

Estimate change	↓
TP change	↔
Rating change	↔

Bloomberg	VATW IN
Equity Shares (m)	62
M.Cap.(INRb)/(USDb)	90.5 / 1
52-Week Range (INR)	1680 / 1033
1, 6, 12 Rel. Per (%)	-3/11/-3
12M Avg Val (INR M)	478

Financials & Valuations (INR b)

Y/E MARCH	FY26	FY27E	FY28E
Sales	39.4	46.3	54.5
EBITDA	4.8	6.1	7.3
Adj. PAT	3.8	4.5	5.4
Adj. EPS (INR)	60.0	72.1	86.6
EPS Gr. (%)	27.1	20.0	20.2
BV/Sh. (INR)	411.0	476.0	553.6

Ratios

RoE (%)	14.6	15.1	15.6
RoCE (%)	21.4	22.0	22.8
Payout (%)	8.4	9.7	10.4

Valuations

P/E (x)	24.2	20.2	16.8
P/BV (x)	3.5	3.1	2.6
EV/EBITDA (x)	17.3	13.1	10.6
Div. Yield (%)	0.3	0.5	0.6

Shareholding pattern (%)

As On	Mar-26	Dec-25	Mar-25
Promoter	19.1	19.1	19.1
DII	5.8	4.3	3.0
FII	16.6	19.0	18.6
Others	58.5	57.6	59.3



CMP: INR1,453 TP: INR1,905 (+31%) Buy

Strong revenue growth in 4QFY26 to sustain

Revenue/adj. EBITDA/adj. PAT grows 22%/27%/29% YoY in 4QFY26

- VA Tech Wabag (VATW) reported a strong 22% YoY revenue growth in 4QFY26, driven by RoW markets. Adj. EBITDA/adj. PAT grew 27%/29% YoY.
- Adj. EBITDA margin expanded 41bp YoY to 12.5% and contracted 111bp QoQ. VATW treats forex gains/losses as part of its core operations. As such, analyzing adjusted margins is more meaningful.
- RoW revenue (56% mix) surged 55% YoY; EBIT margin stood high at 29.4% vs. 14.3% in 4QFY25 and ~26% in earlier quarters.
- India revenue (44% mix) continued to show weakness, declining 6% YoY. EBIT margin stood low at 9.7% vs. 19.2% in 4QFY25 and ~20% in earlier quarters.
- EPC revenue (84% mix) grew 23% YoY, whereas O&M revenue rose 18% YoY.
- Municipal contributed 80% to revenue, while Industrial stood at 20% of the mix.
- In FY26, revenue/adj. EBITDA/adj. PAT grew 20%/20%/27% YoY.
- Net cash stood at INR8.3b (INR9.5b excluding HAM projects).

Key highlights from the management commentary

- Middle East projects did not face execution-related disruptions amid the ongoing war.
- Focus remains on profitable growth and overseas markets. The Middle East remains at the top, followed by CIS and African markets.
- Middle East and other overseas projects are relatively better placed in terms of working capital cycle and cash flows compared to Indian projects.
- The company secured fresh orders of INR75b+ during FY26. Moreover, it is a preferred bidder in projects worth over INR52b.
- In FY26, it secured ADB-funded 'Mega' order from CMWSSB to Build Chennai's City-Wide Looped Water Grid. It also received breakthrough orders in the future energy solution sector for CBG plant in Uttar Pradesh and UPW, ETP, and ZLD for Renewsys in Hyderabad.
- VATW's current order book of over INR172b (4.4x FY26 revenue), preferred bidder status in orders worth INR52b, and a strong bid pipeline of INR150-200b provide strong 15-20% revenue growth visibility for the next 3-4 years.
- While the current order book is more tilted toward EPC projects having high volumes and relatively lower margins, VATW's focus remains on profitable growth by selective bidding in high-margin EPC and O&M jobs.

Valuation and view: Reiterate BUY

- We increase our revenue estimates by 3-4%. However, we broadly maintain our earnings estimates on lower margin expectations.
- After delivering a CAGR of 7%/17%/28% in revenue/EBITDA/APAT over FY21-26, we estimate a CAGR of 18%/24%/20% over FY26-28.
- A greater focus on executing large-scale projects and high-margin segments such as EP, Industrial, and O&M augurs well for margins.
- The outlook for strong FCF generation, INR10b+ net cash status, and improving return ratios makes VATW's scrip attractive at ~17x FY28E P/E. We, thus, reiterate a BUY rating and a TP of INR1,905, based on 22x FY28E P/E.

