



3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✓	✗	✗
+ Positive	= Neutral	- Negative	

What has changed in 3R MATRIX

	Old		New
RS	✓	↔	✓
RQ	✓	↔	✓
RV	✓	↔	✓

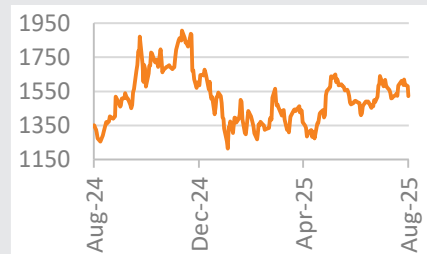
Company details

Market cap:	Rs. 9,467 cr
52-week high/low:	Rs. 1,944/1,109
NSE volume: (No of shares)	3.8 lakh
BSE code:	533269
NSE code:	WABAG
Free float: (No of shares)	5.0 cr

Shareholding (%)

Promoters	19.1
FII	18.6
DII	3.0
Others	59.3

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-6.3	-2.9	10.1	13.3
Relative to Sensex	-5.4	-1.2	-0.3	13.6

Source: Mirae Asset Sharekhan Research, Bloomberg

Va Tech Wabag Ltd

Strong Q1; Maintain Buy

Capital Goods	Sharekhan code: WABAG		
Reco/View: Buy	↔	CMP: Rs. 1,522 (as on Aug 26, 2025)	Price Target: Rs. 1,770 ↔

Summary

- ♦ Va Tech Wabag's adjusted net profit increased 19.6% y-o-y to Rs. 66 crore. Revenue of Rs. 734 crore grew 17.2% y-o-y and Operating profit of Rs. 96 crore was up 17.6% y-o-y.
- ♦ Order backlog stands strong at Rs. 15,750 crore. The company is also preferred bidder for Rs. ~3,500 crore worth of projects.
- ♦ Va Tech's focus on technologically advanced EP projects, industrial and international projects, and increasing share of O&M contracts would improve margins, cash flows, and working capital cycle. Company has guided for a revenue growth CAGR of 15% and margin guidance of 13-15% for the next 3-5 years.
- ♦ We maintain BUY with an unchanged PT of Rs. 1,770, valuing it at 23x its FY27 EPS. The stock trades at a P/E of ~25x/20x its FY26E/27E EPS.

VA Tech Wabag Limited (Va Tech) reported a strong performance during Q1FY2026 with sales growth of 17.2% y-o-y to Rs. 734 crore. Revenue was led by strong progress in the 200 MLD Al-Haer independent sewage treatment plant in Riyadh, the 400 MLD Perur desalination plant in Chennai, the Ras Tanura Industrial water treatment plant in Saudi Arabia and the CPCL project in Tamil Nadu. Over 40% of revenues came from international markets and O&M mix was also higher than 20%. OPM of 13% was up slightly by 5 bps y-o-y. Operating profit of Rs. 96 crore grew 17.6% y-o-y. Adjusted profit rose 19.6% y-o-y to Rs. 66 crore.

Key positives

- ♦ The Saudi Arabia order which got cancelled earlier has been won again.
- ♦ The gross margin was up 214 bps y-o-y.

Management Commentary

- ♦ The company has an orderbook of Rs. 15,750 crore and a preferred orderbook of Rs. ~3,500 crore.
- ♦ The order intake in the quarter was ~Rs. 2,600 crore. The first one of Rs. 380 crore was a Design, Build and operate order from Bangalore Water Supply and Sewerage Board for a state of the art energy efficient water reuse facility. The second one was the Saudi Arabia order of Rs. 2,300 crore.
- ♦ The company has been declared L1 in Kuwait in a JV with HEISCO with a share of 50% or a value of \$200 million.
- ♦ The net cash surplus is a strong Rs. 627 crore (excluding the transitory HAM debt).

Our Call

Valuation – Maintain Buy with an unchanged PT of Rs. 1,770: The company's order book is robust and, with a promising order pipeline, it aims to deliver a healthy 15% revenue CAGR over the next few years and maintain the margin at 13-15%. The company is optimistic about growth opportunities present in desalination, ultrapure water, and water treatment solutions in both domestic and export markets. A well-funded and strong order book of Rs. 15,750 crore (4.6x TTM revenue) provides good visibility. We maintain a Buy rating on the stock with a revised price target of Rs. 1,770, valuing it at 23x FY27 EPS. At CMP, the stock trades at a P/E of ~25x/20x its FY26E/27E earnings.

