sustainable solutions. for a better life.

Bringing water back to life

VA TECH WABAG LIMITED

Annual Report 2011-12

Forward-looking statement

In this annual report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Contents

Our Vision

WABAG shall be a professionally managed Indian Multinational having Market Leadership in Emerging Markets and significant position in the Global Market both in the EPC and Service Sector of Water Business.

WABAG shall encourage and practice a culture of Caring, Trust and Continuous Learning while meeting Expectations of Employees, Stakeholders and Society. WABAG-ites shall be an Innovative, Entrepreneurial and Empowered Team committed to Total Customer Satisfaction and Value Creation.

Our Mission

We, at WABAG exist to provide total water solutions to our valued customers.

Our strong, capable, agile and customer focused team shall ensure that every customer solution is creative, priced competitively and provided in the agreed time frame with essence of quality at optimum cost.

We, at WABAG, always have concern for the welfare of our employees and shall do everything it takes to attract and retain the best of the talent.

Think Water. Think WABAG.

WABAG possesses superior technology competence to transform contaminated water into perfectly potable.

WABAG is more than just a water infrastructure company.

An Indian multinational.

- A pure-play water technology company
- Engaged in end-to-end solutions
- Specialist in complex and cost-competitive business model
- Owns more than 100 processes and product patents
- WABAG brand has been in existence since 1924
- Global presence through 18 subsidiaries across 17 countries
- Executed more than 2,250 projects in the last three decades

Lineage

- The Company has been in the water treatment business in India since 1996
- Managed by a widely experienced management team

Presence

- Presence in India, the Middle East, North Africa, Central and Eastern Europe, China and South East Asia
- R&D centres in India, Austria and Switzerland
- Present across Indian metropolitan cities through full-fledged offices in Pune, Delhi, Kolkata supported by multiple site offices.
- International engineering centres in Pune and Vadodara

Services

The Company undertakes turnkey contracts for design, engineering, procurement, construction, erection, commissioning and operation and maintenance of the following:

- Drinking water treatment
- Industrial waste water treatment
- Municipal waste water treatment
- Industrial and process water treatment
- Desalination (sea water and brackish water)
- Recycling (industrial and municipal waste water)

Our performance in 2011-12

Consolidated Financials

- Revenue increased 16.24% from Rs. 1,242 crore in 2010-11 to Rs. 1,443 crore
- EBIDTA increased 7.40% from Rs. 121 crore in 2010-11 to Rs. 130 crore
- Post-tax profit increased 40% from Rs. 52.57 crore in 2010-11 to Rs. 73.75 crore
- Cash increased from Rs. 324.48 crores in 2010-11 to Rs. 398.26 crores

Operational

- Order intake of Rs. 1,774 crores during the year
- Established subsidiaries in Philippines, Oman and Namibia

Closing Order Book (Rs in million)

Revenue (Rs in million)

PAT (Rs in million)

EPS (Rs)

Working Capital (Excluding Cash)
(Rs in million)

WABAG – poised to capitalize on growing opportunities in the Water sector!

Dear Shareholders,

I am pleased to present this report to you.

During the Financial Year 2011-12, the rationale of your Company's presence in the water sector was progressively validated. There are a number of realities unfolding the world over which indicate that water is going to be the 'sunrise' sector for a number of years, the only difference with the other sunrise sectors being largeness of scale that is already evident in the quantum of business on the one hand and the ticket size of orders on the others.

Global water scenario

Over the last three decades, changes in demand patterns have led to increasing water scarcity across the world primarily due to increase in population, rising urbanization resulting in shifting of consumption patterns and rapid industrial growth coupled with growing awareness on environmental protection. On the supply side, scarcity of freshwater and its unequal distribution has only exacerbated the situation.

If in the Seventies, the water scarcity was limited to a few countries in Europe, Africa and the Middle East and by the year 2000 it had spread to large and densely populated countries like India and China, the scarcity is expected to spread further with India and China continuing to be the largest countries facing stress.

Your Company is present in 12 of the 15 fastest growing water markets globally with market presence in the Middle East, North Africa, Central and Eastern Europe, China and South East Asia. Your Company is strategically well positioned to cater to opportunities outside Europe in the emerging and developing countries and thereby tap the opportunities emanating from these emerging economies.

Indian water scenario

India constitutes 17% of World population and only 4% of the total water resources which is diminishing consistently. Increasing overexploitation of ground water over the past few decades have resulted in a strain on India's water resources. Partly attributed to the fast population growth, the situation is aggravated by traditional and inefficient agricultural practices and populist political practices leading to depletion in ground water resources. The Water Resources Group estimates that if the existing consumption pattern sustains, about half the country's water demand will be unmet by 2030. As a result, India is likely to emerge as one of the fastest growing markets for water management solutions. The major opportunities in India lie in waste water treatment and recycling segments.

Inflection point

India is possibly at an inflection point in the area of water management. The draft National Water Policy 2012 prioritizes economic usage of water by focusing on development of urban water supplies and sewage treatment schemes. The policy encourages recycle and reuse of water besides proposing to develop a mechanism for implementation of water tariff system and incentivise reuse of water. Besides encouraging continuous research in water sector, the policy also encourages desalination in coastal States. These are welcome measures which will have a greater impact on the business of your Company. The High Powered Expert Committee Report recommendation on the new improved JNNURM is for a longer period of 20 years and covers pan India. Increase in Government allocation and focus on Operations & Maintenance expenditure under the new scheme augurs well for the future of your Company. With increased outlay for Rural Domestic Water Supply under the twelfth five year plan, the government is focusing on the water sector. Most of these developments have happened only recently and your Company is well positioned to take advantage of these opportunities.

The WABAG value proposition

As fresh water reserves are stretched by the day, one of the biggest global priorities is to invest in water management solutions that help us conserve more, treat more, recycle more and reuse more. These priorities require the intervention of technology-rich companies who can provide holistic solutions across declining tenures at competitive costs. Your Company possesses rich decades-old proprietary industry knowledge, around 100 patents and live research centers in Austria, Switzerland and India. With an execution track record of over 2250 projects in the last three decades led by a professional management team with immense industry experience, it would be simplistic to state that your Company is uniquely placed and competently equipped to address this unprecedented opportunity.

Your Company also possesses demonstrated engineering talent in India. This combination of global competence and Indian costs represents a unique international competitive advantage in a world where an increasing number of customers are demanding a superior price-value. Your Company is among a handful of companies in the world to provide comprehensive water management solutions whether it be waste water treatment, water treatment or desalination, among others – in both the industrial and municipal sectors. The asset – light business model of your Company outsources cash-intensive civil construction and focuses on value-added high end technology solutions, contributing to a debt-free and cash surplus balance sheet.

Your Company, leveraging its experiences gained over a period of years is also continuously focusing on avoidance of execution risks through pricing its risks, better negotiations on contract conditions with public sector industrial clients, incorporating escalation clauses in the contracts etc thereby reducing the possibility of risks arising out of inflation / escalation of material cost and Liquidated Damages.

During the year under review, your Company demonstrated its strength in project execution not only in the Municipal sector but also the Industrial sector. This is evident from the fact that more than 40% of your Company's revenue for the year was attributable to the Industrial Sector. The Company realizes that there exists significant opportunities in waste water treatment and recycling from oil & gas sector, steel & power and fertilizers, who are among the top producers of waste water in the country and is poised to capitalize on these opportunities.

Track record

Your Company has demonstrated an attractive track record in the delivery of water management projects on the one hand and strengthening financials on the other. Given the various competitive advantages that your Company enjoys as indicated above, your Company is uniquely placed to enhance value for its stakeholders over the foreseeable future. I am optimistic that in a world that is increasingly water-stressed, the complement of your Company's competitive advantages will strengthen its brand, generate a growing order book and lead to timely implementation that enhances value for all those who provide business to us, are employed by us and invest in us.

On behalf of the entire Company, I want to thank each of you for your support and commitment to the Company. I look forward to your continued support as your Company embarks on the next phase of its growth journey.

Regards,

B D Narang
Chairman

WABAG on predictable and sustainable growth path

Dear Shareholders,

I am happy to present the performance results of the WABAG Group as well as the Company for the year ended March 31, 2012.

Financial performance

For the WABAG Group, the Order Book stood at Rs 3,731 crores as at 31-3-2012 as against Rs 3,402 crores as at 31-3-2011 recording a growth of 10%. The sales stood at Rs 1,443.5 crores as at 31-3-2012 as against Rs 1,241.8 crores as at 31-3-2011 recording a growth of 16%. The EBITDA and PAT for the Group were Rs 130 crores and Rs 73.7 crores respectively as at 31-3-2012 as against Rs 121 crores and Rs 52.6 crores as at 31-3-2011.

For the Company, the Order Book stood at Rs 2,470 crores as at 31-3-2012 as against Rs 2,424 crores as at 31-3-2011. The sales stood at Rs 1,003.5 crores as at 31-3-2012 as against Rs 733.5 crores as at 31-3-2011 recording a growth of 37%. The EBITDA and PAT for the Company were Rs 115.4 crores and Rs 75.1 crores respectively as at 31-3-2012 as against Rs 89.3 crores and Rs 55.3 crores as at 31-3-2011.

Global market

The global business environment proved unusually challenging on account of a combination of various unpredictable factors - Arab Spring, global economic slow down, Euro Zone uncertainty, liquidity crisis, Indian reforms slow down, credit squeeze, higher interest rates and inflation. This decelerated a number of ongoing municipal projects on the one hand and caused a delay in financial closures on the other.

Domestic market

The domestic market in India offers high growth potential for water and waste water business. The new improved JNNURM focuses on urban infrasturcture development over the next 20 year period. The Central Government allocation has been recommended to increase from 0.1% to 0.25% of GDP. The National Water Policy 2012 encourages Recycle and Reuse of water besides PPP model for water projects and the development of mechanism for implementation of water tariff system to enable users to pay rather than tax payers. Even as the order inflow slowed, we spread wider to capture emerging opportunities with speed; we focussed on timely completion of the existing orders; we focussed on the growing volumes coming out of the industrial sector and even as the power sector slowed down, the Company tapped the business potential from other sectors.

Out of the consolidated Order Book of Rs.3731 crores as at March 31, 2012, 66% is related to India and 34% is related to overseas subsidiaries. The Order Book of EPC business stood at Rs.2370 crores and O&M business accounted for Rs.1361 crores.

Overseas subsidiaries

The overseas subsidiaries in Europe, North Africa and the Middle East are being managed out of Vienna and the overall strategy is to be very close to the customer and where the market is big enough, we establish Multi-Domestic Units.

FY-11 started with a challenging geopolitical situation. The Arab Spring basically put our business in Libya, Syria, Yemen, Tunisia and Egypt on hold. We quickly reallocated the resources to other geographies like Turkey, Romania, Philippines and Sri Lanka where we could secure new orders. While Tunisia is getting back to normal, Libya is expected to come to normal during the third quarter. We also secured new orders in Saudi and Algeria. It is pertinent to note that, we have been successful in the very first year of operations at the above new geographies.

Five-fold growth in five years

It is important to explain as to how we expect to grow the Company five-fold in the next five years.

Volumes and margins - We believe both are important as both support each other. Margins provide the cash flow to bid for progressively larger projects and these in turn ensure economies of scale and consequently high margins.

Markets: We are already present in high growth geographies, manned by professionals from within those geographies increasing our insight into business and accelerating our response.

Profit centres - The overseas subsidiaries are treated as independent profit centres that break even in the shortest possible time and contribute to the consolidated bottomline thereafter.

Asset light - We would continue to reinforce our asset light business through modest investments that generate large and sustainable returns. In BOOT business, the Company assumes a minority stake and the partners, larger and liquid companies, invest as the majority shareholder.

Strategic cash - We reinvest our surpluses in the business and also grow the large cash float available with us to enhance our competitiveness.

Mergers & Acquisition - We scout for inorganic opportunities that can accelerate our growth and where the acquisition cost does not compromise the rate of returns that we already enjoy.

Business restructuring

The Company is restructuring its business model by focussing attention on each product vertical to scale up the business rather than on geography. This model will help acquire global dimensions besides business integration. Furthermore, the business development is being centralized under Corporate Marketing which will enable them to have customer interaction and relations as their primary objective to develop projects for all business units in different geographies.

Investment in people

One of the business goals of the Company has been our constant endeavour to develop leadership pipeline. Towards this objective, our holistic approach is based on talent acquisition, talent transformation and talent retention. I strongly believe in the statement, "The quickest way to grow the business is to grow your people". We therefore choose to make investments in people by way of extensive and specialised training, leadership workshops and other OD interventions. All these will certainly pay off rich dividends in the long run.

Business outlook

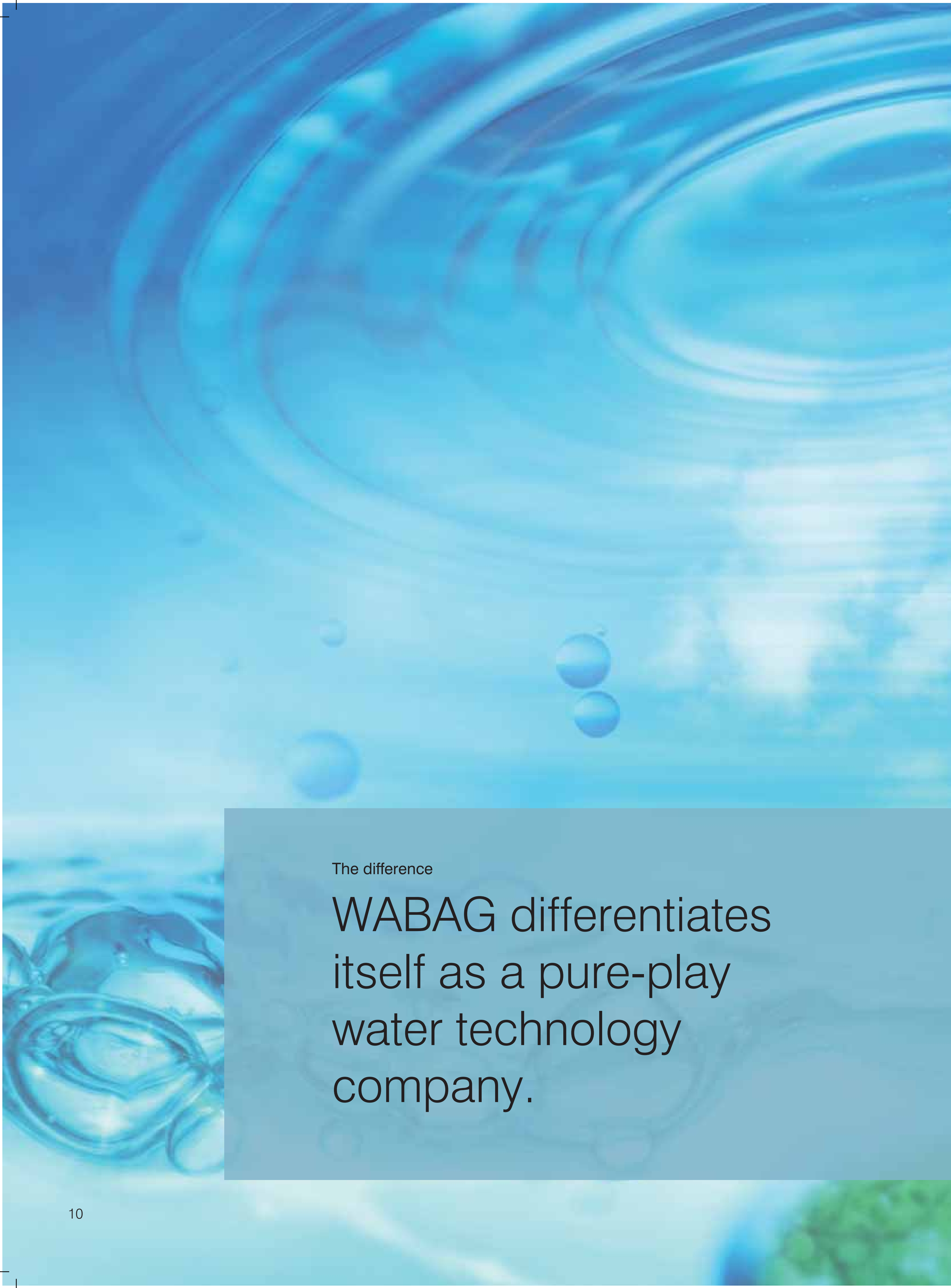
We envisage good order prospects for FY 13. The order intake will be driven by some key projects - projects aggregating to over Rs.5,000 crores under Mumbai Sewage Disposal Project (MSDP); projects in Oil, Gas and Steel sector wherein we expect repeat orders worth around Rs.400 crores; large bids in which our alliance partner, Sumitomo Corporation is participating in the range between USD 200 million and over USD 1 billion; our overseas subsidiaries are expected to book orders over Euro 125 million in FY 13.