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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, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Quarterly Performance

(INRM)

Y/E March	FY25				FY26				FY25	FY26E	FY26E 4QE	Var %
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Net Sales	6,265	7,003	8,110	11,562	7,340	8,345	9,613	14,144	32,940	39,442	13,545	4
YoY Change (%)	13.3	5.3	15.1	23.8	17.2	19.2	18.5	22.3	15.3	19.7	17.2	
Total Expenditure	5,452	6,067	7,106	10,154	6,384	7,452	8,398	12,570	28,717	34,668	11,679	
EBITDA - reported	813	936	1,004	1,408	956	893	1,215	1,574	4,223	4,774	1,866	-16
Margins (%)	13.0	13.4	12.4	12.2	13.0	10.7	12.6	11.1	12.8	12.1	13.8	
EBITDA - adjusted to forex gain	759	1,030	1,051	1,400	820	1,205	1,310	1,771	4,240	5,106	1,916	-8
Margins (%)	12.1	14.7	13.0	12.1	11.2	14.4	13.6	12.5	12.9	12.9	14.1	
Depreciation	19	13	13	14	14	17	16	15	59	62	15	
Interest	180	190	203	215	188	196	179	166	788	729	174	
Other Income	108	138	148	114	113	416	232	319	446	943	300	
PBT before EO expense	722	871	936	1,293	867	1,096	1,252	1,712	3,822	4,926	1,977	
Extra-Ord expense	0	0	0	0	0	0	-47	0	0	-47	0	
PBT	722	871	936	1,293	867	1,096	1,299	1,712	3,822	4,973	1,977	
Tax	152	221	207	316	209	260	300	419	896	1,188	465	
Rate (%)	21.1	25.4	22.1	24.4	24.1	23.7	23.1	24.5	23.4	24.3	23.5	
Minority Interest	-2	-3	0	0	0	0	-4	-3	-5	-7	0	
Profit/Loss of Asso. Cos.	-22	53	-27	18	0	12	8	-13	22	7	6	
Reported PAT	550	706	702	995	658	848	1,011	1,283	2,953	3,799	1,518	
Adj PAT	550	706	702	995	658	848	964	1,283	2,953	3,752	1,518	-16
YoY Change (%)	10.0	17.3	11.6	37.4	19.6	20.1	37.3	28.9	20.2	27.1	52.6	
Margins (%)	8.8	10.1	8.7	8.6	9.0	10.2	10.0	9.1	9.0	9.5	11.2	

E: MOFSL Estimates

Operating Metrics

Y/E March	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	% YoY	% QoQ
Segment-wise revenue break-up (INR m)							
EPC	9,612	5,717	6,853	7,855	11,834	23	51
Municipal	8,219	4,182	5,381	6,549	9,535	16	46
Industrial	1,393	1,535	1,472	1,306	2,299	65	76
O&M	1,895	1,488	1,431	1,665	2,240	18	35
Municipal	1,624	1,235	1,155	1,423	1,721	6	21
Industrial	271	253	276	242	519	92	114
Total revenue	11,507	7,205	8,284	9,520	14,074	22	48
% YoY	24	17	19	19	22		
O&M mix	16	21	17	17	16		
Industrial mix	14	25	21	16	20		
International mix	43	42	51	56	56		
Geography-wise revenue break-up (INR m)							
India	6,620	4,185	4,044	4,196	6,218	(6)	48
RoW	5,118	3,155	4,313	5,521	7,924	55	44
EBIT margin (%)						YoY (bp)	QoQ (bp)
India	19.2	25.2	17.3	20.2	9.7	(955)	(1,050)
RoW	14.3	29.3	26.2	26.6	29.4	1,510	272
Order book (INR b)						26	5
Book-to-bill ratio (x, TTM basis)	4.2	4.7	4.6	4.5	4.4		
Order book break-up (INR b)							
EPC	71.1	92.4	92.1	96.6	102.8	45	6
Municipal	57.9	80.4	80.5	80.1	88.0	52	10
Industrial	13.3	11.9	11.6	16.5	14.8	11	(11)
O&M	53.7	53.1	55.5	54.2	63.5	18	17
Municipal	42.4	42.0	44.7	43.6	53.0	25	22
Industrial	11.3	11.1	10.8	10.6	10.4	(8)	(2)
Framework	11.8	12.3	12.6	12.6	6.1	(48)	(52)

