

Va Tech Wabag Ltd. – Investment BUY Call – 6 Months Horizon

Dear Bajaj Capital Investors,

New Stock Recommendations for BUY on 8 June 2026

CMP -> 1580

Upside Potential-> 13%

Investment Horizon -> 6 Months

Target price -> 1785

What Company Do:

WHY WATER? WHY NOW?

The largest water investment cycle in history is underway — driven by crisis, policy and capital



THE CRISIS

2.1 Bn

people lack safe drinking water

Only 37% of the world's sewage is safely treated. The rest flows untreated into rivers and oceans.

Water scarcity costs \$80 Bn/year to global industry — factories shut down when water runs out.

3.4 Bn people lack safely managed sanitation. 419 million still defecate in the open.

Freshwater availability is declining 7% per decade. Global water use has risen 25% since 2000.

\$70 Trillion of global GDP is at risk from water stress by 2050 — that's half the world economy.

THE CAPITAL

\$19.6 Bn

committed by development banks in 2024

India alone: ₹8.69 lakh Crores for drinking water under Jal Jeevan Mission 2.0 — the world's largest water programme.

Saudi Arabia: \$38–42 Bn on water infra under Vision 2030. Desalination and reuse are top priorities.

Africa: \$1.58 Bn from World Bank for water programmes. AfDB, JICA and Exim adding billions more.

Global desal market: \$18 Bn → \$30 Bn by 2031, growing at 8.8% CAGR. Sea water is the new raw material.

Water investment funds up 60% since 2020 to ~\$94 Bn. Water outperforms energy & digital infra in yield.

THE NEW DEMAND

5 sectors

creating unprecedented water demand

Semiconductors: A single chip fab uses 10 million gallons of ultra-pure water every day.

Solar manufacturing: Needs 20 gallons per MWh for PV panels; 500–800 gal/MWh for CSP plants.

Data centres: Hyperscale facilities consume 3–5 million gallons/day for cooling. Growing 25–35% annually.

Green hydrogen: Every kg of H₂ needs 15–25 litres of ultrapure water via desalination.

AI: AI water needs are projected at 4–7 Bn m³/yr by 2027.

Water is the defining infrastructure challenge of this century.

WABAG is one of the very few companies globally positioned across all four segments — desalination, reuse, industrial and municipal — with 100 years of execution.

Global water infra financing gap
€6.5T

GDP at risk by 2050
\$70T

Countries with water mandates
30+

Sources: WHO/UNICEF 2023, World Bank, FAO AQUASTAT, WFP 2023, GWI, ZSL, IRENA, IoTTechEx, India Union Budget 2026, Saudi Vision 2030, Bloomberg Intelligence

WHY WATER? WHY NOW? WHY WABAG?

Leading listed pureplay water technology company of global scale | 100 years of heritage | Top 3 globally (GWI 2024)



₹172 Bn+

Order Book
26% backlog growth

₹371 Cr

PAT FY26
+26% YoY

19.7%

Revenue Growth
₹3,944 Cr

AA- Stable

Credit Rating
A1+ Short Term

₹950 Cr

Net Cash
6th year positive

19.4%

RoCE
Asset-light model

13.3%

EBITDA Margin
Guided 13–15%

100 Years | 1,500+ Plants (25 yrs) | 125+ IPRs | R&D Centres in Europe & India | 25+ Countries | 2,000+ Wabagites | 96 Mn+ Lives | Top 3 Globally (GWI 2024)

EXECUTE

LEARN. UNLEARN. RELEARN.

- Proprietary technology moat:** 125+ in-house IPRs across desalination, TTRO, ZLD, sludge treatment and energy recovery. R&D centres in Europe and India.
- Flexible delivery models:** EP, EPC, DBO, DBOT, O&M, BOOT, HAM, PPP and BOT — every model a client needs, under one roof.
- Desalination and Water reuse leadership:** 45 MLD Koyambedu TTRO is India's most technologically advanced reuse plant, powered by AI operational intelligence.
- One City One Operator pioneer:** OCOO in Agra (180 MLD, 7 STPs) and Ghaziabad (462 MLD, 15 STPs) — a model now being replicated nationally by NMCG.