On behalf of the management team and employees of WABAG, I thank you for the trust you have reposed in us and I assure you that we can look forward to the year ahead with optimism.

Mittal

RAJIV MITTAL

Managing Director



The difference

WABAG differentiates itself as a pure-play water technology company.

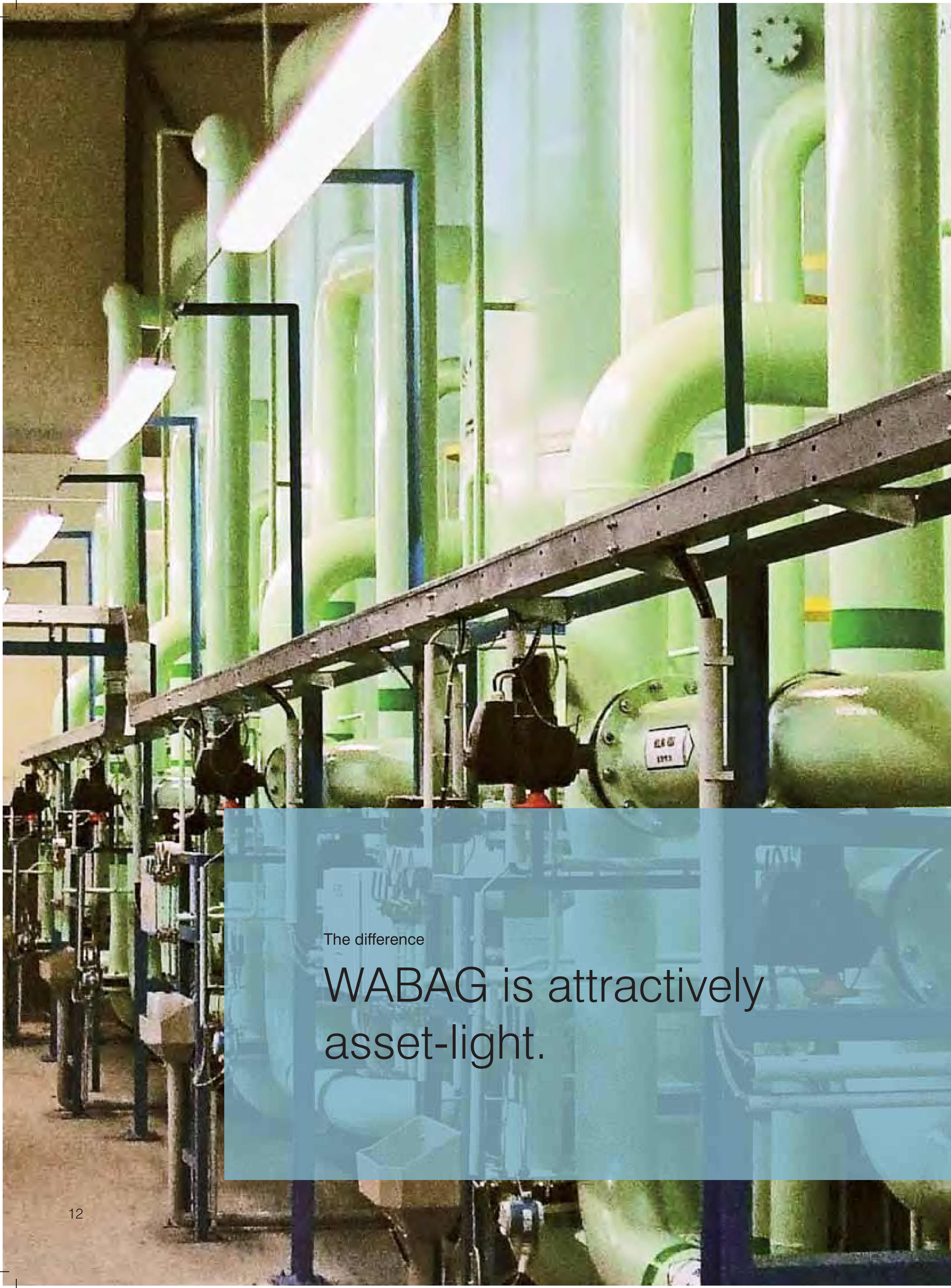
WABAG specialises in creating water infrastructure and other allied services around a strong technological competence.

Rather than extend across diverse verticals, we chose to broadbase our competencies across drinking water treatment, industrial waste water purification, municipal waste water treatment, industrial and process water treatment, desalination and recycling.

Rather than focussing only on the EPC segment, the Company forayed into ongoing maintenance services. In doing so, the Company strengthened its brand as an end-to-end solutions provider across each segment of its presence – one-time EPC engagement leading to annuity revenues thereafter.

The Company's strong technological capabilities address the prevailing environmental norms of various countries. Besides meeting the strict European requirements; the Company has also executed various landmark projects in Switzerland, which has among the world's most stringent waste water treatment guidelines.

The Company established an International Engineering Centre to cater to design requirements for various projects in India and abroad, leveraging a rich Indian engineering talent pool to create a globally cost-competitive business model.



The difference

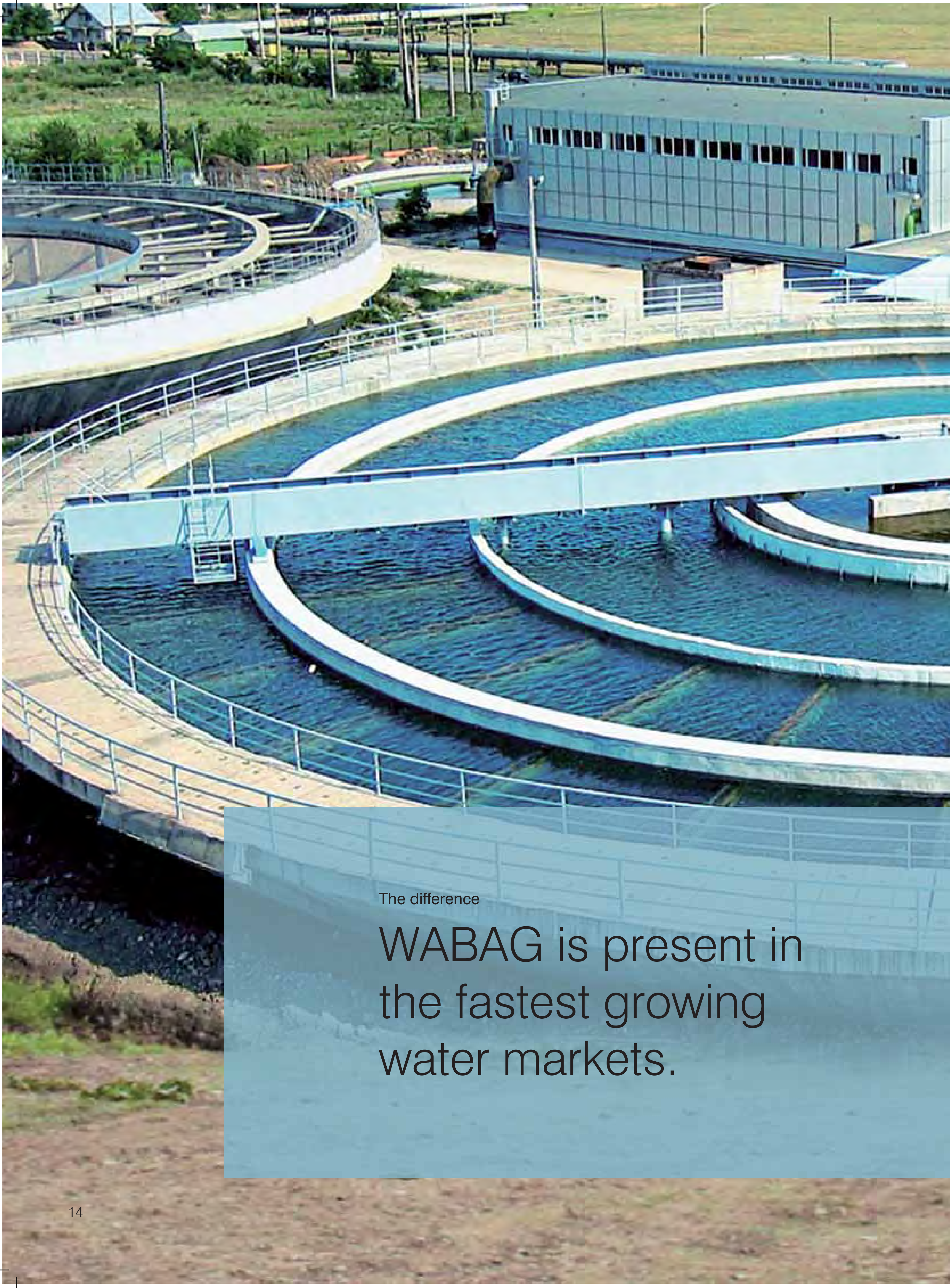
WABAG is attractively asset-light.

Industrial Recycling Plant in Serbia

WABAG is nimble, asset-light and rapidly growing for an important reason.

We outsource the civil construction component of our water infrastructure projects, saving significant capital in a segment that is not our core competence.

This is reflected in the fact that the Company sustained revenues of Rs 1,443.52 cr on an asset base of only Rs 166.81 crore in 2011-12 - Rs 8.15 of revenues for every rupee invested in assets, which was considerably higher than the industry average. The Company remained debt-free and had Rs 398.26 cr of cash and cash equivalents on its books at the end of 2011-12.



The difference

WABAG is present in the fastest growing water markets.

Chirita WTP, Romania

WABAG'S rapid scale was achieved on account of a reverse acquisition wherein the Indian subsidiary ventured to buy out the erstwhile parent Company in 2007.

This reverse acquisition made it possible for the Indian constituent to get immediate access to acquire the Company's rich knowledge, relationship and structural capital that was created over the decades.

The reverse acquisition provided WABAG access to the following:

– Global brand

– Developed geographies

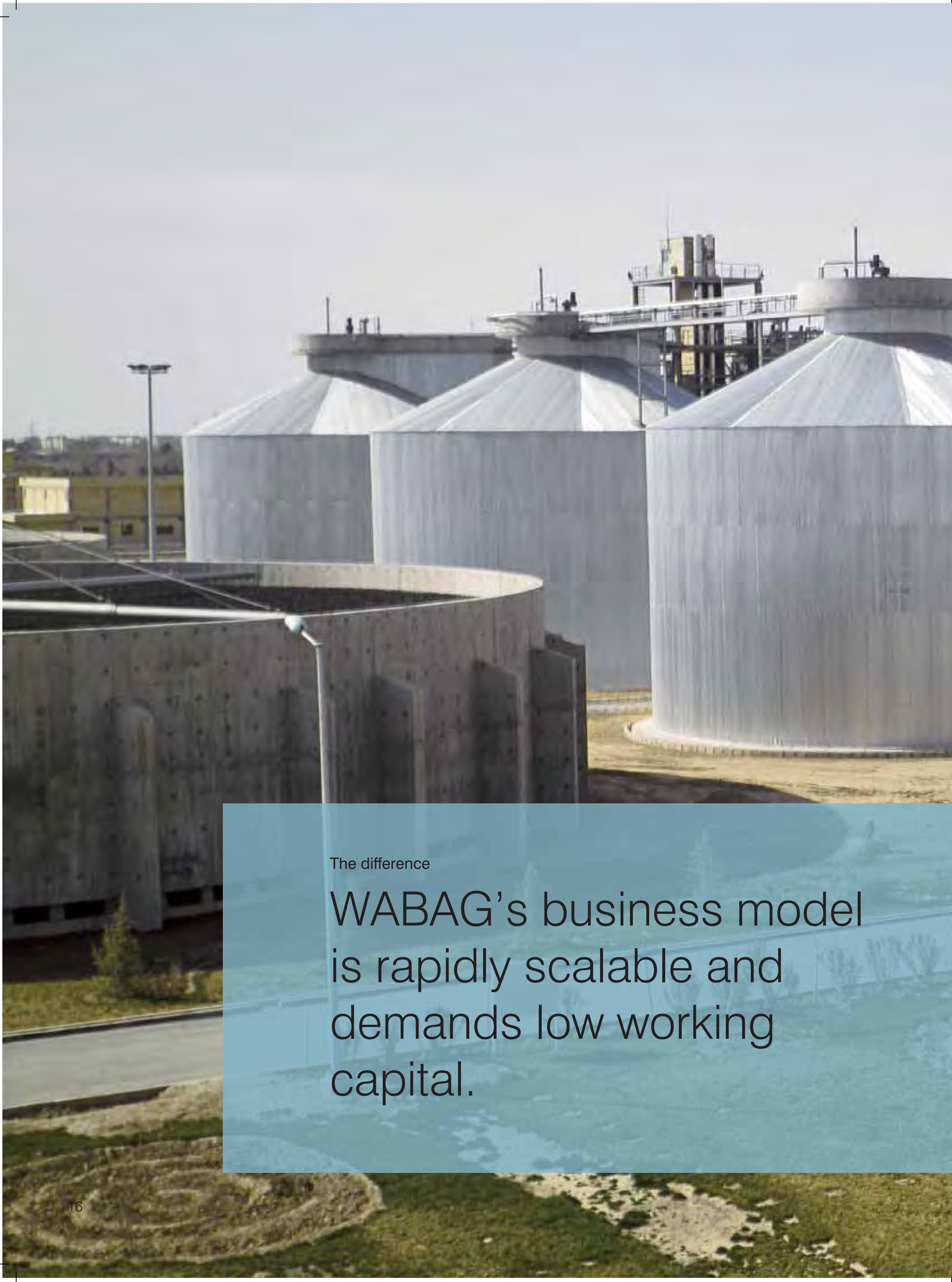
– More than 6,000 project references

– Patents of more than 100 processes and products

– Trained manpower

This foundation now made it possible for WABAG to fuse cutting-edge global research skills with Indian engineering talent, to transfer best practices across its global locations and respond to opportunities faster from within the geographies of its presence.