Exhibit 1: Key contracts in order book (INR b)

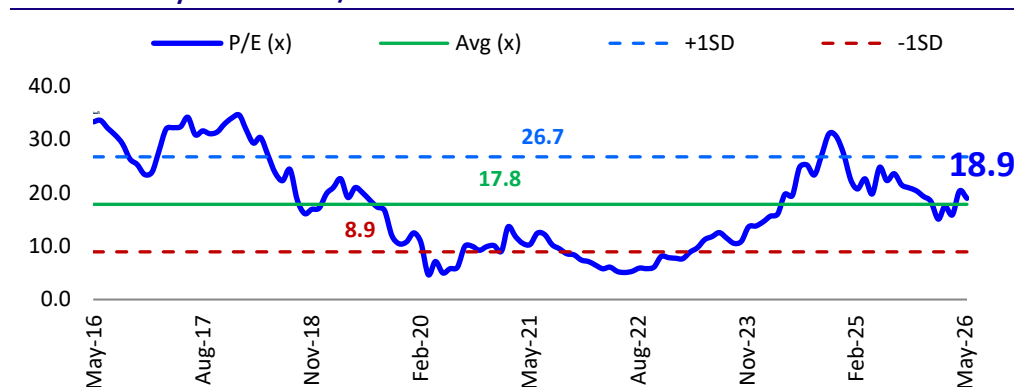
Key contracts in order book	Nature	Classification
300 MLD SWA, Yanbu Al-Bahr, KSA	Desalination	Mega (Above INR 10b)
400 MLD Perur, Chennai	Desalination	Mega (Above INR 10b)
CMWSSB-Chennai Ring Main system	Looped Water Grid	Mega (Above INR 10b)
100 MLD Indosol, Andhra Pradesh	Desalination	Major (INR6-10b)
CMWSSB-45 MLD TTRO Plant in Chennai	RFOMT	Mega (Above INR 10b)
54+19 MLD Lusaka Water Supply and Sanitation Company	WWTP	Major (INR6-10b)
UPJN, O&M of Agra & Ghaziabad	OCOO	Mega (Above INR 10b)
200 MLD Al Haer ESC, KSA	ISTP	Mega (Above INR 10b)
Water Block Package from BPCL, Madhya Pradesh	RWTP/RODMP/ZLD	Large (INR2.5-6b)
200 MLD Pagla, Bangladesh	STP	Major (INR6-10b)
Key Framework Contracts		
Libya STP		INR6,114m

Source: Company

Exhibit 2: Changes to our estimates

INR m	Old		New		Change	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Revenue	45,012	52,376	46,291	54,463	3	4
EBITDA	6,357	7,580	6,112	7,300	(4)	(4)
EBITDA margin %	14.1	14.5	13.2	13.4		
PAT	4,531	5,453	4,504	5,411	(1)	(1)
EPS	73.1	88.0	72.1	86.6	(1)	(2)

Source: MOFSL, Company

Exhibit 3: One-year forward P/E band and standard deviation


Source: Bloomberg, MOFSL

Key exhibits

Exhibit 1: Customer-wise revenue mix trend (%)

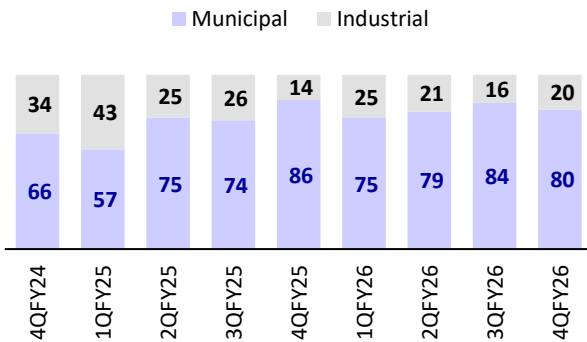


Exhibit 2: Segment-wise revenue mix trend (%)