SCALE

DISCIPLINE. MARGIN. SYSTEMS.

- Strong multilateral relationships:** Execution partner to World Bank, ADB, JICA, KfW, AIIB, EIB, AfDB and India Exim Bank across 25+ countries.
- ₹172 Bn+ order book:** >4x revenue visibility. Order intake of ₹75 Bn in FY26 + Robust pipeline.
- Global spread, local depth:** 2,000+ Wabagites. Multi-lingual, multi-cultural teams. Deep client relationships from Chennai to Yanbu to Lusaka.
- Bidding discipline:** Selective, margin-accretive bidding. >90% of order book backed by sovereign, multilateral or blue-chip corporate credit.

GROW

SUSTAINABLE. PROFITABLE. CASH-BACKED.

- Asset-light, high-return model:** EP-led with 19.4% RoCE and 15.7% RoE. No heavy balance sheet exposure. Fixed assets just ₹66 Cr.
- Lifecycle revenue model:** O&M now 38% of order book (₹63.5 Bn). 10–20 year contracts build predictable annuity income. Target: 20% of revenue.
- Cash machine:** ₹950 Cr net cash — 6th consecutive year positive. Net interest flipped from cost to income. Dividend up 25% to ₹5/share.
- Future Energy Solutions:** Emerging opportunity in UPW, Bio-CNG, Green H₂ and digital water. 100 CBG plants planned. Building for the future.

Pureplay water | Full-spectrum technology | Global reach | Asset-light & capital-efficient | Cash generative

VA TECH WABAG Ltd. continues to strengthen its position as one of the world's leading pure-play water technology companies with expertise across desalination, wastewater treatment, water reuse, industrial water solutions and long-term operations & maintenance (O&M) services. The company operates through municipal and industrial segments, providing engineering, procurement, construction (EPC), design-build-operate (DBO), hybrid annuity model (HAM), PPP, BOOT and O&M solutions. Its technologies serve diverse end-user industries including municipalities, oil & gas, refineries, power, steel, fertilizers, food & beverages, semiconductors, solar manufacturing, data centres, green hydrogen and industrial parks. The company's technology-led asset-light model, supported by over 125 intellectual property rights and a century-long global legacy, has transformed WABAG into a high-return, cash-generative water infrastructure platform.

The company delivered another strong operational performance in Q4FY26 and FY26. Revenue increased by nearly 20% YoY to INR 3,944 crore, while EBITDA grew 21.8% YoY with EBITDA margin maintained at 13.3%, remaining within management's guided range of 13-15%. PAT rose 25.5% YoY to a record INR 371 crore, translating into a healthy PAT margin of 9.4%. Q4FY26 performance remained equally impressive with revenue growth of 22.3% YoY and PAT growth of 28.9% YoY. Return ratios continued to improve with ROCE reaching 19.4% and ROE exceeding 15%, demonstrating the effectiveness of WABAG's capital-efficient business model. **Management reiterated confidence in sustaining a 15-20% revenue CAGR over the medium term while maintaining profitability and return metrics.**

A key investment attraction remains the company's exceptionally strong balance sheet and cash flow profile. **WABAG ended FY26 with net cash of approximately INR 950 crore (excluding HAM investments), marking the sixth consecutive year of net cash positivity. Gross cash stood above INR 1,050 crore while debt remained limited at around INR 100-110 crore.** During FY26, the company generated operating cash flow exceeding INR 200 crore and free cash flow to firm of nearly INR 300 crore. Management highlighted that debt is now utilized by choice rather than necessity, reflecting financial strength and disciplined working capital management. Such strong liquidity provides significant flexibility for future growth initiatives, technology investments and potential strategic acquisitions.

