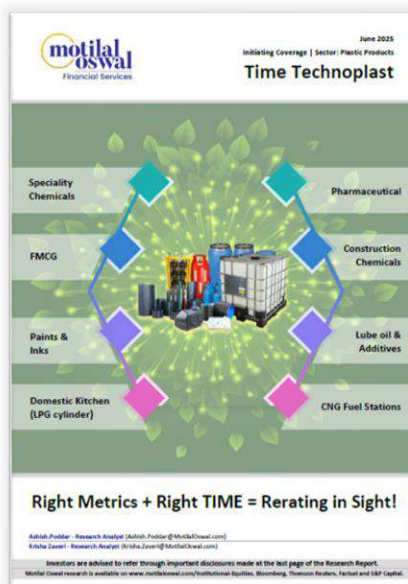
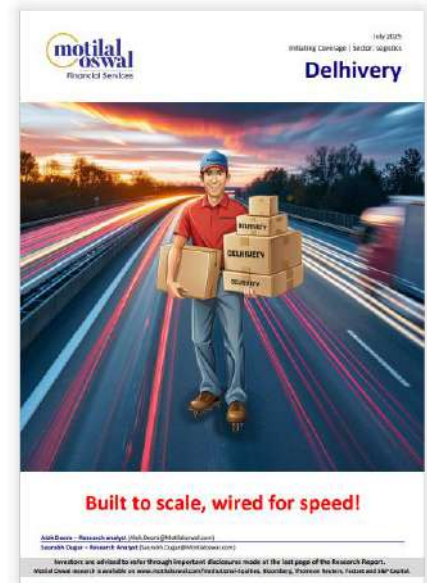
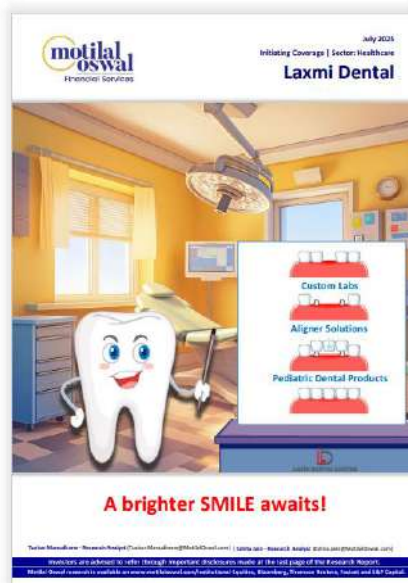
### Consolidated - Cash Flow Statement

(INRm)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	1,303	1,684	169	3,301	3,844	4,825	5,891	7,080
Depreciation	121	101	88	84	59	61	63	68
Interest & Finance Charges	366	363	287	255	334	875	962	1,052
Direct Taxes Paid	-319	-186	-275	-260	-817	-1,019	-1,269	-1,549
(Inc)/Dec in WC	-968	-2,817	491	-2,882	76	-1,342	-1,480	-1,595
<b>CF from Operations</b>	<b>502</b>	<b>-856</b>	<b>760</b>	<b>498</b>	<b>3,496</b>	<b>3,401</b>	<b>4,166</b>	<b>5,056</b>
Others	851	972	89	837	56	-493	-550	-617
<b>CF from Operating incl EO</b>	<b>1,353</b>	<b>116</b>	<b>849</b>	<b>1,335</b>	<b>3,552</b>	<b>2,908</b>	<b>3,616</b>	<b>4,438</b>
(Inc)/Dec in FA	-136	-26	-17	-110	-40	-50	-50	-50
<b>Free Cash Flow</b>	<b>1,217</b>	<b>90</b>	<b>832</b>	<b>1,225</b>	<b>3,512</b>	<b>2,858</b>	<b>3,566</b>	<b>4,388</b>
(Pur)/Sale of Investments	0	-183	0	0	0	-100	-100	-100
Others	95	-131	175	951	-1,170	495	552	619
<b>CF from Investments</b>	<b>-41</b>	<b>-340</b>	<b>158</b>	<b>841</b>	<b>-1,210</b>	<b>345</b>	<b>402</b>	<b>469</b>
Issue of Shares	1,178	0	0	0	0	0	0	0
Inc/(Dec) in Debt	-1,737	826	-2,101	660	714	-200	-200	-200
Interest Paid	-347	-364	-281	-249	-333	-875	-962	-1,052
Dividend Paid	-13	2	0	0	0	-372	-496	-620
Others	60	-18	-18	25	-41	-84	-80	-75
<b>CF from Fin. Activity</b>	<b>-859</b>	<b>446</b>	<b>-2,400</b>	<b>436</b>	<b>340</b>	<b>-1,531</b>	<b>-1,738</b>	<b>-1,947</b>
<b>Inc/Dec of Cash</b>	<b>453</b>	<b>223</b>	<b>-1,393</b>	<b>2,612</b>	<b>2,682</b>	<b>1,722</b>	<b>2,280</b>	<b>2,961</b>
Opening Balance	596	1,049	1,272	-121	2,491	5,173	6,894	9,175
Other cash & cash equivalent								
<b>Closing Balance</b>	<b>1,049</b>	<b>1,272</b>	<b>-121</b>	<b>2,491</b>	<b>5,173</b>	<b>6,894</b>	<b>9,175</b>	<b>12,135</b>

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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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