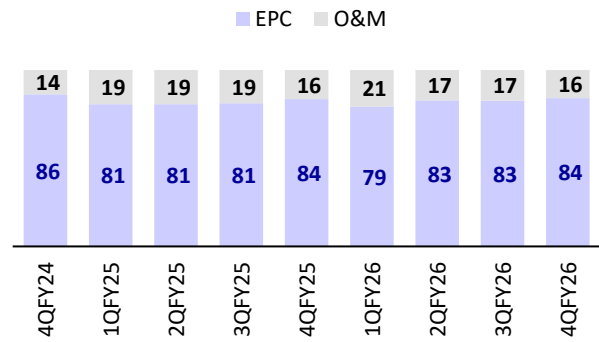


Exhibit 3: Geography-wise revenue mix trend (%)

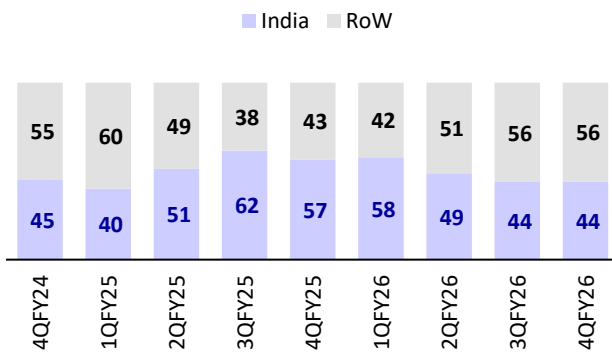


Exhibit 4: Revenue increased 22% YoY

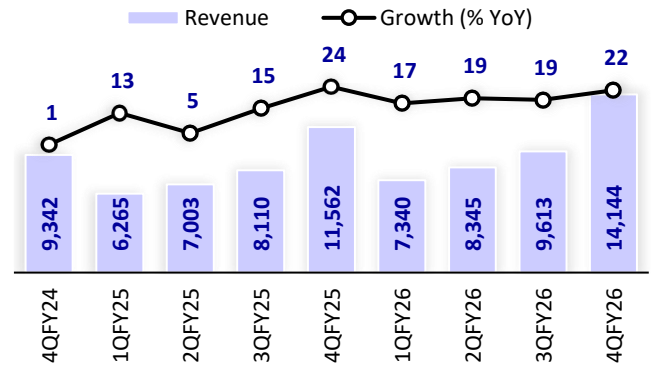


Exhibit 5: Adj. EBITDA, adj. PAT, and margin trends

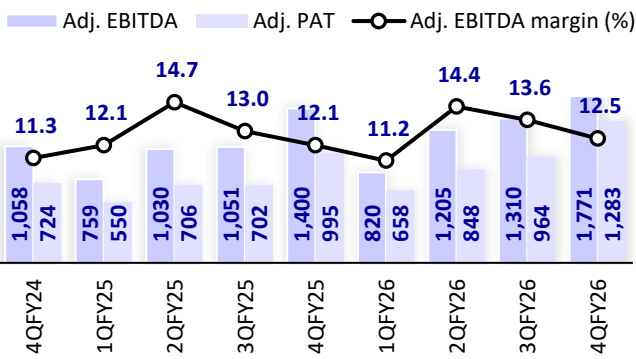


Exhibit 6: EPS grew 29% YoY

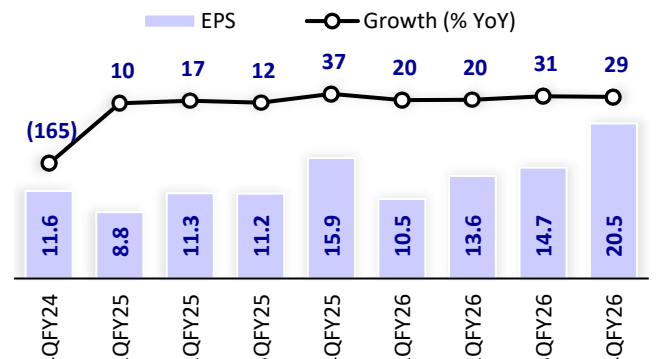