Order inflows and project wins remained robust during FY26. The company secured fresh orders worth approximately INR 7,500 crore, resulting in a record order book of INR 17,200 crore, representing over four times annual revenue and providing strong multi-year revenue visibility. Major order wins included the 300 MLD Yanbu desalination project in Saudi Arabia, the Chennai city-wide looped water grid project and the 45 MLD tertiary treatment reverse osmosis (TTRO) reuse project in Chennai. **Management emphasized that more than 90% of the order book is backed by sovereign governments, multilateral funding agencies or blue-chip corporate clients, significantly reducing payment and execution risks.** The strong order pipeline across India, Middle East and Africa is expected to support sustained execution momentum over the next several quarters.

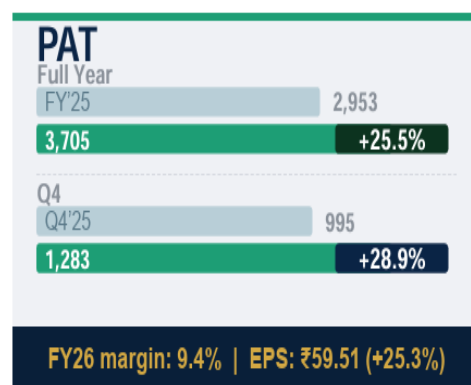
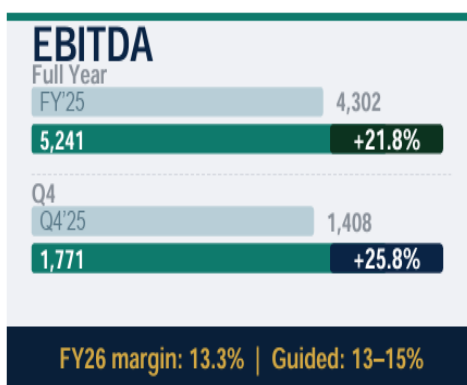
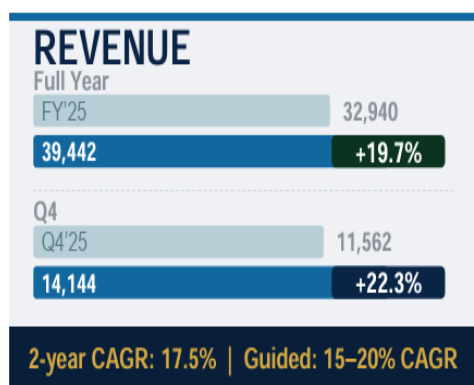
The near-term growth outlook for the next two to three quarters is expected to be driven by execution of large ongoing projects including the 400 MLD Perur desalination project in Chennai, the Yanbu desalination project in Saudi Arabia, Chennai Water Grid, BPCL Bina water block package, Bangladesh Pagla STP project, Nepal projects and several large O&M contracts. Management indicated that Perur desalination, often described as the company's flagship project, is progressing well with offshore works completed and onshore construction at peak intensity. Additionally, Al-Haer STP in Saudi Arabia, Senegal desalination projects and Zambia wastewater projects are advancing according to schedule. These projects are expected to contribute significantly to revenue recognition and margin expansion during FY27. From a business transformation perspective, WABAG is positioning itself beyond a traditional EPC player towards a technology-led "Manufactured Water" company focused on desalination, water reuse and circular water economy solutions. Management believes desalination and wastewater recycling represent climate-resilient and perpetual water sources. The company is investing in advanced membrane technologies, ceramic membranes, AI-driven operational optimization and digital water management solutions. Its strategic partnership with Pani Energy has already demonstrated improvements in water utilization and chemical consumption. **The increasing contribution from O&M contracts, which are recurring, cash-accretive and margin-enhancing in nature, is expected to gradually improve earnings quality and predictability over the coming years.**

Future growth opportunities remain exceptionally strong as global water infrastructure investment enters a multi-decade expansion cycle. WABAG is well positioned to benefit from India's Jal Jeevan Mission, AMRUT, Namami Gange and wastewater treatment programs, while international growth is expected from Saudi Vision 2030, GCC desalination expansion, African water infrastructure development and multilateral-funded projects. Management estimates an addressable market opportunity of USD 75-100 billion across its key geographies. Beyond conventional water treatment, future growth is expected to emerge from ultra-pure water systems for semiconductors, solar manufacturing, green hydrogen, data centres, AI infrastructure and bio-CNG projects. Recent wins from RenewSys and opportunities in industrial water treatment further validate the company's entry into these high-growth sectors.