This is reflected in the Company's consolidated revenues increasing from Rs.700 crores plus from 10 countries in 2007-08 to Rs.1,400 crores plus in more than 17 countries in 2011-12.



The difference

WABAG's business model is rapidly scalable and demands low working capital.

Tehran WWTP Sludge Digesters

WABAG implemented a strategy that replaced the disadvantage arising out of the need to make large investments with the advantage related to generating annuity revenues.

The Company's asset-light business model resulted in low capex. Meanwhile, whatever needed to be invested in capex and working capital was funded through a robust cash balance, resulting in an efficient operating model. The Company also identified attractive projects where the majority stake was acquired by large liquid companies ensuring project progress whereas the Company invested in a minority stake ensuring EPC and maintenance assignments leading to one-time and annuity revenues.

The Company also judiciously managed its working capital – instances of higher receivables were offset by higher payables, protecting balance sheet integrity.

The Company has a modest working capital cycle equivalent to 55 days excluding cash.

WABAG – a unique global water player

Trust: WABAG possesses a track record of having delivered more than 2,250 complete and effective water management solutions (in the last three decades).

Profitable: WABAG has been profitable in its EPC exposure and is gradually moving into BOOT revenues.

Scale: WABAG graduated its project management capability from Rs 30 cr projects (1997) to around Rs 1000 cr (2011). It is currently executing one of the largest municipal desalination projects in India (100 MLD) at Nemmeli, Chennai.

Independent: WABAG possesses the complete technological capability to construct entire projects resulting in an effectively low-cost solution; the Chennai desalination contract was won from a field of eight global bidders.

Liquidity: WABAG's revenue of Rs 1,443.52 cr in 2011-12 was supported by a nominal working capital; payables to vendors were matched with receivables from customers.

Customers: WABAG selects projects with central/bilateral/multilateral support with financial closure for all municipal contracts and LC support when working with industrial customers.

Indian arbitrage: Of WABAG's 1500 employees (approximate), more than 800 are based out of India resulting in an attractive cost arbitrage.

Decentralised: WABAG widened its international presence in 17 countries.

Debt-free: WABAG continued to remain debt-free with a cash and cash equivalent of Rs 398.26 crore at the close of 2011-12.

Brand: The WABAG brand is respected globally for its nine-decade knowledge capital.

Integrated: WABAG provides a total water management solution from design to O&M, making it possible to graduate from one-time EPC to annuity engagement.

ERP: WABAG's ERP has made it possible to monitor projects and access MIS across subsidiaries, enhancing bidding responsiveness and project management.

Knowledge: WABAG possesses patented technologies (more than 100 patents), enhancing its ability to customise projects and solutions around customer needs.

Project graduation: WABAG's entry into the BOOT segment will enhance the proportion of high-margin annuity revenues.

Promoters: WABAG's promoters are hands-on professionals with an average three decades of industry experience.

Nemmeli desalination project, Chennai

Directors' Report

Dear Shareholders,

Your Directors are pleased to present the 17th Annual Report and the audited accounts for the financial year ended March 31, 2012

Financial Results

The financial performance of the Company, for the year ended March 31, 2012 is summarized below:

(Rs. in Lakhs)

	Standalone		Consolidated	
	2011-12	2010-11	2011-12	2010-11
Gross Turnover	1,00,347	73,346	1,44,352	1,24,182
Profit before Interest & Depn. (EBITDA)	11,542	8,931	13,004	12,103
Profit Before Taxation	11,002	8,379	11,105	9,627
Provision for Tax	3,490	2,853	3,792	3,161
Profit After Taxation (PAT)	7,512	5,526	7,375	5,257
Proposed Dividend (including dividend tax)	(1,844)	(1,232)	(1,844)	(1,232)
Transfer to General Reserve	(751)	(553)	(751)	(553)
Profit / (Loss) brought forward	14,270	10,529	16,794	13,321
Retained Profit carried forward to the following year	19,187	14,270	21,567	16,794

Dividend

Based on the Company's Performance, your Directors are pleased to recommend a dividend of Rs. 6 per Equity Share (300%) of the face value of Rs. 2 per Equity Share for the financial year 2011-12. The dividend, if approved by the members at the forthcoming Annual General Meeting, will be paid to members whose names appear in the register of members of the Company as on July 13, 2012; in respect of shares held in dematerialized form, it will be paid to members whose names are furnished by National Security Depository Limited and Central Depository Services (India) Limited, as beneficial owners as on that date. The equity dividend outgo for the financial year 2011-12, inclusive of tax on distributed profits will absorb a sum of Rs.18.44 crores.

Business Performance

In the financial year 2011-12, your Company continued its strong growth momentum. For the first time in the Company's history, your Company's Standalone turnover crossed Rs. 1000 crores, an increase of 36.81% over last year's turnover. The consolidated turnover stood at Rs. 1443.5 Crores compared to previous year's Rs. 1241.8 Crores, recording a growth of 16.24% over last year. The EBITDA for the year on a Standalone basis stood at Rs. 115.4 Crores registering a growth of 29.24% as against previous year's Rs. 89.3 Crores. The Consolidated EBITDA increased 7.44% from Rs. 121 Crores of previous year to Rs. 130 Crores for the Current year. Your Company recorded a healthy growth in both Consolidated and Standalone PAT% as compared to Last Year. The Consolidated PAT recorded a 40% growth over the previous year while the Standalone PAT recorded a 36% increase over the previous year. Your Company has an order back log of over Rs. 3700 Crores as on March 31, 2012. EPS growth recorded a 31% increase for the year ended March 31, 2012. The Company continues the "Asset Light" business model and forayed into two new BOOT projects during the year. Your Company is restructuring its strategic business units to align them to the respective business lines and generate higher revenue. Your Company will continue to focus on both organic and inorganic growth model through strategic acquisitions that will pave way for entry into various new business segments across geographies and utilize internal accruals to meet short-term working capital requirements.

Sustainability

Sustainability governs the business operations. Your Company focuses on low carbon emission and sustains the use of water and energy in its plant construction to benefit the customers. Your Company has implemented various innovative sustainable initiatives in business operations. This not only facilitates business gains but also facilitates environmental benefits through recycling and reuse of water; converting waste gas into electricity to run treatment plants on a self-sustainable basis and converting waste water into direct potable use.

Awards and recognitions

Your Company was conferred with the Export Excellence award from EEPC India for its contribution to engineering exports during 2009-10. The coveted award was presented by the Governor of Tamil Nadu on December 06, 2011. Your Company received the National Award for Excellence in Water Management for the year 2011 by Confederation of Indian Industry (CII) for the valuable contribution made in efficient water management. Your Company also bagged the KPMG – Infrastructure Today Award for the Aurangabad Water Supply Project on December 09, 2011, which was adjudged as the PPP project of the year.

Sub-division of shares

With a view to improve the liquidity of your Company's shares in the stock markets and make it more affordable for small retail investors, the face value of each equity share of your Company was sub-divided from Rs. 5 to Rs. 2 per equity share with effect from August 18, 2011.

Stock Options

In order to attract, retain, reward and motivate employees to contribute and participate in the Company's growth and profitability, your Company implemented two stock option schemes viz., the ESOP Scheme 2006 and the ESOP Scheme 2010 ("the Schemes") in accordance with the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ('the SEBI Guidelines'). The schemes are administered in accordance with the directions of the Remuneration Committee of the Board. The applicable disclosures as stipulated under the SEBI Guidelines as at March 31, 2012 are provided in Annexure I to this Report.

The Company has received a certificate from its Auditors that the Schemes have been implemented in accordance with the SEBI Guidelines and the resolution passed by the shareholders. The Certificate would be placed at the Annual General Meeting for inspection by members.

Management Discussion and Analysis Report

Management's Discussion and Analysis Report for the year under review is presented in a separate section forming part of the Annual Report.

Subsidiaries

Your Company had Fifteen Subsidiaries at the beginning of the year. Three new subsidiaries were set up during the year viz.,

1. VA Tech Wabag (Philippiness), Inc.
2. VA Tech Wabag Muscat LLC.
3. Ujams Wastewater Treatment Company (Pty) Ltd.

The total number of Subsidiaries as on March 31, 2012 is eighteen. The Company has commenced the liquidation process for its subsidiary in Dubai. There has been no material change in the nature of the business of the Subsidiaries.

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit & Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. However, the financial information of the subsidiary companies is disclosed in the Annual Report in compliance with the said circular. The Company will make available the Annual Accounts of the subsidiary companies and the related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection at the Registered Office of the Company and that of the respective subsidiary companies. The Consolidated Financial Statements presented by the Company includes the financial results of its subsidiary companies. Details of major subsidiaries of the Company are covered in the Management's Discussion and Analysis Report forming part of the Annual Report.

Directors

Dr. Guenter Heisler and Mr. Sumit Chandwani, Directors retire by rotation at the ensuing Annual General Meeting. Being eligible Mr. Sumit Chandwani offers himself for re-appointment. Dr. Guenter Heisler has conveyed his decision, not to seek re-appointment. The Board wishes to place on record its appreciation for the valuable guidance extended and the contribution made by him during his association with the Company. Members' attention is drawn to the corresponding resolution and the explanatory statement thereto, in the Notice dated May 24, 2012 convening the Annual General Meeting.

Ms. Revathi Kasturi was appointed as an Additional Director of the Company on February 09, 2012 by the Board of Directors. As per the provisions of Section 260 of the Companies Act, 1956 Ms. Revathi Kasturi holds office up to the date of the forthcoming Annual General Meeting of the Company and is eligible for appointment as Director. The Company has received notice under section 257 of the Companies Act, 1956 from a member in respect of her appointment as a Director of the Company. Resolution seeking approval of the members for the appointment of Ms. Revathi Kasturi as a Director of the Company have been incorporated in the notice of the forthcoming Annual General Meeting.

As stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, brief resumes of Ms. Revathi Kasturi and Mr. Sumit Chandwani are provided in the report on Corporate Governance, which forms part of this Annual Report. Your Directors recommend their appointment / re-appointment at the ensuing Annual General Meeting.

Director's Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement. It is hereby confirmed that:

i) in the preparation of the annual accounts for the year ended March 31, 2012, the applicable accounting standards read with requirements set out under Schedule VI to the Companies Act, 1956, have been followed and there are no material departures from the same;

ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2012 and of the profit of the Company for the year ended on the date;

iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

iv) the Directors have prepared the annual accounts of the Company on a 'going concern' basis.

Auditors

M/s. Walker, Chandiok & Co, Chartered Accountants, Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received letter from the Auditors to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for re-appointment within the meaning of Section 226 of the said Act. The Notes on Financial Statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments.

Public Deposits

Your Company has not accepted any public deposits and as such, no amount on account of principal or interest on public deposits was outstanding as on the date of the Balance Sheet.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

Your Company continuously strives to conserve energy, adopt environment-friendly practices and employ technology for efficient operations. The particulars as prescribed under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are provided in the Annexure II to this Report.

Corporate Social Responsibility (CSR)

Your Company uses CSR as an integral business process in order to support sustainable development and constantly endeavors to be a good corporate citizen. The CSR activities are presently carried out in the areas of education, health and environment at the Company's various project locations. During the financial year, your Company has executed 'Under Privileged Learning Innovations for Transformation' (UPLIFT) project, a unique educational project for the students of a school in the vicinity of the Corporate Office. The project focuses on scientific learning skills training programme for underprivileged students. Your Company strongly believes in serving the cause of students' community through this project.

Particulars of Employees

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the annexure to the Directors' Report. Having regard to the provisions of Section 219(1)(b)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Any members interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

Corporate Governance Report

Your Company is committed to maintain the highest standards of Corporate Governance and adhere to the Corporate Governance requirements set out by SEBI. The Company has also implemented several best Corporate Governance practices as prevalent globally. The Report on Corporate Governance forms part of the Annual Report. The requisite Certificate from the Auditors of the Company confirming compliance with the conditions of Corporate Governance as stipulated under the aforesaid Clause 49, is attached to this Report.

Acknowledgements

Your Directors would like to express their appreciation for the assistance and co-operation received from the Financial Institutions, Banks, Government authorities, Customers, Vendors and Members during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services by every member of the Wabag family globally.

For and on behalf of the Board of Directors

	Rajiv Mittal	Sumit Chandwani
Date: May 24, 2012	*Managing Director*	*Director*

Annexure I to the Directors' Report for the year ended March 31, 2012.

Information to be disclosed under Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and forming part of the Directors Report for the year ended March 31, 2012.

A. Summary

Sr. No.	Particulars	ESOP 2006	ESOP 2010	
			Grant I	Grant II
a	Number of options granted	9,95,053	10,92,355	1,06,927
b	Pricing formula	The options were granted prior to the listing of Company's shares. These options were granted, based on the valuation done by an Independent Chartered Accountant using Net Asset Value (NAV) / Profit earning capacity value method (PECV	The options were granted prior to the listing of Company's shares. These options were granted, based on the valuation done by an Independent SEBI Registered Merchant Banking Company using Net Asset Value (NAV) / Profit earning capacity value method (PECV).	Discount up to a maximum of 25% to the Closing Market price per option, where the Closing Market Price shall be the latest available closing price one day prior to the date of the meeting of the Remuneration Committee in which the options are granted. The market price on the stock exchange showing the highest volume of trading would be considered. The Discount rate applicable will be decide by the Remuneration Committee.
c	Number of options vested	9,35,362	2,35,805	Nil
d	Number of options exercised	9,11,218	707	Nil
e	Total number of shares arising as a result of exercise of exercise of options	9,11,218	707	Nil
f	Number of options lapsed	59,691	1,82,722	6151
g	Variation of terms of options	The options granted, vested and the exercised have been adjusted for the split and bonus of the equity shares effected on September 19, 2009 and split of the equity shares effected on August 17, 2011.	The options granted, vested and the exercised have been adjusted for the split of the equity shares effected on August 17, 2011.	None
h	Money realized by exercised of options (Amount in Rs.)	3,24,28,574	2,54,520	Nil
i	Total number of options in force	24,144	9,08,926	1,00,776
B.	Employee-wise details of options granted to			
(I)	Senior Managerial Personnel 1. Mr. Patrick Andrade 2. Mr. Rajneesh Chopra	Nil	Nil	7500 3750
(ii)	Employees who were granted, in any one year, options amounting to 5% or more of the options granted during the year.	None	None	None
(iii)	Identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	None	None	None

Sr. No.	Particulars	ESOP 2010 Grant I	ESOP 2010 Grant II
	C Diluted Earning per share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20.	28.36	28.36
D	**The impact on the Profits and EPS** Of the fair value method is given in the table below-		
		Rs. in Lakhs	Rs. in Lakhs
	Profits as reported	7,512	7,512
	Add - Intrinsic Value Cost	0	0
	Less - Fair Value Cost	436	436
	Profits as adjusted	7,076	7,076
	Earnings Per Share (Basic) as reported	28.41	28.41
	Earnings Per Share (Basic) adjusted	26.76	26.76
	Earnings Per Share (Diluted) as reported	28.36	28.36
	Earnings Per Share (Diluted) as adjusted	26.71	26.71
E.	**Weighted average exercise price and fair value of options**		
	Weighted average exercise price of options whose		
	(a) Exercise price equals market price	Nil	Nil
	(b) Exercise price is greater than market price	360	360
	(c) Exercise price is less than market price	Nil	Nil
	Weighted average fair value of options whose		
	(a) Exercise price equals market price	Nil	Nil
	(b) Exercise price is greater than market price	68.57	114
	(c) Exercise price is less than market price	Nil	Nil
F.	Method and Assumptions used to estimate the fair value of options granted during the year		
	The fair value has been calculated using the Black Scholes Option Pricing model		
	The Assumptions used in the model are as follows:		
	Date of grant	1-Oct-2010	10-Nov-2011
	1. Risk Free Interest Rate	7.61%	8.86%
	2. Expected Life	4.50	4.00
	3. Expected Volatility	Nil	31.91%
	4. Dividend Yeild	Nil	1.17%
	5. Price of the underlying share in market at the time of the option grant (Rs.)	328	341.9

*Note: The price of underlying shares in the market at the time of options grant for ESOP scheme 2010 grant II is disclosed as closing price of shares at NSE as on November 9, 2011.

