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India | Equity Research | Q1FY25 results review

VA Tech Wabag

Capital Goods

Pole position in order prospects

VA Tech Wabag's (Wabag) revenues grew by 13% YoY, EBITDA margin came in at 13% (+110 bps YoY) and EBITDA grew by 24% YoY in Q1FY25. Management reiterated its guidance of 15–20% growth in revenues and 13–15% EBITDA margin in FY25E. Order inflow (OI) has been subdued for the quarter; however, it is the preferred bidder for INR 60bn-worth of projects – which is likely to get finalised in the next couple of quarters. Note that OI in FY24 was subdued at INR 24bn. Order book (OB) at the end of the quarter closed at INR 95bn – INR 52bn of EPC (2.2x EPC revenues) and INR 42bn of O&M. A strong OI in the near term remains critical for sustained growth of 15–20% in revenues. We estimate an OI of INR 60bn in FY25E. Maintain **BUY** with a revised target price of INR 1,445.

Operating profit grew by 24% YoY

Revenues for the quarter grew by 13% YoY at INR 6.3bn. EBITDA margin was 13% (+110bps YoY) with EBITDA being INR 813mn (+24% YoY), in-line with its guidance of 13–15% for FY25. Other income (INR 108mn) in the quarter was low (-50% YoY) on account of one-off income in the form of divestment gains by INR 63m in base quarter. As a result, profit grew by 10% YoY to INR 550mn.

Progress in large value projects picks up

The work on its largest project – Chennai desalination project has picked up and contribution will ramp up in next few quarters.

Preferred bidder in INR 60bn worth of projects

Book-to-bill ratio stood at 3.6x (vs. 4.3x, Q1FY24) with Wabag's OB closing at INR 107bn. OI for the quarter was INR 672mn, down 91% YoY/88% QoQ. Wabag is the preferred bidder in projects amounting to over INR 60bn.

Reiterates its guidance

Management has maintained their guidance of 15–20% revenue growth in FY25E. It has also maintained guidance for OI of INR 60–80bn in FY25E. It expects FY25E OB at INR 160-INR180bn.

Maintain BUY at TP of INR 1,445

We maintain **BUY** with a revised TP of INR 1,445 (INR 1,185 earlier).

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	29,605	28,564	32,905	37,968
EBITDA	3,178	3,757	4,593	5,423
EBITDA Margin (%)	10.7	13.2	14.0	14.3
Net Profit	2,299	2,456	2,960	3,524
EPS (INR)	28.2	39.6	47.7	56.8
EPS % Chg YoY	61.7	19.3	19.4	18.2
P/E (x)	35.9	30.1	25.2	21.3
EV/EBITDA (x)	24.8	20.4	16.6	14.0
RoCE (%)	13.8	15.1	15.7	16.4
RoE (%)	14.8	14.5	15.1	15.5

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Market Data

Market Cap (INR)	78bn
Market Cap (USD)	933mn
Bloomberg Code	VATW IN
Reuters Code	VATE.BO
52-week Range (INR)	1,405 /435
Free Float (%)	81.0
ADTV-3M (mn) (USD)	12.8

Price Performance (%)	3m	6m	12m
Absolute	45.1	83.8	142.3
Relative to Sensex	35.0	72.4	121.5

Previous Reports

27-05-2024: [Q4FY24 results review](#)

13-02-2024: [Q3FY24 results review](#)

Q1FY25 conference call highlights

Medium-term guidance

The company has maintained guidance for certain outcomes in the medium-term, the materialization of which is expected to show from FY25 onwards.

- Revenue growth – 15-20%
- EBITDA margin – 13–15%
- RoCE > 20%; RoE > 15%

Breakup of order intake

Total order intake for the quarter came in at INR 672mn with orders of which:

- EPC is INR 335mn; O&M is INR 337mn
- Municipal is INR 551mn; industrial is INR 121mn
- India is INR 459mn; international is INR 213mn

Breakup of order backlog

Total OB for the year came in INR 107bn with orders of which:

- EPC is INR 52bn; O&M is INR 43bn; framework is INR 12bn
- Municipal is INR 87bn; industrial is INR 8bn (framework does not get classified)
- India is INR 66bn; international is INR 30bn (framework does not get classified)
- One-third of the EPC projects on books are of EP nature only.