Another important growth driver is the gradual expansion of the O&M business. O&M currently contributes around 17% of revenue but nearly 38-40% of the order backlog, providing a strong annuity-like revenue stream. Management remains committed to increasing O&M contribution to 20% of revenue over the medium term. Long-term contracts ranging from 5 to 20 years offer superior cash flows, lower execution risks and higher margins. Furthermore, the company is actively evaluating bolt-on technology acquisitions and developing a municipal platform to participate in multiple projects while maintaining its asset-light approach. These strategic initiatives could create additional earnings drivers and strengthen competitive positioning.

Despite the favourable outlook, investors should monitor certain near-term risks. Geopolitical uncertainties in the Middle East, currency fluctuations, raw material inflation, elongated project award cycles and increasing competition within the global water sector could impact execution timelines and margins. Delays in government project approvals and spending cycles may also affect revenue recognition. However, WABAG's diversified geographical presence across more than 25 countries, strong sovereign-backed order book, net cash balance sheet, disciplined bidding strategy and technology leadership significantly mitigate these risks. Considering its record order book, robust execution pipeline, strong cash generation, leadership in desalination and water reuse, expanding O&M portfolio and exposure to emerging sectors such as semiconductors, solar, AI and green hydrogen, VA TECH WABAG appears well positioned to deliver healthy earnings growth and shareholder value creation over the next six months and beyond.

Q4FY26& FY26 Consolidated Results:



FY 2025-26 Performance Scorecard



*Net Cash including HAM Project - INR 8,337 Mn

Note – Amount is in INR Million.

Q4FY26 Results:

	YoY	QoQ	Mar 2026	Dec 2025	Mar 2025
Revenue Cr	22.3%	47.1%	1,414	961	1,156
Operating Profit Cr	11.8%	29.6%	157	122	141
OPM %			11.1	12.6	12.2
PAT Cr	28.6%	40.2%	128	91	100
NPM %			9.1	9.5	8.6
EPS ₹	20.4%	45.1%	22.7	15.6	18.8

Note – Amount is in INR crores.

Growth Opportunities:

THREE ENGINES OF GROWTH

Core Market + Future Energy Solutions + Operations & Maintenance



CORE MARKET

Desalination · Reuse · Municipal · Industrial

~\$75 Bn

5–7 Year addressable market

GCC Vision 2030 commits \$80 Bn+ to water infrastructure across Saudi Arabia, Kuwait, Oman and Bahrain.

India treats only 37% of its sewage. JJM 2.0 alone commits ₹8.69 lakh Crores for drinking water.

Africa and SAARC scaling fast through ADB, JICA and World Bank-funded projects with sovereign guarantees.

Oil & Gas clients (BPCL, Reliance, PETRONAS, SIBUR) expanding refinery capacity — driving full water block demand.

WABAG: Top 3 desalination globally · Yanbu 300 MLD · Perur 400 MLD · Chennai Water Grid · BPCL Bina · PETRONAS 102 MLD

FUTURE ENERGY SOLUTIONS

Solar · Semicon · Green H₂ · Data Centres · AI

\$4–6 Bn

5 Year emerging addressable opportunity

Every watt of clean energy and every byte of AI needs water. This is a structural, not cyclical, demand shift. (~519 ml / 100-word prompt)

A single semiconductor fab uses 10 million gallons of ultra-pure water per day. India targets 130 GW solar by 2030.

Hyperscale data centres consume 3–5 million gallons daily for cooling. AI workloads use 10x more water than search.

Green hydrogen needs 15–25 litres of ultrapure water per kg via desalination — the most water-efficient clean fuel path.