For and on behalf of the Board of Directors

Place: Chennai
Date: May 24, 2012

Rajiv Mittal
Managing Director

Sumit Chandwani
Director

Annexure II to the Directors' Report for the year ended March 31, 2012

Particulars as per the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended March 31, 2012.

A. Conservation of Energy	
a. Energy Conservation measures taken :	N.A.
b. Additional Investments and proposals, if any, being implemented for reduction of consumption energy :	N.A.
c. Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:	N.A.
d. Total energy consumption and energy consumption per unit of production as per Form-A of the Annexure in respect of industries specified in the schedule:	N.A.
B. Technology Absorption	
e. Efforts made in technology absorption Research & Development (R&D)	Please refer to MDA section forming part of the Annual Report
1. Specific areas in which Research & Development is carried out by the Company	
2. Benefits derived as a result of the above R&D	
3. Future plan of action	
4. Expenditure on R&D	(Rs. In Lakhs)
a. Capital	508.09
b. Recurring	–
c. Total	508.09
d. Total R&D expenditure as a percentage of total turnover	0.35%
5. Technology absorption, adaptation and Innovation	Please refer to MDA section forming part of the Annual Report
(1) Efforts, in brief, made towards technology absorption, adoption and innovation	
(2) Benefits derived as result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc	
(3) Incase of Imported technology (imported during last 5 years reckoned from the beginning of the financial year), following information may be furnished:	
(a) Technology imported	N.A.
(b) Year of Import	N.A.
(c) Has technology been fully absorbed?	N.A.
(d) If not fully absorbed, areas where this has not taken place, reasons there for and future plans of action.	N.A.
C. Foreign Exchange Earnings and Outgo	
(f) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services; and export plans;	The Company continuously strives to improve its export earnings. Further details in respect of exports are set out elsewhere in the report
(g) Total foreign exchange used and earned :	For the year ended March 31, 2012 (Rs. In Lakhs)
Earning in Foreign Exchange :	21,724
Expenditure in Foreign Currency :	9,842

For and on behalf of the Board of Directors

Place: Chennai
Date: May 24, 2012

Rajiv Mittal
Managing Director

Sumit Chandwani
Director

Management Discussion and Analysis

Global water market

Water demand is expected to increase rapidly. A population surge in the last 40 years - from 55 crore in 1971 to 121 crore in 2011 - has more than doubled fresh water consumption. Scientists estimate that while we currently 'withdraw' about 50 per cent of globally accessible and renewable water on an annual basis, this is set to increase as the world's population grows to 9.4 billion by 2050 (UN estimate)..

Much of this population growth is expected to occur in developing and emerging countries. Around four billion people live in the Asia-Pacific region but by 2030, this is expected to grow to five billion owing to urbanisation, dietary and lifestyle changes and industrialisation and substantially increase the demand for water.

An alarming scenario

Currently, around 1.6 bn people live in countries or regions with absolute water scarcity. By 2025, two-thirds of the world's population could be living in water-stressed conditions [Source: Business Standard, March 22, 2012]

Indian water market

A country like India with a huge population and undergoing fast urbanisation has the task of making safe water and sanitation facilities available to growing cities and towns. On the one hand, the municipalities are cash-crunched and in serious need of financial support to implement any water project: on the other hand, the low or no water tariff does not cover investment payback. Piping network for rational distribution and proper metering is absent in most Indian cities and towns.

Growth opens up opportunities for more treatment plants, private sector participation in public utilities, industrial water recycling, sea water desalination and making existing and new installation of municipal wastewater treatment plants self-sustaining through power generation.

Water resource market: The total Indian water market exceeds USD 15 billion. The government sector contributes a little more than 50%, with the rest of the business coming from the private industrial sector. The overall water market is growing at 10 -12% annually, with even higher growth rates in the industrial and drinking water segments. Currently, 75% of the rural population and 85% of the urban population have access to public water supplies. [Source: Way to wealth research].

Market overview: India has 17.3% of the world's population, but comparatively only 2.5% of the earth's landmass and 4% of its water resources. These limited resources are depleting while consumption is increasing.

- According to a recent government assessment, industrial water requirement will quadruple from a prevailing 30 billion cubic meters to 120 billion cubic meters by 2025.
- There is an increased demand for drinking water and sewage treatment owing to declining resource availability, media pressure, stronger regulatory clearances and need for enhanced equipment effectiveness.

State of urban water services in India

	India	Other countries
Water coverage	64 per cent of urban population covered by individual connections and standposts	Around 91 per cent in China, 86 per cent in South Africa, and 80 per cent in Brazil
Water supply duration	One hour to six hours	24 hours in Brazil and China and 22 hours in Vietnam
Urban per capita water supply	From 37 lpcd to 298 lpcd for a limited duration	Paris supplies 150 lpcd continuously and Mexico 171 lpcd for 21 hours a day
Metering system	Absent in most Indian cities	Metering system in place
Revenue water	50 per cent of water production	95 per cent in Singapore

Source: HPEC report

Trends: India's National Water Policy allocates water consumption priorities in the following order: drinking, irrigation, hydroelectric power, ecology, industries (agricultural and non-agricultural), navigation and others.

The principal Indian water service providers comprise municipal authorities and public health departments. The major industrial consumers comprise cement, chemicals, fertilisers, food & beverage, paper, pharmaceuticals, power, refineries, sugar, tanneries and textiles; major commercial establishments comprise hospitals, hotels and housing developments.

India's National Draft Water Policy 2012 encourages private participation in the planning and operation of water systems. Some municipal bodies and water boards have also begun revising water charges upwards. In the multilateral agency arena, Asian Development Bank, World Bank and Japan Bank for International Cooperation promoted water projects as part of integrated urban development projects.

Grim future

India’s annual surface water availability is estimated at 1,869 billion cubic metre (bcm); the total utilisable water is 1,122 bcm, just sufficient to address existing needs. The Water Resources Group estimates that if the existing consumption pattern sustains, about half the country’s water demand will be unmet by 2030 [Source: IIR 2009]. Of India’s 20 major river basins, 14 are water-stressed. Nearly three-fourth of India’s population lives in water-stressed regions (where per capita availability is less than 2,000 cubic metres per year) and of this, a third are in water-scarce areas (per capita water availability less than 1,000 cubic metres per year).

Industry growth drivers

The growth drivers of the Indian water market are influenced by the following:

Increasing population: India accounts for 17.3 per cent of the global population, 42 per cent falls below the international poverty line (source: World Bank) and access to safe water is scarce. Over the next few decades, India is expected to emerge as the most populous country, escalating water demand.

Growing opportunity: Growing concerns about water safety widened industry opportunities. About 38,254 million litres per day (mld) of wastewater is generated in urban India with a population of more than 50,000 (more than 70 per cent of the urban population). India's municipal wastewater treatment capacity is estimated at about 11,787 mld or only about 31 per cent of the urban total wastewater generation. The projected global urban wastewater generation may cross 120,000 mld by 2051 while India generates a significant 50,000 mld, making it imperative to invest in wastewater treatment infrastructure.

There is a growing market for sustainable water treatment technologies (covering energy efficiency, recycling, resource recovery, reuse and wastage reduction). Water conservation and wastewater recycling will widen the market for water audits, new technologies, exploration of alternative sources, progression towards turnkey solutions and outsourcing operations and management (O&M) services. The construction opportunity in the water supply and sanitation sector alone is estimated at Rs. 664 bn in five years.

India is urbanising...

India's urban population will increase…

- From 377 million today to 600 million by 2031
- From 50 metropolitan cities in 2011 to 87 by 2031
- From 160 million population in metropolitan cities in 2011 to 255 million by 2031
- From 217 million in other cities and towns in 2011 to 343 million by 2031 *[Source: HPEC Report]*

Focus areas

The Government of India emphasises water management infrastructure development through landmark initiatives like Jawaharlal Nehru National Urban Renewal Mission (JNNURM), Urban Infrastructure Development for Small Scale and Medium Towns (UIDSSMT) and public-private partnership (PPP) projects.

JNNURM: It is estimated that around 20% investment of the total envisaged investment of around Rs 39.2 lakh cr (2009-10 costs) in India's urban infrastructure development across the next 20 years is expected to be accounted for by water, sewerage, solid waste managements and storm water drains *(Source: HPEC report).*

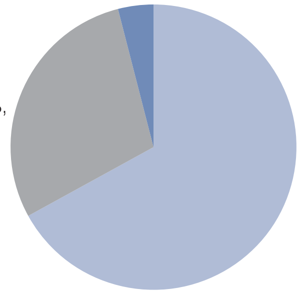
Plan outlays: The Eleventh Plan outlay for rural water supply and sanitation under the State and Central Plans were Rs. 48,875 crores and Rs. 47,306 crores respectively. The total outlay for urban water supply and sanitation was Rs. 75,000 crores. A total outlay of between Rs. 2,72,377 crore and Rs. 3,03,165 crore is suggested for the Twelfth Five-Year Plan for rural domestic water supply.

National Water Policy 2012 (draft): This policy encourages water recycling and reuse (including return flows), project financing to incentivise efficient and economic use of water and early project completion, the pricing of water services, penal fees for pollution, reuse urban water effluents after primary treatment, wider use of desalination and a facility to return treated effluent to a specified standard back to the hydrologic system.

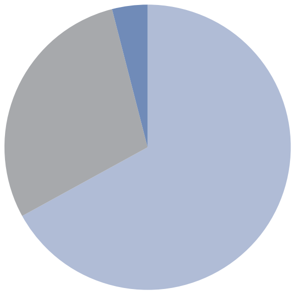
Union Budget 2012-13: Allocations for the water sector increased 27% to Rs 14,000 crore. The sanitation sector posted a 133% rise in allocations to Rs 3,500 crore.

The government also allocated Rs 31,500 crore for Urban Infrastructure Governance comprising urban renewal, water supply (including desalination plants), sanitation, sewerage and solid waste management, urban transport, developing heritage areas and preserving water bodies (Rs 6,423 crore in 2011-12).

Investment in water supply for last 5 years-Rs. 548bn



Investment in water supply in next 5 years-Rs. 1122bn



Source: JNNURM, Industry, CRISIL Research, W2W Research

Strategic Business Unit (SBU) reviews

As part of the Company's ongoing corporate strategy, the focus has been shifted from 'geography' to 'product' w.e.f. FY13 and accordingly, Desalination Business Group has recently been formed in place of International Business Group to address the growing desal market requirements. Going forward, all SBU's will handle both indian and overseas business.

Municipal Business Group (MBG)

Overview

The Municipal Business Group (MBG) provides water and waste water treatment solutions to municipalities and industries. The group provides solutions covering drinking water treatment plants, sewage schemes, industrial wastewater treatment plants and pumping stations. The MBG is a major contributor to the Company's revenues through EPC contracts in India.

Strengths

- **Robust design foundation:** The Company possesses decades of design experience, making it possible to customise designs around customer needs with speed and efficiency, supported by vendors who provide relevant components
- **Ability to handle complex projects:** The Company embraces challenges of project size, terrain and complexity
- **Scale:** The Company presently executes India's largest municipal desalination project of Rs 1,033 cr 100 MLD Nemmeli project in Chennai together with IWG and OBG
- **Team:** The group comprises 150 members; more than 88% possess a rich technical background

Highlights

- Executed water infrastructure projects for Delhi Jal Board, coke oven plant in Durgapur Projects Limited and Kerala Water Authority among others
- Received a Rs 250 cr sewage treatment plant order from Delhi Jal Board

Outlook

Going ahead, MBG expects to grow its topline by 20% in 2012-13, seek to enhance productivity and provide a superior customer experience.

Industrial Water Group (IWG)

Overview

The SBU executes water projects for large industrial clients (oil refineries, steel plants and power plants) and provides plants for demineralisation, reverse osmosis, thermal-based desalination, condensate polishing, wastewater recycling and zero liquid discharge.

Strengths

- Established technology to recycle industrial waste water into reuse
- Strong EPC management
- Turning around projects with success

Outlook

The SBU expects to achieve the following in 2012-13:

- Reinforce competitiveness; emerge as a specialised service provider
- Focus on the power, petroleum refinery and fertiliser sectors

International Business Group (IBG)

Overview

The SBU caters to water and wastewater treatment needs of municipal and industrial customers outside India (South East Asia, the Middle East and SAARC countries). The SBU works together with Austrian subsidiaries in overlapping markets.

Highlights

- Record sales turnover and EBIDTA achieved for the SBU
- Highest EBIDTA of all business units worldwide
- Commenced operations in Philippines through a full-fledged subsidiary/MDU and reported a positive bottomline from the first year of its existence
- Secured its first project in Qatar in sea water desalination. This will be an important market leading up to FIFA 2020
- Executing the third project in Oman involving major capacity expansion variation
- Good progress achieved on Dambulla Water Supply Scheme, the first project in Sri Lanka
- Developing cooperative relationships with other companies

to bid for major projects in partnership

- Working closely with WABAG Austria to improve competitiveness and secure work in WABAUT territories

Strengths

- Relationships/alliances developed with local partners in various countries
- Ability to understand and work with different cultures and clients
- Globally competitive due to low-cost Indian operations
- Track record and references in various countries in our domain

Outlook

- Focus on desalination as an area of opportunity
- Expand footprint and venture into new markets like Malaysia, Vietnam and Cambodia
- Develop funded projects in other emerging markets

Operations Business Group (OBG)

Overview

This division provides O&M services to Indian and international municipal corporations and industrial clients. The division services international clients in geographies covered by IBG. It provides complete O&M services (including organisation, staffing, supply of chemicals and consumables, supply of spares, major and minor repairs, and equipment replacement and plant refurbishment). These contracts provide steady revenues as they are typically longer (5-7 years) compared with EPC (18-30 months). The Company is executing 56 contracts across 58 Indian and international locations.

Strengths

- Strong technical expertise supported by an in-house technical engineering team
- Quality and skilled manpower
- Leverage the rich research competence of WABAG worldwide
- System-based SCADA helps to monitor projects from remote locations

Highlights

- Received eight new contracts during the year under review
- Conducted a customer satisfaction survey with 97% of the customers saying that they were happy
- For the Nemmeli desalination project, O&M services will commence from 2012-13 for seven years, valued at Rs 500 crores

Outlook

The division expects to make a breakthrough in Malaysia and be awarded refurbishment projects. It expects to substantially contribute to the order book in 2012-13.

How WABAG's O&M service enhances customer value

- Superior plant life
- Assured water quality and quantity
- Senior technology team supports technical review of the plant performance every month
- Lower overall cost of production
- Optimise chemical and power consumption and save manpower cost
- Green initiative as some plants generate biogas for captive use or merchant sale

MAJOR OVERSEAS SUBSIDIARIES

WABAG Austria

Overview

WABAG Austria's business covers water treatment and wastewater treatment, desalination, as well as sludge treatment for municipalities and industries. From planning, design & engineering to construction and long-term operational management.