Key Risks

- ♦ Lumpiness in order book execution could impact the company's revenue and cash flows.
- ♦ Non-payment of dues can affect the profitability.

Valuation (Consolidated)

	Rs cr				
Rs. Crore	FY23	FY24	FY25	FY26E	FY27E
Revenue from Operations	2,960	2,856	3,294	3,827	4,431
Operating Profit Margin (%)	10.7	13.2	12.8	13.2	13.8
Adjusted PAT	230	246	295	385	478
Adjusted EPS (Rs.)	36.9	39.5	47.5	61.9	76.9
P/E (x)	41.2	38.5	32.1	24.6	19.8
P/BV (x)	6.0	5.2	4.4	3.8	3.2
EV/EBITDA (x)	30.1	25.3	22.5	18.6	15.6
RoCE (%)	17.6	18.5	17.0	19.0	20.3
RoE (%)	14.6	14.5	14.9	16.6	17.6

Source: Company; Mirae Asset Sharekhan estimates

Results (Consolidated)

					Rs cr
Particulars	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Revenue	734	627	17.2	1156	-36.5
Operating Profit	96	81	17.6	141	-32.1
Depreciation	1	2	-26.3	1	0.0
Interest	19	18	4.4	22	-12.6
Other Income	11	11	4.6	11	-0.9
PBT	87	72	20.1	129	-32.9
Exceptional item	0	0	NA	0	NA
Tax Expense	21	15	37.5	32	-33.9
Reported PAT	66	55	20.1	100	-33.9
Adjusted PAT	66	55	19.6	100	-33.9
EPS (Rs.)	10.4	8.7	19.3	15.8	-33.9
Margins			BPS		BPS
OPM (%)	13.0	13.0	5	12.2	85
NPM (%)	9.0	8.8	19	8.6	36
Tax Rate (%)	24.1	21.1	305	24.4	-33

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Investments by governments and private sectors will play a vital role

Wastewater technology is primarily used by municipal authorities to treat wastewater in various cities around the world. Rising urban population in major cities has created a demand for wastewater treatment facilities to balance the population with the availability of fresh water. 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 water treatment industry has undergone a sea change over the past decade. This is on account of rising awareness about water scarcity, innovations in water treatment technologies, and investments by governments and private sectors in this segment. The global water and wastewater treatment market is estimated to reach a size of USD453 billion by 2028 at a CAGR of 7.7% over 2023-2028. Rising demand for water treatment facilities across the world will have a positive impact on the market's growth in the coming years.

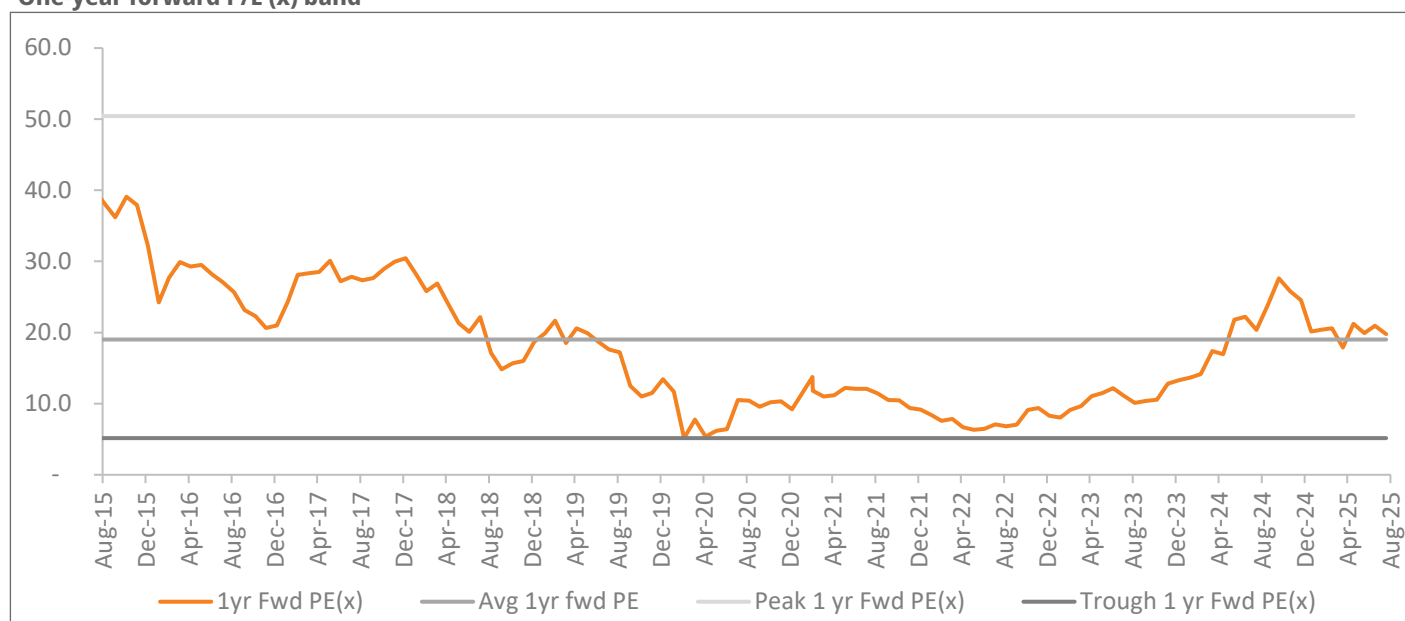
■ Company Outlook – Creating enduring value