Exhibit 7: Order intake trend

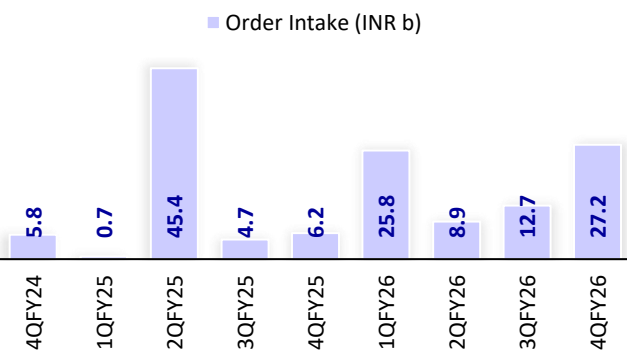
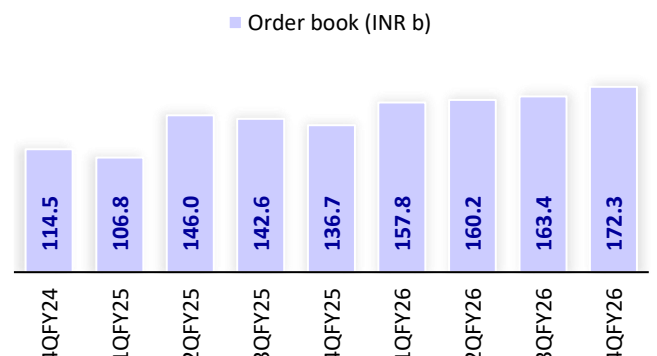


Exhibit 8: Closing order book trend



Source: Company, MOFSL

Exhibit 9: A strong book-to-bill ratio (4.4x) provides high comfort on 15-20% revenue growth guidance

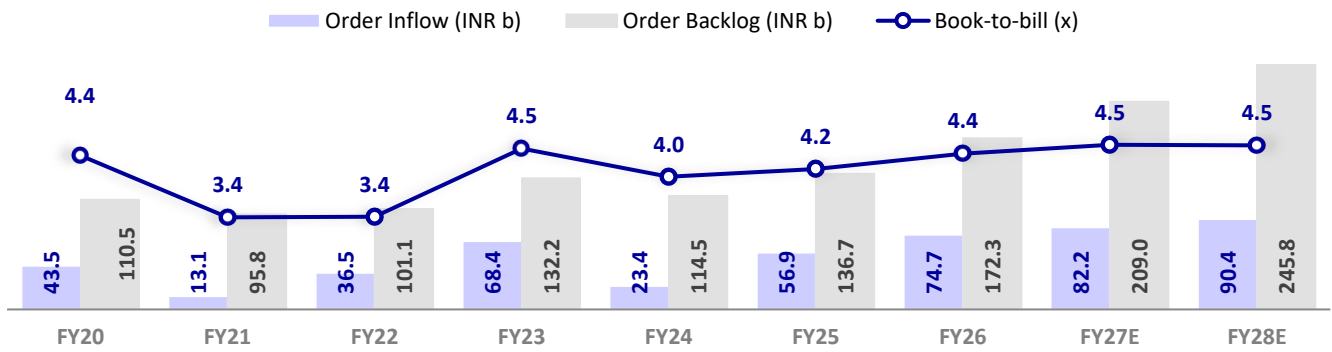


Exhibit 10: We expect 18% revenue CAGR, 13-15% margin...