WABAG Austria holds 11 subsidiaries and branch offices in its key markets – covering Europe, the Maghreb region and Middle East. WABAG Vienna - as the European headquarters - supports its subsidiaries in areas like business development and marketing, proposal management, project execution and finance.

WABAG Vienna together with WABAG Switzerland possesses deep research competencies in advanced water treatment technologies built over the decades.

Strengths

- High-quality level: the Company in Austria provides strong technology, high brand recognition and international execution capabilities leading to top-quality plants.
- Project execution: The subsidiary possesses the capability to execute large projects in various countries/regions - also in demanding environments (ticket size of more than 10 million Euro)
- Coverage: The subsidiary addresses growth coming out of important markets like Middle East, Tunisia, Algeria, Turkey, Libya and Russia.
- Technology: The WABAG Austria Group possesses deep knowledge in specific technologies, e.g. nitrate removal from ground water (BIODEN), biological wastewater treatment (BIOPUR, FLUOPUR), MBR-Technology (MARAPUR), membrane filtration for drinking water treatment (WABAG Switzerland),
- Challenging circumstances: The subsidiary is known for executing projects in diverse challenging environment – e.g. RO-plants in deserts in Saudi Arabia and Algeria, advanced wastewater treatment plants at mountains (Alps) or specific impurities (micro-pollutants or nitrate) in water or wastewater.

Highlights

- WABAG Austria and its subsidiaries posted a revenue of EUR 62.7 Mio in 2011-12
- WABAG Austria and it subsidiaries acquired an order book of 99.03 million Euros

Outlook

The division expects to achieve the following during 2012-13:

- Bag a large project in Russia
- Bag several projects in Algeria
- Commercialize projects from R&D pilot stage

WABAG Switzerland:

This subsidiary enjoys a high market share in the local Swiss water market for its advanced technologies. Their new order intake includes -

- Andermatt Waste water treatment plant;
- Basel drinking water treatment;
- Sonzier drinking water treatment plant (Membrane filtration) and
- Stafa waste water treatment plant (MBR)

This subsidiary had an order book growth of 23% over the previous year

WABAG Czech Republic:

WABAG Brno serves the industrial water market in the Czech Republic. They executed five Mio Euro projects for the year 2011-12. WABAG Czech Republic also covers Slovakia and Serbia, which formed part of former Soviet Union.

WABAG Romania:

This subsidiary is engaged in construction and operational management of industrial and municipal water and wastewater plants in Romania. During the year, they executed O&M of waste water treatment plants of Oil and Gas Company OMV Petrom SA of their Petrobrazi and Arpechim refinery with a workforce of 160. During the year, they had a significant order intake of RON 95 million.

WABAG Turkey:

It was started during the year and they bagged their first order from Siverek waste water treatment plant (Order value Euro 7.7

milion) for the city of Siverek with anaerobic sludge digestion and biogas utilisation.

Turkey being a highly potential market, WABAG Turkey plans a rapid growth in this market.

WABAG Algeria:

WABAG Algeria had its first year as a Profit Centre during FY12 and they bagged their maiden order for a value of Euro 7.1 million for El Qued Brackish Water Desalination plant based on Reverse Osmosis technology.

They also signed a framework contract for Beni Messous waste water treatment plant for Euro 6.8 million.

Besides, they also achieved Final Acceptance Certificates (FAC) for waste water treatment projects of ORAN, JIJEL and MEDEA.

WABAG Philippines:

Philippines MDU is a classic example of cross-unit collaboration. The business plan of this MDU envisages a healthy order intake in FY 2012-13.

Business support

Research and development

Overview

The Company is uniquely placed in the global water infrastructure management industry through the ownership of dedicated research and development units in Austria, Switzerland and India. The Company possesses over 100 patents in water treatment technology.

The Company's research is directed at the following: reduce operational and life cycle costs, reduce space utilisation for water infrastructure projects, efficiency in converting waste into biogas, environment friendliness, scalability from pilot scale to main plant and system standardisation to accelerate design generation.

The Chennai R&D centre entered into a memorandum of understanding with the Chennai-based Centre of Environment Studies of Anna University to establish a research programme in process and product development with downstream applications in the areas of water and wastewater treatment system.

Highlights

The Company undertook two research programmes: (i) The combination of UASB and MBR technologies to ensure optimised energy generation/consumption and high quality treated sewage for reuse, (ii) Replace polymeric membrane technology with ceramic membrane technology to produce potable water and reuse treated sewage/effluent.

International Engineering Centre (IEC)

Overview

The International Engineering Centre was started by the Company at Pune in 2008 to provide innovative engineering services (design products and projects) to its various business groups to enhance overall global competitiveness. Presently, the team comprises 70 professionals with an expertise in process engineering and detailed mechanical design (including pressure vessels and large tank designs, piping engineering) civil and structural design, electrical engineering and instrumentation engineering.

IEC played a pivotal role in providing pre-tender support and in executing WABAG projects in India and abroad. It engineered projects based on a wide technology range.

Strengths

Manpower: The core group possesses more than three-decade domain experience and international exposure.

Productivity tools: The team's investment in software based on parametric design principle for vessels and tanks reduced the project life cycle. The 3D piping software facilitated accurate piping designs. System automation reduced human intervention and cycle time. The Company also invested in Staad for structural and civil analysis. The combination of these productivity tools translate into superior quality and timely output.

Highlights

- Currently engineering the 20 MLD brackish water reverse osmosis plant at El Oued in Algeria
- Invested in resource scalability tools to handle larger projects
- Standardised demineralisation plant designing around module configuration to create different modules so that 80% of the plant is pre-designed, leading to bid accuracy and faster project turnaround

Overseas projects handled by IEC

- Duqm desalination plant
- Al Khalij high pressure condensate polishing plant through Hyundai Engineering Corporation and Bechtel, USA
- Cerebon SWRO mixed bed and wastewater treatment plant in Indonesia
- Rembang desalination project using MED technology
- Suralaya desalination plant using MED technology
- 21 container plants for the Vienna office

Human Resource Management

In a business that develops and deploys advanced technologies, recruiting and retaining competent human resources across diverse geographies is critical to sustainable growth.

WABAG is a multi-national employer of specialised engineering talent. The Company employs around 1,500 persons from across 22 nationalities; 60% of the Company is Indian while 40% of the organisation is based in Europe, China and North Africa.

The Company reconciles core engineering competencies on the one hand (around 80% of the employees possess technical background) with a youthful profile on the other (average age of 36), making it different. The Company enjoyed a retention of 81% during the year under review.

Over the years, the Company reinforced its engineering capabilities through the following initiatives:

Recruitment: The Company reinforced its talent pool through campus and lateral recruitments.

Training: All new recruits were imparted classroom training followed by on-the-job training on the basis of annual appraisals. Employees with entrepreneurial skills are inducted into a 'young leaders' training programme to reinforce the leadership pipeline. Employees were provided opportunities to attend industry seminars in India and abroad

Motivation: Following two years of service, trainee engineers are promoted, outstanding GETs awarded (star performer, special contribution award and employee of the month awards). Employees are also offered health check-up facilities, medical insurance, medical bill reimbursement and life insurance policies. The Company continued promoting inter-departmental relations through SPARXX programme.

WABAG believes in sharing wealth with all its employees, reflected in the Company providing ESOPs to its employees.

Apart from sharing the wealth with employees in the form of grant of ESOPs, the Company provides growth opportunities to the employees with the formation of SBUs and MDUs. Functional Heads in different disciplines have now become Country Managers in Philippines, Sri Lanka and Turkey. Talent transformation is on the top of management agenda and focussed leadership programmes are organised and conducted with a view to develop young leaders.

The Indian HR team works with its Austrian counterpart for recruitment, transfer of best practices and ERP implementation across locations.

Health, Safety and Environment

In an engineering business that requires projects to be commissioned across terrains by using various construction materials and challenging processes, it is critical to keep the sites and workplace safe for the Company's employees and contracted construction workers at all times.

High risks are involved in constructing, operating and maintaining plants. These comprise: deep excavation, personal fall from heights, electrocution, fall of materials, fire, radiation and hazardous chemical exposure, among others. Over the years, the Company enhanced awareness of the importance of safety practices through HSE Communication such as induction training, tool box talks and specific training modules for medium and high risk activities. These risks are controlled by suitable engineering and personal protective equipment as well.

The Company achieved one million accident-free hours at the IOC-Paradip project during the year under review. The Company aims to establish HSE standards on par with global practices.

Internal Control

The Company has adequate internal control systems that are embedded in the business processes. These are administered and enhanced through an Enterprise Resource Planning (ERP) package. Various transactional risks are effectively taken care of not only through assurance, but also various tools in the ERP system. The Company has well documented procedures and levels of authorization that govern the conduct of business at various levels.

The Company has a strong internal assurance team to support the Group Managing Director directly to identify and manage the operational and business risks. The effectiveness of the internal control mechanism is reviewed by independent internal audit function and by the statutory auditors. The Audit Committee of the Board periodically reviews the functioning of the internal audit and the implementation of recommended measures to improve the internal control framework.

Cautionary statement

Certain statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward-looking statements within the meaning of applicable securities laws and regulations. Actual results could differ from those expressed or implied. Important factors that could make a difference to the Company's operations include poor macroeconomic growth and consumer confidence, pricing in the Company's principal markets, government regulations, tax regimes, economic development within India/abroad and other incidental factors.

Report on Corporate Governance

Company's Philosophy on Corporate Governance

Good Governance practices stem from the culture and mindset of the Organisation. At VA TECH WABAG LIMITED ("Wabag" or "the Company") we are committed to meet the aspirations of all our stakeholders through ethical business conduct which is critical to enhance and retain investor trust.

At Wabag we are driven by the dream of creating a large and profitable Indian multinational committed to maximise stakeholder value, be it shareholders, employees, suppliers, customers, investors, communities or policy makers. We also recognise that in an increasingly volatile world, this increased market capitalisation will be sustainably achieved only by companies that can demonstrate competence on one hand and inspire stakeholder trust on the other. Accordingly, we always seek to ensure that we attain our performance goals with integrity.

At Wabag, we created a modern business around enduring values. Principally, we believe that we are engaged in a business that makes the world a better and cleaner place – through the nature of services we provide and the way we conduct our business.

We believe that we will be successful if our management acts not as principal owners of a growing business but as trustees of stakeholder wealth, reflected in a culture of acceptable austerity and making a clear distinction between personal conveniences and corporate resources. We conduct our business in a manner that is fair for all our stakeholders, we practice a high standard of integrity in all our actions and we respect and comply with the laws of the geographies in which we are present. At Wabag transparency lies at the heart of our governance intent. It is a measure of the closeness of fit between the knowledge level of the management and shareholders at large related to the past, current and future of our Company.

In the years of its existence, Wabag has created a richly competent, informed and independent Board of Directors ("the Board"). The Board of Wabag is at the core of our corporate governance practice. It oversees how the management serves and protects long-term stakeholder interests by following best practices. These practices ensure that the Board possesses the necessary authority and processes to review and evaluate operations whenever required and open to change as required. It also allows the Board to arrive at decisions independent of the Management. The majority of our Board, 5 out of 6 are Independent members. Further all the committees of the Board comprises of Independent members. The Board will continue to focus on upholding the core values of excellence, integrity, responsibility, unity and understanding to ensure that there is a strong legacy of fair, transparent and ethical governance practice in the Company.

The Company is in compliance with the requirements stipulated under Clause 49 of the Listing Agreements entered into with the Stock Exchanges with regard to corporate governance.

Board of Directors

The Composition of the Board is in conformity with Clause 49 of the Listing Agreement. The Chairman of the Board is an Independent Director and majority of the Board comprises of Independent Directors. The management of the Company is headed by the Managing Director, who operates under the supervision and control of the Board. The Board reviews and approves strategy and oversees the actions and results of the management to ensure that the long-term objectives of enhancing stakeholders' values are met.

The Non-Executive Independent Directors have the requisite qualification and experience in general corporate management which enables them to contribute effectively to the Company in their capacity as Directors while participating in its decision-making process.

Apart from reimbursement of expenses incurred in discharge of their duties and the remuneration that the Non-Executive Independent Directors and Managing Director would be entitled under the Companies Act, 1956, none of the Directors have any other material pecuniary relationships or transactions with the Company, its Directors, its Senior Management, its subsidiaries and associates which in their judgment would affect their independence. None of the Directors of the Company are inter-se related to each other.

The Senior Management have made disclosures to the Board confirming that there are no material, financial and/or commercial transactions between them and the Company which could have potential conflict of interest with the Company at large.

Composition of the Board

As on March 31, 2012 the Board comprises of six Directors. The Chairman of the Board is an Independent Director. Besides the Chairman, the Board comprises the Managing Director, who is a promoter Director and four Independent Directors.

The composition the Board during the financial year was in conformity with Clause 49 of the Listing Agreement entered into with the stock exchanges.

Board Meetings, Attendance, Directorships & Committee memberships

The Board of Directors met four times during the year: on May 26, 2011, August 12, 2011, November 10, 2011 and February 09, 2012. These meetings were well attended. The Company has held at least one Board meeting every three months. The maximum gap between any two meetings was less than four months, as stipulated under Clause 49.

As mandated under Clause 49, none of the Directors are members of more than 10 Board level committees, nor are they Chairman of more than five committees in which they are members.

Table below gives the details of the committee memberships of Directors, attendance of Directors at Board meetings held during the year ending March 31, 2012 and at the last Annual General Meeting:

Name	Category	Attendance Particulars			No. of Directorships and Committee Memberships/ Chairmanships as on March 31, 2012[1].		
		No. of Board Meetings		Last Annual General Meeting			
		Held	Attended		Directorships[2]	Committee Memberships[3]	Committee Chairmanships[3]
Mr. Bhagwan Dass Narang	Independent Chairman	4	4	Present	11	6	4
Mr. Rajiv Mittal	Managing Director	4	4	Present	1	1	-
Mr. Sumit Chandwani	Independent Director	4	4	Present	2	1	2
Mr. Jaithirth Rao	Independent Director	4	-	Present	1	1	-
Dr. Guenter Heisler	Independent Director	4	3	Absent	1	-	-
Ms. Revathi Kasturi	Independent Director	4	1[4]	N.A	1	-	-

1. Excludes Private Limited Companies, Foreign Companies and Companies registered under Section 25 of the Companies Act, 1956.

2. Excludes alternate Directorships but includes Additional Directorships and Directorship in VA Tech Wabag Limited.

3. Committees considered are Audit Committee and Shareholders/Investors Grievances Committee, as per Clause 49.

4. Ms. Revathi Kasturi was appointed as an Independent Director by the Board with effect from February 09, 2012.

Board Procedure

A detailed agenda folder is sent to each Director in advance of Board and Committee Meetings. All material information is incorporated in the agenda for facilitating meaningful and focused discussions at the meeting. Where it is not practicable to attach any document to the agenda, the same is tabled before the meeting with specific reference to this effect in the agenda. In special and exceptional circumstances, additional or supplementary item(s) on the agenda are permitted. To enable the Board to discharge its responsibilities effectively, the Managing Director apprises the Board at every meeting, the overall performance of the Company.