VA Tech has a strong order book of over Rs. 15,750 crore (~4.6x its TTM consolidated revenue), with a significant chunk funded by the centre, multilateral agencies, or sovereign entities, which provide comfort on cash collections and execution. The company has managed to curtail rising working capital requirements by bidding for quality orders, which are either backed by the government or multi-lateral agencies. The company is well placed to receive a continuous flow of orders having a strong project execution track record and marquee clients, led by its asset-light business model and strengthening balance sheet profile.

■ Valuation – Maintain Buy with an unchanged PT of Rs. 1,770

The company's order book is robust and, with a promising order pipeline, it aims to deliver a healthy 15% revenue CAGR over the next few years and maintain the margin at 13-15%. The company is optimistic about growth opportunities present in desalination, ultrapure water, and water treatment solutions in both domestic and export markets. A well-funded and strong order book of Rs. 15,750 crore (4.6x TTM revenue) provides good visibility. We maintain a Buy rating on the stock with a revised price target of Rs. 1,770, valuing it at 23x FY27 EPS. At CMP, the stock trades at a P/E of ~25x/20x its FY26E/27E earnings.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

About company

VA Tech is known for its innovative and successful solutions in the water engineering sector around the globe. The company is a systems specialist and full-service provider focusing on the planning, installation, and operations of drinking, wastewater treatment and desalination plants for the local government and industry in growth markets of Asia, North Africa, the Middle East, and Central and Eastern Europe. The company represents a leading multinational player with a workforce of over 1600 and has a presence in more than 25 countries.

Investment theme

VA Tech has unique technological know-how, based on innovative, patented technologies, and long-term experience. For over 100 years, the company has been facilitating access to clean and safe water to over 90 million people. The company is a globally known organisation with decades of rich experience, over 1,500 projects across multiple sectors, and state-of-the-art plants in over 25 countries. The company is on a strong earnings growth trajectory going ahead, with concerns of high leverage led by increasing working capital now behind it. The company's well-funded strong order book provides comfort on execution and collections going ahead. Further, the focus is expected to remain on emerging themes like desalination, ultra-pure water etc., providing healthy order intake tailwinds for the company going ahead.

Key Risks

- ♦ Lumpiness in order book execution could impact the company's revenue and cash flows.
- ♦ Non-payment of dues can affect the profitability.

Additional Data

Key management personnel

Name	Designation
Rajiv Mittal	Chairman and Managing Director
Skandaprasad Seetharaman	Chief Financial Officer
Anup Kumar Samal	Company Secretary and Compliance Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Jhunjhunwala Rekha Rakesh	8.04
2	Vanguard Group Inc/The	2.98
3	Blackrock Inc	2.31
4	Norges Bank	2.21
5	Federated Hermes Inc	2.17
6	Motilal Oswal Asset Management Co	1.77
7	Dimensional Fund Advisors LP	1.62
8	BASERA HOME FINANCE PVT LTD	1.24
9	Invesco Ltd	1.17
10	ISHARES II PUBLIC LTD CO	1.15

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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