Other highlights

- Revenues for the quarter were driven by two major projects – SIBUR and Senegal, both of EP nature, contributing towards margins.
- 100% divestment of Wabag Romania completed in Q1FY25.

Exhibit 1: Quarterly result highlights

INR mn	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	FY24	FY23	YoY (%)
Total Revenue	6,265	5,528	13.3	9,342	(32.9)	28,564	29,605	(3.5)
EBITDA	813	656	23.9	1,155	(29.6)	3,757	3,178	18.2
Margin (%)	13.0	11.9	111bps	12.4	61bps	13.2	10.7	242bps
Depreciation	19	17	11.8	25	(24.0)	84	88	(4.5)
Finance Cost	180	158	13.9	218	(17.4)	711	658	8.1
Other Income	108	257	(58.0)	82	31.7	434	536	(19.0)
Extraordinary income	722	738	(2.2)	994	(27.4)	3,396	2,968	14.4
PBT	722	738	(2.2)	994	(27.4)	3,396	2,968	14.4
Tax	152	144	5.6	218	(30.3)	797	782	1.9
Tax rate (%)	21.1	19.5	154bps	21.9	-88bps	23.5	26.3	-288bps
Reported PAT	550	500	10.0	724	(24.0)	2,456	130	1,789.2
Adjusted PAT	550	500	10.0	724	(24.0)	2,456	2,299	6.8
Margin (%)	8.8	9.0	-27bps	7.7	103bps	8.6	7.8	83bps
EPS	9	8		12		40	2	1,789.2
Order Book	1,06,763	1,25,111	(14.7)	1,14,482	9.3	1,14,482	1,32,192	(13.4)
Order inflow	673	7,330	(90.8)	5,818	26.0	23,434	68,441	(65.8)

Source: I-Sec research, Company

Outlook and valuation

Wabag's PAT performance and guidance of sustained high EBITDA margins, has led us to believe that the company would be in a favourable position going forward. Management has also guided for 15% revenue growth for FY25, and an EBITDA margin of 13–15%. We believe this guidance is well within the reach and is likely to fructify. The company has also guided for an order backlog of three years and the fact that the company has submitted bids worth INR 84bn.

We maintain Wabag at **BUY** with a revised TP of INR 1,445 (INR 1,185 earlier) based on 25x FY26E (vs 20x FY26E earlier).

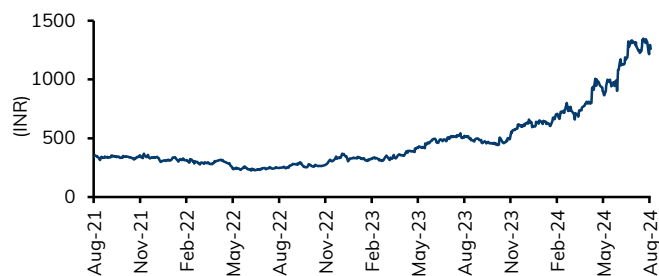
Risks: 1) continued lower order inflows in FY25; and 2) increased operating costs leading to lower EBITDA levels.

Exhibit 2: Shareholding pattern

%	Dec'23	Mar'24	Jun'24
Promoters	19.1	19.1	19.1
Institutional investors	19.0	18.1	16.2
MFs and others	4.7	4.7	4.0
FIs/Banks	-	-	-
Insurance	0.9	0.8	0.7
FIIIs	13.4	12.6	11.5
Others	61.9	62.8	64.7

Source: Bloomberg

Exhibit 3: Price chart



Source: Bloomberg

Financial Summary

Exhibit 4: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	29,605	28,564	32,905	37,968
Operating Expenses	3,732	3,140	3,352	3,613
EBITDA	3,178	3,757	4,593	5,423
EBITDA Margin (%)	10.7	13.2	14.0	14.3
Depreciation & Amortization	88	84	110	110
EBIT	3,090	3,673	4,483	5,313
Interest expenditure	658	711	823	949
Other Non-operating Income	536	434	477	525
Recurring PBT	2,968	3,396	4,138	4,889
Profit / (Loss) from Associates	93	(95)	(95)	(95)
Less: Taxes	782	797	1,034	1,222
PAT	2,186	2,599	3,103	3,667
Less: Minority Interest	(20)	48	48	48
Extraordinary (Net)	(2,169)	-	-	-
Net Income (Reported)	130	2,456	2,960	3,524
Net Income (Adjusted)	1,757	2,456	2,960	3,524