The Board reviews strategy and business plans, annual operating and capital expenditure budgets, investment and exposure limits, compliance reports of all laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliances, if any. The Board also reviews major legal issues, minutes of the Committees of the Board and subsidiary companies, significant transactions and arrangements entered into by the subsidiary companies, adoption of financial results, transactions pertaining to purchase or disposal of properties, major accounting provisions and write-offs, corporate restructuring and information on recruitment of officers just below the Board level, including the Company Secretary and the Compliance Officer.

Directors seeking Appointment/Re-Appointment

Mr. Sumit Chandwani, Director retire by rotation at the forthcoming Annual General Meeting and being eligible, has offered himself for re-appointment. Ms. Revathi Kasturi, holds office up to the date of the forthcoming Annual General Meeting and seeks appointment at the meeting.

Brief resumes of Directors seeking appointment/re-appointment are given below:

Mr. Sumit Chandwani is an Independent Director of the Company. He holds a Bachelor's degree in Engineering from the Indian Institute of Technology, Roorkee and a Postgraduate diploma in Business Management from the Indian Institute of Management, Bangalore. Mr. Sumit Chandwani served as Head of Buyout Practice, Director of Investments and Executive Director at ICICI Ventures. He is a management expert with engineering background. Mr. Chandwani worked with ICICI Ltd. and GE Capital. At ICICI, he served as part of Project Financing Group and was involved in financing of cement, steel, and manufacturing projects. At GE Capital, he was part of the core team that set up commercial finance operations in India in 1999. He has over 20 years of experience in the areas of private equity, structured finance and project finance.

Mr. Sumit Chandwani does not hold any equity shares of the Company as on March 31, 2012.

Below table provides name of the Companies in which Mr. Sumit Chandwani holds Directorship and Membership of various committees of the Board

Name of the Company[1]	Category[2]	Committee[3]	Position Held
VA Tech Wabag Limited	Director	Audit Committee	Member
		Share allotment/Transfer cum Investors' Grievance Committee	Chairman
PVR Limited	Director	Audit Committee	Chairman

1. Excludes Private Limited Companies, Foreign Companies and Companies registered under Section 25 of the Companies Act, 1956.

2. Excludes alternate Directorships but includes Additional Directorships and Directorship in VA Tech Wabag Limited.

3. Committees considered are Audit Committee and Shareholders/Investors Grievances Committee, as per Clause 49.

Ms. Revathi Kasturi is an Independent Director of the Company. She holds a Bachelor's degree in Electrical Engineering from Indian Institute of Technology (IIT) Mumbai. She is the Founder and CEO of Laqsh Job Skills Academy Pvt. Ltd. She has over 30 years of experience in leadership, training and developing young minds for the corporate world. Ms. Revathi Kasturi has been a speaker on various subjects related to Technology, Leadership & Entrepreneurship at both International as well as local events. She was awarded the "Woman of the year" by Business Today for the year 2001. She is a former board member of NASSCOM and currently on the Regional Council of NASSCOM Karnataka; she is also a charter member of TIE Bangalore.

Directors' Shareholding

Name	Category	No. of shares held as on March 31, 2012
Mr Bhagwan Dass Narang*	Chairman /Independent	Nil
Mr Rajiv Mittal	Managing Director	47,99,860
Mr Sumit Chandwani	Independent Director	Nil
Mr Jaithirth Rao	Independent Director	2,01,020
Dr. Guenter Heisler	Independent Director	Nil
Ms. Revathi Kasturi	Independent Director	Nil

**Mr Bhagwan Dass Narang currently holds 50% of the share capital of Shri Venimadhav Portfolio Private Limited, which in turn held 17,870 equity shares of the Company as on March 31, 2012.*

Committees of the Board

In compliance with both the mandatory and non-mandatory requirements under the Listing Agreement and the applicable laws, the Board of Directors of your Company constituted the following committees:

- Audit Committee
- Share Allotment/Transfer cum Investors' Grievance Committee
- Remuneration cum Compensation Committee
- Monitoring Committee
- IPO Committee*

The recommendations of the Committees are submitted to the Board for approval.

** The IPO Committee was dissolved by the Board at its meeting held on May 24, 2012*

Audit Committee

The members of the Audit Committee are:

1. Mr. Bhagwan Dass Narang, *Chairman*;
2. Mr. Jaithirth Rao; and
3. Mr. Sumit Chandwani

All the members of the Committee are Independent Directors and have good knowledge of accounting and financial management.

The terms of reference of the Committee are in accordance with the requirements of Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956. The terms of reference of the Audit Committee are as follows:

a. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.

b. Recommending to the Board, the appointment, re-appointment and if required, the replacement or removal of Statutory Auditors and fixation of audit fees.

c. Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors.

d. Reviewing with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
   - Matters required to be included in the Directors' Responsibility Statement of the Directors' Report in terms of sub-section (2AA) of Section 217 of the Companies Act, 1956.
   - Changes, if any, in accounting policies and practices and reasons for the same.
   - Major accounting entries involving estimates based on the exercise of judgement by the management.
   - Significant adjustments made in the financial statements arising out of audit findings.
   - Compliance with listing and other legal requirements relating to financial statements.
   - Disclosures of related party transactions.
   - Qualifications in draft audit report.

e. Reviewing with the Management, the quarterly financial statements before submission to the Board for approval.

f. Reviewing with the management, the performance of Statutory & Internal Auditors, adequacy of internal control systems.

g. Reviewing the adequacy of internal audit function, if any, including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.

h. Discussion with internal auditors any significant findings and follow up thereon.

i. Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is a suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

j. Discussion with the Statutory Auditors before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any area of concern.

k. To look into the reasons for substantial defaults, if any, in the payments to the debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

l. To review the function of the whistle blower mechanism.

m. Carrying out such other functions as may be specifically referred to the Committee by the Board of Director and/or other Committees of Directors of the Company.

n. Reviewing the financial statements and in particulars the investments made by the unlisted subsidiaries of Company.

o. Review of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, among others).

The Company Secretary acts as the Secretary to the Audit Committee.

The Committee met four times during the year under review and the gap between two meetings did not exceed four months. During the financial year April 01, 2011 to March 31, 2012, the Committee met on: May 26, 2011, August 12, 2011, November 10, 2011 and February 09, 2012.

The attendance at the meetings is as under:

Members	Number of Meetings	
	Held	Attended
Mr. Bhagwan Dass Narang	4	4
Mr. Jaithirth Rao	4	-
Mr. Sumit Chandwani	4	4

Senior executives of the Accounts/Finance Department and representatives of the Statutory and Internal Auditors are invited to attend the Audit Committee meetings.

The Chairman of the Audit Committee, Mr. Bhagwan Dass Narang was present at the 16th Annual General Meeting of the Company held on July 15, 2011.

Share Allotment/Transfer cum Investors' Grievance Committee

Members of the Share Allotment/Transfer cum Investors' Grievance Committee are:

1. Mr Sumit Chandwani, *Chairman* and
2. Mr Rajiv Mittal

The Company Secretary acts as the Secretary of the Committee and is appointed as the Compliance Officer of the Company.

The Committee meets as and when required, to inter-alia deal with matters relating to its terms of reference.

The terms of reference of the Share Allotment/Transfer cum Investors' Grievance Committee are as follows:

To allot equity shares to option grantees under prevailing ESOP Schemes of the Company; to look into and redress shareholders/investors grievances relating to transfer of shares, non-receipt of declared dividends, annual reports, all such complaints directly concerning the shareholders/investors as stakeholders of the Company any such matters that may be considered necessary in relation to shareholders / investors of the Company.

The Committee oversees the performance of the Registrar and Transfer Agents of the Company and recommends measures for overall improvement in the quality of investor services.

The Committee met six times during the year on May 26, 2011, August 12, 2011, November 10, 2011, January 13, 2012, February 09, 2012 and March 29, 2012.

The attendance at the meetings is as under

Members	Number of Meetings	
	Held	Attended
Mr. Sumit Chandwani	6	6
Mr. Rajiv Mittal	6	6

During the year, 27 investor complaints were received, all of which have been attended to/resolved. As of March 31, 2012, there are no pending share transfers or complaints from the shareholders.

Remuneration/Compensation Committee

The Remuneration/Compensation Committee of the Board comprises the following Directors:

1. Mr. Bhagwan Dass Narang, *Chairman*
2. Mr. Jaithirth Rao
3. Mr. Sumit Chandwani*
4. Dr. Guenter Heisler*
5. Ms. Revathi Kasturi*

The role of the Remuneration Committee is to review market practices and to decide on remuneration packages applicable to the Managing Director of the Company. The broad terms of reference of the Committee are, to recommend to the Board about the Company's policy on remuneration package for Executive Directors, to advise the Board in framing the remuneration policy for key managerial personnel of the Company from time to time, to give direction for administration of the ESOP Schemes and to attend to any other responsibilities as may be entrusted by the Board within its terms of reference.

The Committee met thrice during the year on May 26, 2011, August 12, 2011 and November 10, 2011 which was attended by the members as below:

Members	Number of Meetings	
	Held	Attended
Mr. Bhagwan Dass Narang	3	3
Mr. Jaithirth Rao	3	-
Mr. Sumit Chandwani	3	2
Mr. Guenter Heisler	3	1

** The Remuneration committee was reconstituted on August 12, 2011 with Mr. Sumit Chandwani as a member in place of Dr. Guenter Heisler. Further the committee was reconstituted on May 24, 2012 with the Induction of Ms. Revathi Kasturi as a member of the Committee.*

Remuneration Policy

The Company's remuneration policy is driven by the success and performance of the individual employee and the Company. Through its compensation programme, the Company endeavors to attract, retain, develop and motivate a high performance workforce. The Company follows a compensation mix of fixed pay, benefits and performance based variable pay. Individual performance pay is determined by business performance and the performance of the individuals measured through the annual appraisal process.

The members have at the Annual General Meeting of the Company on July 15, 2011 approved payment of commission to the Non-Executive Directors within the ceiling of 1% of the net profits of the Company as computed under the applicable provisions of the Companies Act, 1956. Subject to the above limits, the Board of Directors have fixed a sum of Rs. 10 lakhs/Rs. 7.5 lakhs p.a. as commission to the Chairman/other Non Executive Directors respectively for a period of three years w.e.f. FY 2011-12. The Company also reimburses the out-of-pocket expenses incurred by the Directors for attending the meetings.

Details of Remuneration paid to Directors for the year ended March 31, 2012: (Rs. in lakhs)

Name	Category	Sitting Fees (Refer Note. 1)	Commission (Refer Note. 2)	Salary and Perquisites	Performance Incentive	Superannuation and Provident Fund (Refer Note. 3)	Total
Mr. Bhagwan Dass Narang	Independent Chairman	0.08	7.5	Nil	Nil	Nil	7.6
Mr. Rajiv Mittal	Managing Director	Nil	Nil	141	90	16.5	247.5
Mr. Sumit Chandwani	Independent Director	Nil	5.6	Nil	Nil	Nil	5.6
Mr. Jaithirth Rao	Independent Director	Nil	5.6	Nil	Nil	Nil	5.6
Dr. Guenter Heisler	Independent Director	Nil	5.6	Nil	Nil	Nil	5.6
Ms. Revathi Kasturi	Independent Director	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

1. *The Board of Directors at their meeting held on May 26, 2011 decided to do away with the payment of Sitting fees to the Directors for attending the Board / Committee Meetings.*
2. *Commission was paid to Non executive and Independent Directors as approved by the Board and Shareholders.*
3. *Aggregate of the Company's contributions to Superannuation Fund and Provident Fund.*
4. *The Company has not advanced loans to any Directors during the year.*
5. *The nature of employment of the Managing Director with the Company is contractual and can be terminated by giving six months notice from either party. Mr. Rajiv Mittal's appointment is for a period of five years from October 01, 2010 and his remuneration was revised with effect from April 01, 2011 for the remainder of his term upto September 30, 2015 by the shareholders at the Annual General Meeting held on July 15, 2011.*

IPO Committee

The IPO Committee was formed by the Board to oversee all activities and matters pertaining to Public Issue of the Company. Mr. Rajiv Mittal is the Chairman of the Committee. Mr. Sumit Chandwani is the other member of the Committee. There was no meeting of the Committee during the financial year 2011-12. The Committee was dissolved by the Board at their meeting held on May 24, 2012.

Monitoring Committee

The Monitoring Committee of the Board comprises of the following Directors:

1. Mr. Bhagwan Dass Narang, *Chairman*
2. Mr. Sumit Chandwani, *Member*
3. Dr. Guenter Heisler, *Member*
4. Ms. Revathi Kasturi*, *Member*

The terms of reference of the Monitoring Committee include constant monitoring of various ongoing projects and review of the projects that are time-over-run, cost over-run etc., apart from reviewing specific matters assigned by the Board.

The Monitoring Committee met four times during the financial year on May 26, 2011, July 15, 2011, November 28, 2011 and March 29, 2012 which was attended by the members as below:

Members	Number of Meetings	
	Held	Attended
Mr. Bhagwan Dass Narang	4	4
Mr. Sumit Chandwani	4	4
Dr. Guenter Heisler*	4	1

** The Monitoring committee was reconstituted on May 24, 2012 with Ms. Revathi Kasturi as a member in place of Dr. Guenter Heisler.*

General Body Meetings:

(i) Details of Annual General Meetings (AGMs)held during past three years and Special Resolutions passed

Year	Date	Time	Special Resolutions passed
2008-09	August 27, 2009	10.00 a.m.	Nil
2009-10	August 02, 2010	10.00 a.m.	Approval for Initial Public Offer Sec. (81)(1A)
			Approval for Increase in limit of Investment by foreign institutional investors in the Company.
2010-11	July 15, 2011	10.30 a.m.	Approval for Payment of Commission to Non-executive Directors upto 1% of net profits.
			Approval for reappointment and revision in Remuneration Payable to Mr. Rajiv Mittal, Managing Director of the Company.
			Approval of Pre-IPO ESOP Scheme 2010.

The AGMs of 2008-09 and 2009-10 were held at the Registered Office: No.11, Murray's Gate Road, Alwarpet, Chennai 600 018 and AGM of 2010-11 was held at Rani Seethai Hall, 603, Anna Salai, Chennai 600 006.

(ii) Details of Extraordinary General Meetings (EGMs) held during past three years and Special Resolutions passed

Year	Date	Time	Special Resolutions passed
2009-10	September 14, 2009	10.00 a.m.	Approval for Alteration of Articles of Association of the Company.
			Approval for subdivision of equity share capital and amendment of the Memorandum of Association.
			Approval for Issue of 10,39,629 (equity) Bonus shares of Rs. 5
			Approval for Initial Public Offer (IPO) Sec (81)(1A)
2010-11	July 19, 2010	10.30 a.m.	Approval for ESOP Scheme 2010.

Both the EGMs were held at No.11, Murray's Gate Road, Alwarpet, Chennai 600 018, the Registered Office of the Company.

(iii) Postal Ballots

No special resolution was passed through Postal Ballot during the Financial Year 2011-12. None of the business proposed to be transacted in the ensuing Annual General Meeting require passing a special resolution through Postal Ballot.

Disclosures

Corporate Governance Voluntary Guidelines 2009

The Ministry of Corporate Affairs, Government of India, published the Corporate Governance Voluntary Guidelines in 2009. The Company is in substantial compliance with the voluntary guidelines and it will always be the Company's endeavor to attain the best practices in corporate governance.