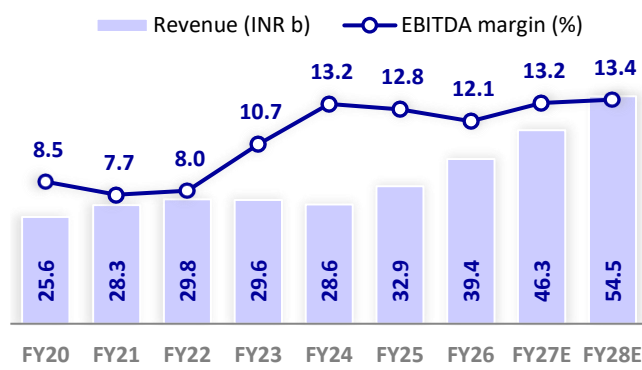


Exhibit 11: ...and 20% CAGR in PAT over FY26-FY28

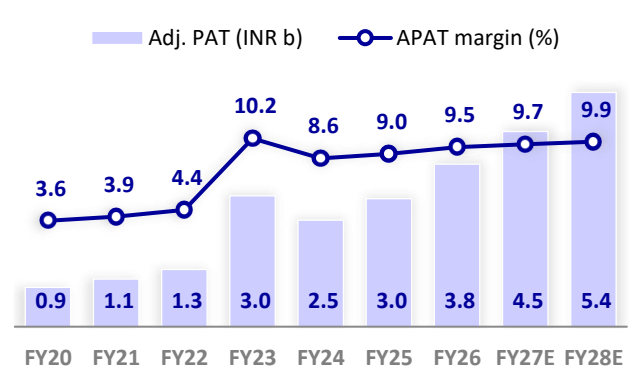


Exhibit 12: Return ratios to witness further improvement

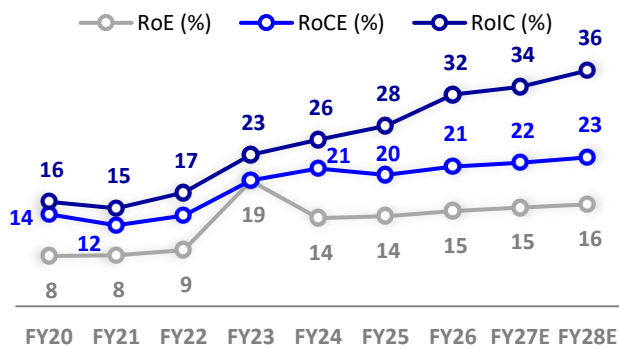


Exhibit 13: Healthy FCF aided by margins and tight WC cycle

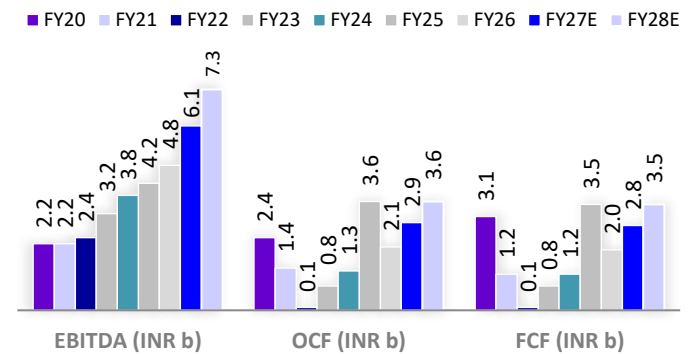


Exhibit 14: Rising O&M mix in revenue to drive margins...

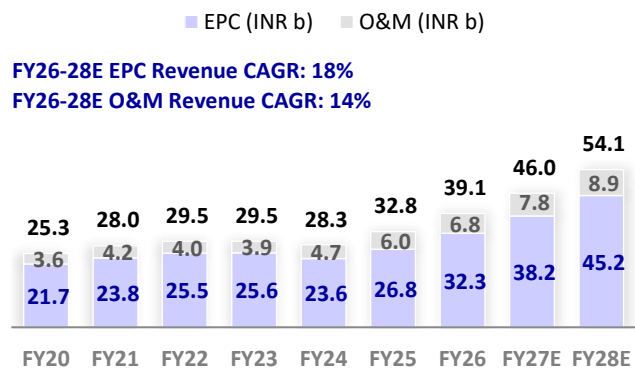
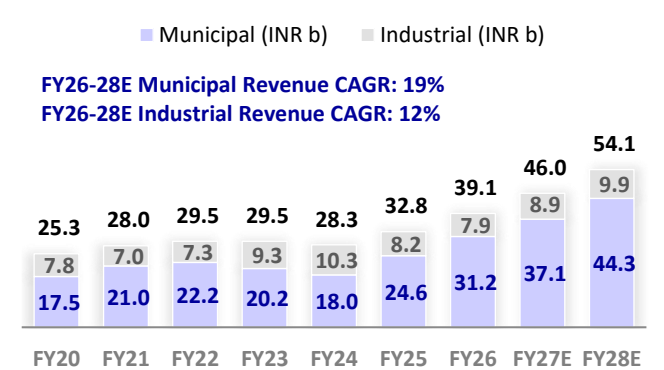


