

24<sup>th</sup> Sept, 2010**Issue Details**

Offer Price Band	Rs. 1230 – 1310
Face Value	Rs. 5
Shares Offered	3.66 mln
Promoters	Rajiv Mittal, Amit Sengupta
Grading (by ICRA)	4/5
Lead Managers	Enam, IDFC
Listing (Stock Exchange)	NSE, BSE
Offer Open Date	24 <sup>th</sup> Sept, 2010
Offer Close Date	27 <sup>th</sup> Sept, 2010

Website: [www.wabag.com](http://www.wabag.com)**Scrip Estimates**

Market Cap (Rs Crores) (Upper Band-Lower band)	1293 – 1369
FY 10 Net Profit (Rs Crores)	4.41
EPS – FY10 (Rs)	53.23

Share Holding Pattern (%)	Pre Offer	Post Offer (Upper Band)
Promoters	37.45	--
Public and others	--	--
Foreign Institutions	9.98	--
Others / Trust	14.57	--

Financials (Rs cr)	FY08	FY09	FY10
Tot. Rev	623.20	1154.95	1234
Expenditure	593.28	1071.84	1022.80
EBIDTA	29.92	83.11	211.20
EBIDTA (%)	4.80%	7.19%	17.12%
Depreciation	5.28	8.44	2.99
Interest	14.40	35.37	1.39
PBT	10.2	37.9	74.4
PAT	9.2	33.9	44.1

Investors should read the risk factors and more detailed information in the Prospectus and the application form before investing in the issue.

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VA Tech Wabag offers complete life cycle solutions including conceptualization, design, engineering, procurement, supply, installation, construction and O&M services. They provide a range of EPC and O&M solutions for sewage treatment, processed and drinking water treatment, effluents treatment, sludge treatment, desalination and reuse for institutional clients like municipal corporations and companies in the infrastructure sector such as power, steel and oil and gas. As on December 31, 2009, it has executed 103 projects and is currently executing 72 projects.

It is a multinational player in the water treatment industry with market presence in India, the Middle East, North Africa, Central and Eastern Europe, China and South East Asia through its principal offices in India, Austria, the Czech Republic, China, Switzerland, Algeria, Romania, Tunisia, UAE, Libya and Macao. It is headquartered in Chennai and conducts global operations through their Subsidiaries and branch and representative offices.

**Objects of the Issue:**

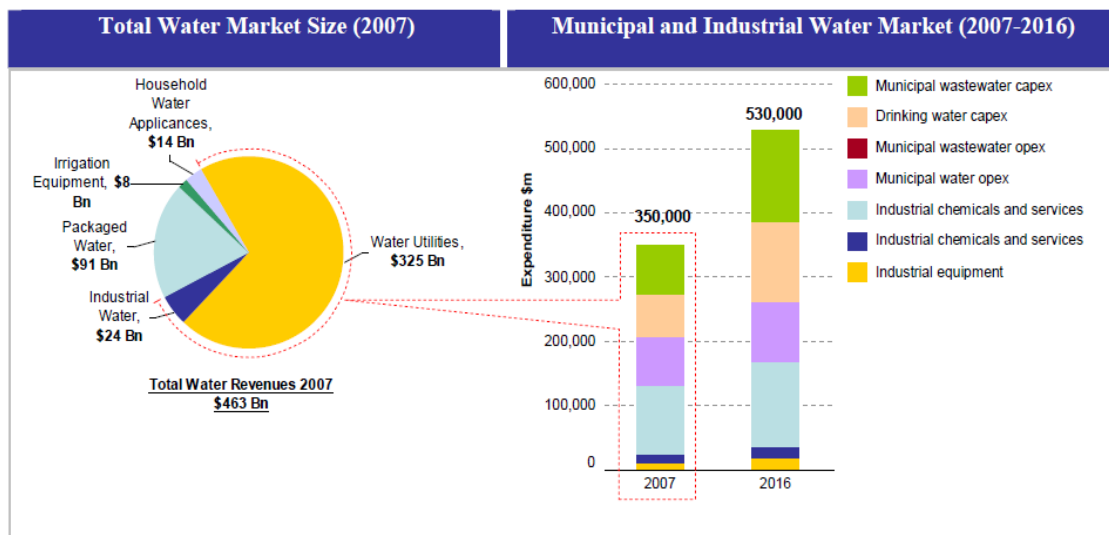
1. Funding working capital requirements of the Company - 59.2 Cr
2. Construction of a corporate office at Chennai - 34.7 Cr
3. Implementation of global IT systems - 11.05 Cr
4. General corporate purposes