Code of Conduct

The Board has laid down a Code of Conduct ("Code"), for Board Members and Senior Management Personnel of the Company. This Code has been posted on the Company's website www.wabag.com. All Board Members and Senior Management Personnel of the Company have affirmed compliance with this Code. A declaration signed by the Managing Director to this effect is forming part of this Report.

CEO/CFO Certification

The Managing Director and the Chief Financial Officer of the Company have certified to the Board regarding the financial statements and matters related to internal controls in the prescribed format for the year ended March 31, 2012 which is annexed to this Report.

Risk Management

The Monitoring committee reviews the Company's risk management practices and activities on a periodic basis. This includes review of risks of achieving key business objectives and actions taken to mitigate them. The Committee reviews risk management aspects in the areas of competitive position in different geographies, leadership development, information security, high risk projects, contracts management and financial risks.

Subsidiary Companies

All the Company's subsidiaries are Board managed with their Boards having the rights and obligations to manage such Companies in the best interest of their stakeholders. The Company does not have any material unlisted subsidiary and hence is not required to nominate an Independent Director of the Company on the Board of any subsidiary. The Audit committee reviews the financial statements, in particular investments made by the subsidiary companies. The minutes of the subsidiary companies are placed and reviewed periodically by the Board at its meetings.

Related Party Transactions

None of the transactions with any related parties were in conflict with the interest of the Company. Attention of members is drawn to the disclosure of transactions with the related parties set out in Note No. 31 of Notes to Accounts, forming part of the Annual Report. The Audit Committee of the Board periodically reviews the related party transaction entered into by the Company.

Accounting Treatment in Preparation of Financial Statements

The Company has followed the Accounting Standards prescribed by the Companies (Accounting Standards) Rules, 2006 in preparation of its financial statements.

Details of non-compliance relating to capital markets

The Company's equity shares are listed on National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE). The Company has complied with all the requirements of regulatory authorities. There were no instances of non-compliance by the Company and no penalties or strictures were imposed on the Company by the stock exchanges, SEBI or any statutory authority, on any matter related to the capital markets.

Code for Prevention of Insider Trading Practices

The Company has instituted a comprehensive Code of Conduct for Prevention of Insider Trading for its Designated Employees, in compliance with Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time. The Code lays down guidelines, vide which it advises the designated employees on procedures to be followed and disclosures to be made, while dealing with shares of the Company and cautions them of the consequences of violations.

Proceeds from Public Issues, Right Issues and Preferential Issues

Pursuant to the Initial Public Offer (IPO) made by the Company, the Audit Committee has been monitoring the uses and applications of funds on a quarterly basis. The details of utilisation of funds generated out of IPO form part of quarterly declaration of Company's financial results. The Company has not utilised the funds generated out of public issue for any purpose other than those stated in the offer document/prospectus.

Details of Unclaimed Shares

The Company has opened a Demat account titled "VA Tech Wabag Limited - Unclaimed Shares Demat Suspense Account" ("Demat Suspense Account") for transferring the unclaimed shares which were allotted pursuant to Initial Public Offer (IPO) of the Company.

The Company had two shareholders with 39 outstanding shares lying in the suspense account for the year ended March 31, 2012. The voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

Management Discussion and Analysis Report

A detailed report on the Management's discussion and analysis is provided in the Management's discussion and analysis section of the Annual Report.

Compliance with Clause 49

The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement relating to Corporate Governance.

As regards the non-mandatory requirements, the Company has set up the Remuneration/Compensation Committee of the Board of Directors, the details of which have been provided under the section "Committees of the Board". The Company has also formulated a comprehensive whistle blower policy for employees to report to the management concerns about unethical behavior, actual or suspected fraud or violation of the Company's Code of Conduct. The existence of such a policy is communicated through appropriate manuals within the organisation. During the year under review, there is no audit qualification in the Company's financial statements. The Company continues to adopt best practices to ensure that its financial statements remained unqualified. The Company has not adopted any other non-mandatory requirement specified in Annexure 1 D of the Clause 49.

Occupational Health, Safety & Environment Policy

The Company has in place Occupational Health, Safety and Environment (HSE) Policy which focuses on people, technology and facilities supported by Management commitment as the prime driver. A dedicated 'HSE Team' is working towards the prevention of Man, Machine, Material incidents and Environmental impact of Company's site operations at the corporate and project site level. The Company focuses on education and motivation of the employees on various aspects of Health, Safety and Environment through training programmes and seminars. The Company holds Certificates to the Integrated Management Systems of ISO 14001 (Environmental Management Systems) and BS OHSAS 18001 (Health and Safety). The Company recognises its human force as the most important asset and is deeply committed to providing a safe and healthy working environment to its employees and as well as for those working on behalf of the Company.

Means of Communication:

a) Quarterly Results: Quarterly Results of the Company are published in 'Business Standard and Makkal Kural (Tamil edition) and are displayed on the Company's Website www.wabag.com

b) News Releases, Presentations, etc.: Official news/Press releases are sent to the Stock Exchanges.

c) Presentations to Institutional Investors / Analysts: Detailed Presentations are made to Institutional Investors and Financial Analysts, on the unaudited quarterly financial results of the Company. These presentations are also uploaded on the Company's website www.wabag.com.

d) Website: The Company's website www.wabag.com contains a separate dedicated section 'Investor Relations' where shareholders information is available. The Annual Report of the Company is also available on the website in a user-friendly and downloadable form.

General Shareholder Information

(i) Company Registration Details:

The Company is registered in the State of Tamil Nadu, India. The Corporate Identity Number (CIN) allotted to the Company by the Ministry of Corporate Affairs (MCA) is L45205TN1995PLC030231

(ii) Annual General Meeting

Date	:	July 23, 2012
Time	:	10.00 a.m.
Venue	:	Russian Centre of Science and Culture 74, Kasturi Rangan Road Alwarpet, Chennai 600 018

(iii) Financial Year

The financial year covers the period from April 1 to March 31.

(iv) Financial Reporting for 2012-13

The First Quarter Results – June 30, 2012	By 2nd week of August 2012
The Half Yearly Results – September 30, 2012	By 2nd week of November 2012
Third Quarter Results – December 31, 2012	By 2nd week of February 2013
Approval of Annual Accounts – March 31, 2013	By end of May 2013

Note: The above dates are indicative.

(v) Dates of Book Closure/Record Date

Saturday, July 14, 2012 to Monday, July 23, 2012 (both days inclusive) for payment of dividend.

(vi) Dividend Payment Date

Credit/dispatch of dividend warrants, if approved at the Members' meeting, would be on or after July 23, 2012 but before July 31, 2012

(vii) Listing on Stock Exchanges

a) Bombay Stock Exchange Limited (BSE)

Phiroze Jeejeebjoy Towers, Dalal street, Mumbai 400 001
Scrip Code 533269

b) National Stock Exchange of India Limited (NSE)

"Exchange Plaza", Bandra Kurla Complex,
Bandra(E), Mumbai 400 051
Trading Symbol – WABAG

c) Payment of Listing Fees:

Annual listing fee for the year 2012-13 has been paid by the Company to BSE and NSE.

d) Payment of Depository Fees:

Annual Custody / Issuer fee for the year 2012-13 has been paid by the Company to NSDL and CDSL.

e) Demat International Security Identification Number (ISIN) in NSDL and CDSL for equity:

ISIN: INE956G01038

(viii) Stock Performance

BSE and NSE – Monthly High / Low and Volumes

Month	National Stock Exchange of India Limited			Bombay Stock Exchange Limited		
	High (Rs.)	Low (Rs.)	Monthly Volume	High (Rs.)	Low (Rs.)	Monthly Volume
April, 2011	1,440.00	1,151.40	27,007	1,324.00	1,201.00	13,052
May, 2011	1,317.00	1,180.10	36,644	1,320.00	1,190.11	18,291
June, 2011	1,306.10	1,240.00	82,977	1,318.00	1,235.00	12,323
July, 2011	1,430.00	1,127.00	6,42,100	1,345.00	1,252.05	44,893
August, 2011	1,307.70 530.00*	1,167.00 365.00*	1,90,610	1,308.85 529.50*	1,156.00 357.90*	1,13,631
September, 2011	434.90	343.25	5,06,901	434.80	344.25	3,58,812
October, 2011	384.70	339.10	64,968	379.95	340.00	51,682
November, 2011	366.00	320.10	1,65,070	363.40	330.00	54,170
December, 2011	363.30	285.00	2,22,891	358.00	270.00	1,29,884
January, 2012	398.90	320.00	2,65,626	392.85	321.05	32,388
February, 2012	472.50	358.70	4,58,600	473.45	359.00	1,09,327
March, 2012	435.00	403.50	76,570	437.00	404.40	31,882

Note: *The face value of each equity share of the Company was sub-divided from Rs. 5 per share to Rs. 2 per share w.e.f August 18, 2011.

Performance in comparison to BSE – Sensex and NSE Nifty

Month	VA TECH WABAG's Closing Price on NSE on the last trading day of month (Rs.)	BSE Sensex at the Close of last trading day of the month	NSE Nifty at the Close of last trading day of the month
April, 2011	1269.10	19135.96	5749.50
May, 2011	1288.40	18503.28	5560.15
June, 2011	1285.60	18845.87	5647.40
July, 2011	1291.70	18197.20	5482.00
August, 2011*	370.20*	16676.75	5001.00
September, 2011	366.95	16453.76	4943.25
October, 2011	352.10	17705.01	5326.60
November, 2011	341.80	16123.46	4832.05
December, 2011	335.15	15454.92	4624.30
January, 2012	364.15	17193.55	5199.25
February, 2012	425.20	17752.68	5385.20
March, 2012	429.40	17,404.20	5295.55

Note : *The face value of each equity share of the Company was sub-divided from Rs. 5 per share to Rs. 2 per share w.e.f August 18, 2011.

VA TECH WABAG Share Performance versus BSE Sensex

Share price of VA TECH WABAG and BSE Sensex have been indexed to 100 on April 1, 2011

VA TECH WABAG Share Performance versus NSE NIFTY

Share price of VA TECH WABAG and NSE NIFTY have been indexed to 100 on April 1, 2011

(ix) Share Transfer System

Share transfers are processed and share certificates duly endorsed are returned within a period of 21 days from the date of receipt, subject to the documents being valid and complete in all respects. The Share allotment / Transfer cum Investors' Grievance Committee ("the Committee") has delegated the authority for approving transfer, transmission etc., of the Company's securities to the Managing Director / Chief Financial Officer / Company Secretary. A summary of transfer/transmission of securities of the Company so approved by the Managing Director / Chief Financial Officer / Company Secretary is placed at the Committee meeting. The Company obtains from a Company Secretary in Practice half-yearly certificate of compliance with the share transfer formalities as required under Clause 47(c) of the Listing Agreement and files a copy of the said certificate with the Stock exchanges. As of March 31, 2012 there are no pending share transfers pertaining to the year under review.

(x) Distribution of Shareholding as on March 31, 2012

Number of Shares	No. of Shareholders	% to Shareholders	Total No. of Shares	% of Amount
1-5000	28720	99.45976	18,20,478	6.873208
5001- 10000	49	0.169691	1,68,239	0.635186
10001- 20000	18	0.062336	1,31,622	0.496938
20001- 30000	14	0.048483	1,84,948	0.698270
30001- 40000	7	0.024242	1,24,450	0.469860
40001- 50000	4	0.013852	92,962	0.350978
50001- 100000	15	0.051946	5,07,165	1.914800
100001 and Above	49	0.169691	2,34,56,721	88.560760
TOTAL	28876	100.00 %	2,64,86,585	100.00%

(xi) Shareholding Pattern as on March 31, 2012

Category of Shareholders	Total Holdings	Holdings in Percentage
Promoters holdings	81,97,915	30.951197
Mutual Funds	42,06,667	15.882255
Banks, Financial Institutions	49,602	0.187272
Foreign Institutional Investors	82,20,271	31.035602
Bodies Corporate	11,41,030	4.307954
NRIs	33,367	0.125977
Clearing Members	10,418	0.039333
Foreign Corporate Bodies	25,34,530	9.569108
HUFs	74,134	0.279893
Trusts	1,432	0.005407
Indian Public	16,64,327	6.283660
Directors	2,01,020	0.758950
Employees	1,51,872	0.573392
Total	2,64,86,585	100

(xii) Dematerialisation of Shares

As on March 31, 2012, 99.78% of the paid-up Equity Share Capital is held in dematerialised form. Trading in equity shares of the Company is permitted in only dematerialised form.

(xiii) Outstanding ADRs/GDRs/Warrants or any Convertible Instruments, conversion date and likely impact on Equity

The Company has not issued any ADRs/GDRs/Warrants or any convertible instruments

(xiv) Offices of the Company

Registered Office:

VA TECH WABAG LIMITED
No.11, Murray's Gate Road,
Alwarpet, Chennai 600018.
Phone : 91-44-42232323
Fax : 91-44-42232324

(xv) Registrar and Share Transfer Agents

M/s. Karvy Computershare Private Limited (Karvy)
Unit: VA Tech Wabag Limited
Plot No.17-24,
Vittalrao Nagar, Madhapur,
Hyderabad – 500 081,
Andhra Pradesh, India.
Phone : + 91-040-23420815 to 820
Fax : + 91-040-23420814/57
E-mail : einward.ris@karvy.com

(xvi) Address for Correspondence

Shareholders may correspond with the Company at its Registered Office or with the Registrar and Transfer Agents, Karvy at the above mentioned address in respect of all matters relating to transfer / dematerialisation of shares, payment of dividend and any other query relating to Equity Shares of the Company.

(xvii) Company Secretary & Compliance Officer

Rajiv Balakrishnan
11, Murray's Gate Road
Alwarpet, Chennai 600 018
Tel : 91-44-42232323
Fax : 91-44-42232324

(xviii) Designated exclusive E-mail ID

The Company has designated the following email id exclusively for investor servicing:
companysecretary@wabag.in
This has also been displayed on the Company’s website.

Certification by CEO/CFO under Clause 49 V of the listing agreement

To,
The Board of Directors of VA TECH WABAG LIMITED

We have reviewed the financial statements and the cash flow statement of VA TECH WABAG LIMITED for the year ended March 31, 2012 and to the best of our knowledge and belief:

(a) (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

(ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.

(b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.

(c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectifying these deficiencies.

(d) We have indicated to the Auditors and the Audit committee:

(i) significant changes in internal control over financial reporting during the year;

ii) significant changes in accounting policies made during the year and the same have been disclosed in the notes to the financial statements; and

(iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting..

Place : Chennai	S. Varadarajan	Rajiv Mittal
Date : May 24, 2012	*Chief Financial Officer*	*Managing Director*

Declaration on Code of Conduct

To
The Members of VA Tech Wabag Limited

I, Rajiv Mittal, Managing Director of VA TECH WABAG LIMITED declare that all the Members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct for the year ended March 31, 2012.

Place : Chennai
Date : May 24, 2012

Rajiv Mittal
Managing Director

Auditors' Certificate on compliance with conditions of Corporate Governance under Clause 49 of the Listing Agreement

CERTIFICATE

To
The Members of VA Tech Wabag Limited

We have examined the compliance of conditions of Corporate Governance by VA TECH WABAG LIMITED ("the Company") for the year ended on 31 March 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company, for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and accordingly to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Walker, Chandiok & Co**
Chartered Accountants
Firm Registration No. 001076N

Place: Chennai
Date : May 24, 2012

per Sumesh E S
Partner
Membership No. 206931

AUDITORS' REPORT

To
The Members of
VA Tech Wabag Limited

1. We have audited the attached Balance Sheet of VA TECH WABAG LIMITED, (the 'Company') as at 31 March 2012, and also the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date annexed thereto (collectively referred as the 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 (the 'Order') (as amended), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (the 'Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

4 Without qualifying our opinion, we draw your attention to note 33 (a) of the notes to accounts of the financial statements attached.