Exhibit 15: ...along with faster growth in industrials



Financials and valuations

Consolidated - Income Statement								(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Total Income from Operations	28,345	29,793	29,605	28,564	32,940	39,442	46,291	54,463
Change (%)	10.8	5.1	-0.6	-3.5	15.3	19.7	17.4	17.7
RM Cost	22,331	23,057	22,695	21,667	25,605	30,038	35,022	41,205
Gross Profit	6,014	6,736	6,910	6,897	7,335	9,404	11,268	13,258
Employees Cost	1,985	2,507	2,655	2,354	2,645	3,004	3,479	4,039
Other Expenses	1,841	1,860	1,077	786	467	1,626	1,677	1,918
Total Expenditure	26,157	27,423	26,427	24,807	28,717	34,668	40,179	47,163
% of Sales	92.3	92.0	89.3	86.8	87.2	87.9	86.8	86.6
EBITDA	2,188	2,370	3,178	3,757	4,223	4,774	6,112	7,300
Margin (%)	7.7	8.0	10.7	13.2	12.8	12.1	13.2	13.4
Depreciation	121	101	88	84	59	62	65	65
EBIT	2,066	2,269	3,090	3,673	4,164	4,712	6,047	7,235
Int. and Finance Charges	903	877	658	711	788	729	694	735
Other Income	82	324	536	434	446	943	513	551
PBT bef. EO Exp.	1,245	1,716	2,968	3,396	3,822	4,926	5,866	7,050
EO Items	0	0	-2,892	0	0	-47	0	0
PBT after EO Exp.	1,245	1,716	76	3,396	3,822	4,879	5,866	7,050
Total Tax	295	363	59	797	896	1,188	1,379	1,657
Tax Rate (%)	23.7	21.2	77.6	23.5	23.4	24.3	23.5	23.5
Minority Interest	-93	0	-20	48	-5	-7	-8	-8
Share of Profit/Loss of JV and associates	58	-32	93	-95	22	7	8	9
Reported PAT	1,101	1,320	130	2,456	2,953	3,705	4,504	5,411
Adjusted PAT	1,101	1,320	3,022	2,456	2,953	3,752	4,504	5,411
Change (%)	21.1	19.9	128.9	-18.7	20.2	27.1	20.0	20.2
Margin (%)	3.9	4.4	10.2	8.6	9.0	9.5	9.7	9.9

Consolidated - Balance Sheet								(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Equity Share Capital	124	124	124	124	124	125	125	125
Total Reserves	13,973	15,267	15,625	18,062	21,275	25,560	29,626	34,475
Net Worth	14,098	15,391	15,749	18,186	21,399	25,685	29,751	34,600
Minority Interest	-134	-133	-3	53	51	52	50	48
Total Loans	3,495	4,285	2,132	2,806	3,573	2,255	2,055	1,855
Deferred Tax Liabilities	41	33	11	0	0	0	0	0
Capital Employed	17,500	19,576	17,889	21,045	25,023	27,992	31,856	36,503
Gross Block	2,335	2,373	2,415	2,470	2,471	2,527	2,577	2,627
Less: Accum. Deprn.	1,472	1,573	1,661	1,745	1,804	1,866	1,931	1,996
Net Fixed Assets	863	800	754	725	667	661	646	631
Capital WIP	0	0	0	0	0	0	0	0
Total Investments	244	376	458	671	694	721	821	921
Curr. Assets, Loans&Adv.	40,506	38,848	39,681	44,349	51,312	59,842	67,354	76,281
Inventory	298	320	353	359	358	358	420	494
Account Receivables	18,972	20,711	21,939	25,215	26,080	31,717	36,590	42,304
Cash and Bank Balance	3,713	4,286	2,754	5,097	9,446	10,592	12,559	15,088
Loans and Advances	17,523	13,532	14,635	13,678	15,428	17,175	17,785	18,395
Curr. Liability & Prov.	24,112	20,447	23,004	24,700	27,650	33,232	36,965	41,330
Account Payables	10,777	9,853	10,697	10,283	10,458	12,622	14,560	17,130
Other Current Liabilities	12,714	9,777	11,646	13,137	15,576	18,171	19,671	21,171
Provisions	621	816	661	1,280	1,616	2,439	2,734	3,029
Net Current Assets	16,393	18,401	16,677	19,649	23,662	26,610	30,389	34,951
Misc Expenditure	0	0	0	0	0	0	0	0
Appl. of Funds	17,500	19,576	17,889	21,045	25,023	27,992	31,856	36,503

