

This Rekha Jhunjhuwala-owned stock has rallied 58% so far in February



Shares of [VA Tech Wabag](#) rallied 15 per cent on Tuesday to hit a fresh 52-week high of Rs 296 on the BSE on the back of heavy volumes. In the past two days, the stock of the sewage and water treatment solutions provider has gained 21 per cent after foreign brokerage firm Nomura raised price target to Rs 446 per share.

Thus far in the month of February, the share price of VA Tech Wabag has surged 58 per cent on improved outlook. In comparison, the S&P BSE Sensex was up 7.9 per cent during the month.

Ace investor Rakesh Jhunjhunwala's wife Rekha Jhunjhunwala held 5 million shares, or 8.04 per cent stake, in VA Tech Wabag as on December 31, 2020, the shareholding pattern data show.

On September 29, VA Tech Wabag, the Indian multinational player in the water treatment industry, had allotted 7.5 million equity shares to investors including Rekha Rakesh Jhunjhunwala at price of Rs 160 per share, aggregating to Rs 120 crore by way of preferential issue.

Last week, VA Tech Wabag completed the financial closure for its Hybrid Annuity Model ('HAM') project received from Kolkata Metropolitan Development Authority ('KMDA').

WABAG had earlier signed an Rs 575 crore HAM concession agreement under the Namami Gange programme administered by the National Mission for Clean Ganga (NMCG) which included the scope of engineering, supply and construction of new sewage treatment plants, renovation and up-gradation of existing sewage treatment plants, rehabilitation of pumping stations and other associated infrastructure in Kolkata.

The company will execute engineering, procurement and construction of this project over 24 months, followed by operations and maintenance of 15 years. The project debt requirement will be funded by a consortium of International Finance Corporation (AFC) and Tata Cleantech Capital Limited (TCCL).

This is first order win on HAM Basis for WABAG, many more to follow suit. NMCG is to expand its presence, replicating its model across 33 rivers under NRCD wherein HAM will play a major role in attracting private investment. Total Rs 4.5 trillion proposed outlay under central government schemes over next 5 years.

“The financial closure of HAM asset and a strong well-funded orderbook provide long-term sales visibility; strong track record of free cash flow generation in FY20 and 9MFY21 has largely addressed debt concerns,” Nomura said in report.

The company's current order backlog stands at Rs 10,712 crore with order intake of Rs 971 crore during the December quarter. Increased government focus on water recycling and higher budgetary spend will boost the order intake going forward, according to analyst at Geojit Financial Services.

Improvement seen in revenue generation and debt level are expected to continue as execution is picking up with major projects have reached revenue generation stage. Even though receivable levels remained elevated due to GENCO receivables, performance parameters of core business (excluding exceptions like GENCO) looks promising. Considering the positive outlook of the water treatment industry and expected revenue rebound along with improving cash position, the brokerage firm said.

[VA Tech Wabag](#)