Source Company data, I-Sec research

Exhibit 5: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	30,717	36,253	41,158	47,043
of which cash & cash eqv.	2,754	5,097	5,267	5,629
Total Current Liabilities & Provisions	21,401	20,595	23,725	27,376
Net Current Assets	9,316	15,658	17,433	19,667
Investments	458	671	671	671
Net Fixed Assets	718	689	719	749
ROU Assets	-	-	-	-
Capital Work-in-Progress	-	-	-	-
Total Intangible Assets	36	36	-	-
Other assets	6,897	5,304	6,110	7,050
Deferred Tax Assets	1,205	799	1,037	1,225
Total Assets	19,491	25,150	27,963	31,356
Liabilities				
Borrowings	3,534	4,185	4,024	3,870
Deferred Tax Liability	11	-	-	-
provisions	130	128	128	128
other Liabilities	70	2,598	2,728	2,864
Equity Share Capital	124	124	124	124
Reserves & Surplus	15,625	18,062	20,898	24,298
Total Net Worth	15,749	18,186	21,022	24,422
Minority Interest	(3)	53	61	71
Total Liabilities	19,491	25,150	27,963	31,356

Source Company data, I-Sec research

Exhibit 6: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	(193)	(644)	1,716	2,141
Working Capital Changes	445	(3,999)	(1,605)	(1,872)
Capital Commitments	(808)	(1,400)	(104)	(140)
Free Cashflow	615	756	1,820	2,281
Other investing cashflow	2,310	2,027	(329)	(415)
Cashflow from Investing Activities	1,502	628	(433)	(555)
Issue of Share Capital	-	(1)	-	-
Interest Cost	(658)	(711)	(823)	(949)
Inc (Dec) in Borrowings	(751)	651	(162)	(153)
Dividend paid	(124)	(124)	(124)	(124)
Others	(1,308)	2,544	(5)	3
Cash flow from Financing Activities	(2,841)	2,359	(1,113)	(1,223)
Chg. in Cash & Bank balance	(1,532)	2,343	170	362
Closing cash & balance	2,754	5,097	5,267	5,629

Source Company data, I-Sec research

Exhibit 7: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	35.1	41.9	50.1	59.1
Adjusted EPS (Diluted)	28.2	39.6	47.7	56.8
Cash EPS	38.4	41.0	49.5	58.6
Dividend per share (DPS)	2.0	2.0	2.0	2.0
Book Value per share (BV)	253.2	293.3	339.1	393.9
Dividend Payout (%)	5.7	4.8	4.0	3.4
Growth (%)				
Net Sales	(0.6)	(3.5)	15.2	15.4
EBITDA	34.1	18.2	22.3	18.1
EPS (INR)	61.7	19.3	19.4	18.2
Valuation Ratios (x)				
P/E	35.9	30.1	25.2	21.3
P/CEPS	32.8	30.8	25.4	21.5
P/BV	5.0	4.3	3.7	3.2
EV / EBITDA	24.8	20.4	16.6	14.0
P / Sales	2.6	2.7	2.4	2.1
Dividend Yield (%)	0.2	0.2	0.2	0.2
Operating Ratios				
Gross Profit Margins (%)	23.3	24.1	24.1	23.8
EBITDA Margins (%)	10.7	13.2	14.0	14.3
Effective Tax Rate (%)	26.3	23.5	25.0	25.0
Net Profit Margins (%)	7.4	9.1	9.4	9.7
NWC / Total Assets (%)	0.1	0.1	0.1	-
Net Debt / Equity (x)	0.0	(0.1)	(0.1)	(0.1)
Net Debt / EBITDA (x)	0.1	(0.4)	(0.4)	(0.4)
Profitability Ratios				
RoCE (%)	13.8	15.1	15.7	16.4
RoE (%)	14.8	14.5	15.1	15.5
RoC (%)	13.8	15.1	15.7	16.4
Fixed Asset Turnover (x)	39.9	40.6	46.7	51.7
Inventory Turnover Days	5	5	5	5
Receivables Days	185	250	272	273
Payables Days	131	129	141	141

Source Company data, I-Sec research

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