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)								
Adj EPS	17.6	21.1	48.4	39.3	47.2	60.0	72.1	86.6
Cash EPS	19.6	22.7	49.8	40.6	48.2	61.0	73.1	87.6
BV/Share	226	246	252	291	342	411	476	554
DPS	0.0	0.0	0.0	0.0	4.0	5.0	7.0	9.0
Payout (%)	0.0	0.0	0.0	0.0	8.4	8.4	9.7	10.4
Valuation (x)								
P/E	82.4	68.7	30.0	37.0	30.7	24.2	20.2	16.8
Cash P/E	74.2	63.8	29.2	35.7	30.1	23.8	19.9	16.6
P/BV	6.4	5.9	5.8	5.0	4.2	3.5	3.1	2.6
EV/Sales	3.2	3.0	3.0	3.1	2.6	2.1	1.7	1.4
EV/EBITDA	41.4	38.3	28.4	23.5	20.1	17.3	13.1	10.6
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.3	0.3	0.5	0.6
FCF per share	19.5	1.4	13.3	19.6	56.2	32.3	45.1	56.2
Return Ratios (%)								
RoE	7.8	8.6	19.2	13.5	13.8	14.6	15.1	15.6
RoCE (pre-tax)	12.4	13.9	19.3	21.1	20.1	21.4	22.0	22.8
RoIC (pre-tax)	15.0	17.4	23.2	25.5	27.6	32.4	33.6	36.1
Working Capital Ratios								
Fixed Asset Turnover (x)	12.1	12.6	12.3	11.6	13.3	15.6	18.0	20.7
Net Working Capital Cycle (Days)	163	173	172	186	158	148	141	133
Debtor (Days, incl. CA)	470	420	451	497	460	452	429	407
Inventory (Days)	4	4	4	5	4	3	3	3
Creditor (Days, incl. CL)	310	251	284	316	306	308	291	277
Leverage Ratio (x)								
Current Ratio	1.7	1.9	1.7	1.8	1.9	1.8	1.8	1.8
Interest Cover Ratio	2.4	3.0	5.5	5.8	5.9	7.8	9.4	10.6
Net Debt/Equity	0.0	0.0	0.0	-0.1	-0.3	-0.3	-0.4	-0.4

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
OP/(Loss) before Tax	1,303	1,684	169	3,301	3,844	4,886	5,866	7,050
Depreciation	121	101	88	84	59	62	65	65
Interest & Finance Charges	366	363	287	255	334	230	694	735
Direct Taxes Paid	-319	-186	-275	-260	-817	-997	-1,432	-1,710
(Inc)/Dec in WC	-968	-2,817	491	-2,882	76	-2,850	-1,812	-2,032
CF from Operations	502	-856	760	498	3,496	1,331	3,382	4,109
Others	851	972	89	837	56	736	-511	-549
CF from Operating incl EO	1,353	116	849	1,335	3,552	2,067	2,870	3,560
(Inc)/Dec in FA	-136	-26	-17	-110	-40	-49	-50	-50
Free Cash Flow	1,217	90	832	1,225	3,512	2,018	2,820	3,510
(Pur)/Sale of Investments	0	-183	0	0	0	-20	-100	-100
Others	95	-131	175	951	-1,170	-135	513	551
CF from Investments	-41	-340	158	841	-1,210	-204	363	401
Issue of Shares	1,178	0	0	0	0	1	0	0
Inc/(Dec) in Debt	-1,737	826	-2,101	660	714	-1,421	-200	-200
Interest Paid	-347	-364	-281	-249	-333	-227	-694	-735
Dividend Paid	-13	2	0	0	0	-249	-438	-563
Others	60	-18	-18	25	-41	47	69	71
CF from Fin. Activity	-859	446	-2,400	436	340	-1,849	-1,263	-1,427
Inc/Dec of Cash	453	223	-1,393	2,612	2,682	14	1,971	2,534
Opening Balance	2,489	3,038	3,210	2,066	4,399	7,177	7,851	9,822
Other cash & cash equivalent	55	-51	249	-279	96	660	0	0
Closing Balance	2,997	3,210	2,066	4,399	7,177	7,851	9,822	12,355

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NOTES

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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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