WABAG: UPW + ZLD for RenewSys solar fab · Mega desal for Indosol Solar - PV sector · Pursuing Green H₂ players · Foray into Bio-CNG started

O&M

The annuity engine — predictable & cash accretive

~\$10 Bn

5–7 Year addressable market

Customers want guaranteed outcomes — payments tied to treated water quality, not effort. Risk transfers to WABAG.

Advanced plants need specialist operators. AI, SCADA, membranes and digital twins cannot be run by municipal bodies.

15–25 year O&M contracts cost 3–5x less than repeated fix-and-fail cycles. Govts now bundle long-term O&M with EPC.

WABAG with OBL of Rs. 68.5 Billion. WABAG pioneered the One City One Operator model in Agra (180 MLD) and Ghaziabad (462 MLD) — now being replicated nationally.

WABAG: 125+ proprietary IPRs · AI-powered Koyambedu TTRO · AMAS Bahrain AI pilot · OCOO pioneer · 96+ Mn lives touched (GWI 2024)

TAILWINDS AND HEADWINDS

Navigating the landscape to emerge stronger | FY26 order book: ₹17,200+ Cr | Net cash: ₹834 Cr

▲ TAILWINDS

\$75–100 Bn global water market

Rising scarcity, urbanisation and climate stress are driving unprecedented infrastructure investment across every geography we operate in.

India's multi-decade water build

JJM 2.0 (₹8,69L Cr), AMRUT 2.0 (₹2,99L Cr), Namami Gange II (₹3,100 Cr FY27) — the largest domestic water pipeline in history.

GCC & Africa infrastructure boom

KSA Vision 2030 (\$80 Bn+ water spend), Kuwait desalination expansion, AfDB/JICA-funded programmes accelerating across the continent.

New economy water demand

Semiconductors, solar, green hydrogen, data centres and AI are creating structural demand for UPW, desalination and ZLD — our core strengths.

Sustainability & reuse mandates

CPCB ZLD mandates, AMRUT reuse requirements, EU Water Reuse Regulation — the regulatory push is converting policy into orders.

▼ HEADWINDS — How we manage

Geopolitical tensions in Middle East

✓ Zero execution disruption. Water is non-discretionary — you cannot defer drinking water. Diversified across 25+ countries.

Government spending pace in India

✓ Massive allocations, but ordering and execution delays possible. We track this closely and maintain a balanced India-international mix (48:52).

Currency & input cost volatility

✓ Natural hedging via multi-currency revenue. Contractual escalation clauses protect margins on input costs.

Growing competition

✓ 125+ proprietary IPRs, Top 3 global desalination and private water operator ranking; 100-year track record are hard to replicate. We compete on technology, not price.

Elongated contract award cycles

✓ Diversified order book across 25+ countries and multiple segments ensures no single delayed award impacts the business.

★ THE RESULT — FY26 proof

₹17,235 Cr

Order book

>4x revenue visibility with 26% backlog growth YoY

+19.7%

Revenue growth

₹3,944 Cr — within 15–20% CAGR guidance

13.3%

EBITDA margin

Within 13–15% guidance; improved 20 bps YoY

₹950 Cr

Net cash

6th consecutive year positive. Net interest now income.

₹75 Bn

FY26 order intake

+31% over FY25. Additionally Robust pipeline.

Recommendation Timeline & Performance Summary: -

- 1. 8 April 2026 – Initial BUY Recommendation:** The BUY call was initiated at a price of 1261 with a target price of 1501, implying an upside potential of ~19% over a 6 to 9-month investment horizon.
- 2. 22 April 2026 – Target Achieved:** The stock achieved our target price of 1501 on 22 April 2026 and further appreciated to 1514 on the same day, delivered a return of 20% from the recommendation price within 2 weeks, significantly ahead of our envisaged investment horizon.
- 3. 8 June 2026 – Re-Initiation of BUY Call:** We have re-initiate the BUY call at the CMP of 1580 with a target price of 1785, indicating an envisaged upside potential of 13% over the next 6 months.

Happy Investing!

Thank you and best regards,

On behalf of Bajaj Capital's Research Team