**Investment Highlights:**

- **Strong execution track record and Order Book**  
Its consolidated Order Book as on June, 2010 stood at Rs. 2779 crs providing 2 years of visibility and on standalone basis it stood at Rs. 1860 crs. Of the overall Order Book, 88% was attributed to municipal clients and 12% to industrial clients. During the last three years, the company's revenue has grown at CAGR 42% from INR 610 cr. in FY08 to 1,223 cr. in FY10 and PAT has grown at CAGR 119% from INR 9 cr. in FY08 to INR 45 cr. in FY10. Company is likely to grow at 30% CAGR for next few years.
  - **Complete water solutions provider**  
It provides engineering solutions in the water industry for sewage treatment, processed and drinking water treatment, effluents treatment, sludge treatment, desalination and reuse and offer a comprehensive range of services throughout the entire life cycle of water including conceptualization, project design, installation, construction and O&M support. Clients are both institutional, municipal corporations and industries. Projects are executed on both on turnkey basis or an item rate basis.
  - **Wabag brand recognition**  
Established since 1924, the Wabag brand has helped in leveraging the opportunity to penetrate new markets, pre-qualify for bids and expand our services in new areas such as BOOT and TOT. It facilitates its operations in competitive markets to partner with other companies for their projects. Brand recognition combined with technical competencies and ability to meet client requirements has won repeated orders from its clients. It has a strong reference list with a dominant presence across various municipal markets in India, including Bengaluru, Chennai, Kolkata, Mumbai and New Delhi.
- Valuation & Advise:** At the lower and upper end of the price band, the issue is quoting at P/BV of 2.9-3.06x its consolidated Mar FY10 Book Value of Rs 428 per share and quoting at a PE of 23-25x its consolidated FY10 EPS of Rs. 53 per share. We recommend a **SUBSCRIBE** for the issue.

**Water Industry**

- The water utilities and Industrial market comprises of almost 75% of the market or about USD 350 billion market in 2007 and is expected to grow to USD 530 billion by 2016 as per Global Water Markets 2008.
- Water treatment industry can be further classified into four kinds of water plants, namely water treatment, desalination, wastewater treatment and water recycling. Designing and engineering of projects in the water and wastewater treatment segment is technically complex and technology is a critical part of such projects.



Source: Global Water Markets 2008

**Market Growth**

- As per Global Water Markets 2008, majority of the fastest growing countries in the water sector are from the emerging and developing regions. Water scarcity is acute in the case of many rapidly expanding economies and these countries are lagging far behind in terms of water infrastructure, water and sanitation coverage and reuse of water.
- While the looming water crisis is a challenge, it is also a mega business opportunity for the private sector across the entire value chain of water projects. Companies, which are able to offer solutions for providing a growing global population with safe drinking water within an increasingly urbanized world, are facing high growth potentials, especially in dry regions like North Africa, Near/Middle East and in emerging economies, such as China and India and others in Far East.

**Key Concerns:**

- Increasing competitive pressures in the business and adverse price fluctuations in the basic raw materials could impact margins
- Execution risks that is typical in project business; ability to execute orders in a timely manner, meeting guaranteed performance requirements and within budgeted costs would be crucial
- Free cash flows could be impacted by the extended collection cycle

## Peer Comparison

	Face Value (Rs.)	Revenue for Fiscal 2010 (In Rs. lakhs)	EPS for Fiscal 2010 (In Rs.)	P/E	RoNW for Fiscal 2010 (%)	NAV for Fiscal 2010 (In Rs.)
VA Tech Wabag Limited, on a consolidated basis	5	1,23,376	53.23		12.43	428.4
<b>Peer Group</b>						
IVRCL Infrastructure & Projects Limited	2	5,49,230	2.6	63.2	4.0	69.3
Engineers India Limited	5	1,99,380	9.6	24.6	35.0	33.1
Thermax Limited	2	3,04,820	20.7	32.5	25.5	88.2
Hindustan Construction	1	3,64,420	1.4	36.5	6.5	25.0
Nagarjuna Constructions	2	4,75,920	7.6	19.2	10.2	87.5
Gammon India	2	4,46,810	9.8	20.8	9.7	131.2

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