   Consequent to Section 80-IA being amended by Finance Act, 2009 denying the benefit of deduction under this Section to business in the nature of work contracts, with retrospective effect from April, 2000, the Company based on a legal opinion, believes that this amendment will not impact its eligibility to claim deduction under the said section. Based on the legal opinion, the Company has filed a writ petition in the High Court, challenging the constitutional validity of the retrospective amendment.

   The ultimate outcome of the matter cannot be presently determined and no provision for any liability that may result has been made in the financial statements by the company for the period from 01 April 2001 to 31 March 2009. However, such liability on account of possible denial of deduction prospectively from 01 April 2009 has been fully provided as current tax. Pursuant to this, the estimated tax liability for the period from 01 April 2001 to 31 March 2009 amounting to Rs. 2,422 lakhs and interest thereupon from 01 April 2001 to 31 March 2012 amounting to Rs. 1,672 lakhs have been disclosed as contingent liabilities as at 31 March 2012.

5. Further to our comments in the Annexure referred to above, we report that:

   a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   c. The financial statements dealt with by this report are in agreement with the books of account;

   d. On the basis of written representations received from the directors, as on 31 March 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;

   e. In our opinion and to the best of our information and according to the explanations given to us, the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act and give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, in the case of:

      i) the Balance Sheet, of the state of affairs of the Company as at 31 March 2012;

      ii) the Statement of Profit and Loss, of the profit for the year ended on that date; and

      iii) the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Walker, Chandiok & Co**
Chartered Accountants
Firm Registration No: 001076N

per **Sumesh E S**
Partner
Membership No. 206931

Place : Chennai
Date : 24 May 2012

Annexure to the Auditors' Report of even date to the members of VA TECH WABAG LIMITED, on the financial statements for the year ended 31 March 2012

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

b) The Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

c) In our opinion, a substantial part of fixed assets has not been disposed off during the year.

ii) a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.

b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

iii) a) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under section3 0 1 of the Act. Accordingly, the provisions of clauses 4(iii)(b) to (d) of the Order are not applicable.

e) The Company has not taken any loan, secured or unsecured from companies, firms or other parties covered in the register maintained under section3 0 1 of the Act. Accordingly, the provisions of clauses 4(iii)(f) and 4(iii)(g) of the Order are not applicable.

iv) In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit no major weakness has been noticed in the internal control system in respect of these areas.

v) a) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under section 301 of the Act have been so entered.

b) Owing to the unique and specialized nature of the items involved and in the absence of any comparable prices, we are unable to comment as to whether the transactions made in pursuance of such contracts or arrangements have been made at prevailing market prices at the relevant time.

vi) The Company has not accepted any deposits from the public within the meaning of sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975. Accordingly, the provisions of clause 4(vi) of the Order are not applicable.

vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.

viii) To the best of our knowledge and belief, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act, in respect of Company's products. Accordingly, the provisions of clause 4(viii) of the Order are not applicable.

ix) a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service-tax, custom duty, excise duty, cess and other material statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities, though there has been a slight delay in a few cases. No undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.

b) The dues outstanding in respect of sales-tax, income-tax, custom duty, wealth-tax, excise duty, cess on account of any dispute, are as follows:

Name of statute	Nature of dues	Amount in Rs	Period	Forum where dispute is pending
Rajasthan VAT Act, 2003	Tax & Penalty	2,887,662	2004-05 to 2006-07	Deputy Comissioner, Appeals
Rajasthan Sales Tax Act, 1994	Tax & Penalty	3,804,355	2003-04 to 2009-10	Various Forums
Karnataka Value Added Tax	Tax & Penalty	1,731,861	2007-08 to 2008-09	Deputy Commissioner
Jharkhand VAT Act, 2005	Tax	7,804,747	2004-05	Commissioner of Commercial Taxes
Kerala Value Added Tax	Tax & Penalty	4,161,767	2007-08	Appellate Tribunal
Central Sales Tax Act, 1956 read with the West Bengal VAT Act, 2003	Tax & Penalty	20,236,721	2006-07 To 2008-09	Various Forums

x) In our opinion, the Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and the immediately preceding financial year.

xi) In our opinion, the Company has not defaulted in repayment of dues to a financial institution or a bank or debenture holders during the year.

Annexure to the Auditors' Report of even date to the members of VA TECH WABAG LIMITED, on the financial statements for the year ended 31 March 2012

xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.

xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable.

xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.

xv) In our opinion, the terms and conditions on which the Company has given guarantee for loans taken by others from banks or financial institutions are not, prima facie, prejudicial to the interest of the Company.

xvi) The Company did not have any term loans outstanding during the year. Accordingly, the provisions of clause 4(xvi) of the Order are not applicable

xvii) In our opinion, no funds raised on short-term basis have been used for long-term investment.

xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable.

xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.

xx) We have verified that the end use of money raised by public issues is as disclosed in the notes to the financial statements covered by our audit report.

xxi) No fraud on or by the Company has been noticed or reported during the year covered by our audit.

For **Walker, Chandiok & Co**
Chartered Accountants
Firm Registration No: 001076N

per **Sumesh E S**
Partner
Membership No. 206931

Place : Chennai
Date : 24 May 2012

BALANCE SHEET

(Rs. in Lakhs)

	Note No.	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	4	530	528
Reserves and surplus	5	46,098	40,402
		46,628	**40,930**
Non-current liabilities			
Other long term liabilities	6	4,756	2,838
Long-term provisions	7	706	655
		5,462	3,493
Current liabilities			
Short-term borrowings	8	10,318	–
Trade payables	9	51,171	33,440
Other current liabilities	10	9,246	6,483
Short-term provisions	7	4,417	4,222
		75,152	44,145
Total		127,242	88,568
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	11	2,693	2,440
Intangible assets	12	1,215	1,359
Capital work-in-progress		1,763	744
Non-current investments	13	1,465	810
Deferred tax assets, net	14	858	2,032
Long-term loans and advances	15	320	369
Other non-current assets	16	8,007	3,699
		16,321	**11,453**
Current assets			
Current investments	17	–	3,000
Inventories	18	3,492	5,159
Trade receivables	19	79,240	45,280
Cash and bank balances	20	18,371	15,310
Short-term loans and advances	15	7,541	7,068
Other current assets	21	2,277	1,298
		110,921	77,115
Total		127,242	88,568

Notes: 1 to 40 form an integral part of these financial statements

This is the balance sheet referred to in our report of even date

For **Walker, Chandiok & Co**
Chartered Accountants

per **Sumesh E S**
Partner

Place : Chennai
Date : 24 May 2012

On behalf of the Board of Directors

Rajiv Mittal
Managing Director

Sumit Chandwani
Director

S Varadarajan
Chief Financial Officer

Rajiv Balakrishnan
Company Secretary

Place : Chennai
Date : 24 May 2012

STATEMENT OF PROFIT AND LOSS

(Rs. in Lakhs)

	Note No.	Year ended 31 March 2012	Year ended 31 March 2011
REVENUE			
Revenue from operations	22	100,347	73,346
Other income, net	23	33	36
Total revenue		**100,380**	**73,382**
EXPENSES			
Cost of sales and services	24	77,436	61,015
Decrease/(Increase) in inventories	25	1,667	(3,325)
Employee benefit expenses	26	6,398	4,648
Other expenses	27	3,304	2,077
Depreciation and amortisation expense	28	573	588
Total expenses		**89,378**	**65,003**
Profit before tax		**11,002**	**8,379**
Tax expense			
Current tax		2,316	3,154
Deferred tax		1,174	(301)
		3,490	**2,853**
Profit for the year		**7,512**	**5,526**
Earnings per share (Nominal value Rs.2 per share) (in Rs.)	29		
Basic		28.41	22.31*
Diluted		28.36	22.27*

* Adjusted for the impact of subdivision of shares during the year (Refer note 4(g))

Notes: 1 to 40 form an integral part of these financial statements

This is the statement of Profit and Loss referred to in our report of even date

For **Walker, Chandiok & Co**
Chartered Accountants

per **Sumesh E S**
Partner

Place : Chennai
Date : 24 May 2012

On behalf of the Board of Directors

Rajiv Mittal
Managing Director

Sumit Chandwani
Director

S Varadarajan
Chief Financial Officer

Rajiv Balakrishnan
Company Secretary

Place : Chennai
Date : 24 May 2012

CASH FLOW STATEMENT

(Rs. in Lakhs)

	Year ended 31 March 2012		Year ended 31 March 2011	
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before tax		11,002		8,379
Adjustments for:				
Depreciation and amortisation	573		588	
Interest expenses	782		74	
Interest and dividend income	(1,330)		(518)	
Unrealised forex gain/ loss	143		17	
Loss on sale of tangible assets, net	32		1	
Amortisation of deferred employees compensation	–		61	
Provisions for bad and doubtful debts	138		(412)	
Provision for compensated absences and gratuity	207		225	
Provision for litigation	(275)		(444)	
Provision for liquidated damages	(36)		(167)	
Provision for warranty	789	1,023	270	(305)
Operating profit before working capital changes		12,025		8,074
Adjustments for:				
(Increase)/ decrease in trade receivables	(34,241)		(8,198)	
(Increase)/ decrease in short term loans and advances	712		(1,325)	
(Increase)/ decrease in long term loans and advances	49		(369)	
(Increase)/ decrease in inventory	1,667		(3,325)	
(Increase)/ decrease other current assets	(876)		(135)	
(Increase)/ decrease non-current assets	1,692		248	
Increase/ (decrease) in trade payables	17,731		11,809	
Increase/ (decrease) in short-term provisions	(309)		409	
Increase/ (decrease) in long-term provisions	(738)		(695)	
Increase/ (decrease) in other current liabilities	2,763		(2,263)	
Increase/ (decrease) in other long term liabilities	1,918	(9,632)	1,324	(2,520)
Cash generated from operations		2,393		5,554
Direct taxes paid		(3,329)		(4,028)
Net cash generated from operating activities		(936)		1,526
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of assets (including capital work in progress and capital advances)		(1,932)		(2,059)
Proceeds on disposal of assets		20		4
Investment in subsidiaries		(670)		(255)
Purchase of investments		(1)		(36,620)
Sale of investments		3,016		33,620
Movement in non cash equivalents		(4,846)		(8,449)
Interest and dividend received		1,227		516
Net cash used in investing activities		(3,186)		(13,243)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

(Rs. in Lakhs)

	Year ended 31 March 2012	Year ended 31 March 2011
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital including share premium	30	12,238
Short term borrowings from Banks	10,318	–
Interest paid to Banks and others	(782)	(74)
Dividend paid	(1,057)	–
Dividend distribution tax paid	(172)	–
Net cash used in financing activities	8,337	12,164
D. NET CASH FLOWS DURING THE YEAR	4,215	447
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING	6,855	6,408
F. CASH AND CASH EQUIVALENTS AT THE END	11,070	6,855
Cash and cash equivalents comprise of:		
Cash on hand	20	31
Cheques on hand	7,644	5,102
Balances with banks - in current accounts	3,406	1,722
Cash and cash equivalents as per note 20	11,070	6,855

This is the Cash Flow Statement referred to in our report of even date

For **Walker, Chandiok & Co**
Chartered Accountants

per **Sumesh E S**
Partner

Place : Chennai
Date : 24 May 2012

On behalf of the Board of Directors

Rajiv Mittal
Managing Director

Sumit Chandwani
Director

S Varadarajan
Chief Financial Officer

Rajiv Balakrishnan
Company Secretary

Place : Chennai
Date : 24 May 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

1.1 General Information

All amounts in the financial statements are presented in Rupees in Lakhs except per share data and as otherwise stated. Figures for the previous year have been regrouped / rearranged wherever considered necessary to conform to the figures presented in the current year.

The Company is in the business of execution of turnkey projects for water management and hence the requirements under paragraph 5(ii)(a), 5(ii)(b) and 5(ii)(d) of Part II of Revised Schedule VI to the Companies Act, 1956 are not applicable.

1.2 Company Overview

VA TECH WABAG Limited ('the Company'), its subsidiaries, associates and joint ventures (collectively referred to as 'the Group') is one of the world's leading companies in the water treatment field. The group's principal activities include design, supply, installation, and operational management of drinking water and waste water treatment plants.

VA TECH WABAG Limited was part of the Austrian group, VA Tech and formed the water technology and engineering division of the Company.

In July 2005, VA TECH WABAG worldwide was acquired by Siemens. Soon after in September 2005, the Company had a Management buyout with 20% of the shares with the management team and 60% of the shares with ICICI Ventures and the rest with Siemens.

In November 2007, the Company acquired 100% stake in its erstwhile parent VA TECH WABAG GmbH, Vienna through its wholly owned subsidiary VA TECH WABAG (Singapore) Pte Limited.

Pursuant to an Initial Public offering of its shares, the shares of the company were listed on 13th October, 2010 in the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).

2. Summary of accounting policies

2.1 Basis of accounting

The financial statements are prepared under the historic cost convention on accrual basis of accounting in accordance with generally accepted accounting principles ("GAAP") applicable in India. GAAP comprises mandatory accounting standards prescribed by the Companies (Accounting Standards) Rules, 2006 issued by the Central Government in exercise of the power conferred under sub-section (1)(a) of Section 642 and relevant the provisions of the Companies Act, 1956. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. The management evaluates all recently issued or revised accounting standards on an ongoing basis.

2.2 Changes in presentation and disclosure of financial statements

Pursuant to the notification of the revised Schedule VI under the Companies Act, 1956, the Company has prepared and presented its financial statements for the year ended 31 March 2012 in accordance with the notification and has consequently reclassified its previous year figures to confirm with the current year's classification as specified in the revised Schedule VI notification. Until the previous year ended 31 March 2011, the Company was using the pre-revised Schedule VI to the Companies Act, 1956 for preparation and presentation of its financial statements. Except for accounting of dividend on investment in subsidiaries, the adoption of the revised Schedule VI does not impact the recognition or measurement principles followed for preparation of financial statements. However, the revised Schedule VI has impacted the presentation and disclosures made in the financial statements generally and particularly the presentation of the Balance sheet of the Company.

2.3 Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities on the date of the financial statements and the results of operations during the reporting periods. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimates and revisions, if any, are recognised in the current and future periods.

2.4 Tangible assets and depreciation/ amortisation

Tangible assets are stated at acquisition cost less accumulated depreciation and impairment losses, if any. Cost of acquisition comprises of purchase price and directly attributable costs of bringing the asset to its working condition for the intended use and is net of CENVAT credits as applicable. Cost of fixed assets not ready for the intended use before such date is disclosed as capital work in progress.

Subsequent expenditure incurred on an item of Tangible asset is added to the book value of that asset only if this increases the future benefits from the existing asset beyond its previously assessed standard of performance.

Gains or losses that arise on disposal or retirement of an asset are measured as the difference between net disposal proceeds and the carrying value of an asset and are recognised in the Statement of profit and loss when the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

Depreciation on assets is provided on written down value method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

2.5 Intangibles

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, the intangible assets are carried at cost less accumulated amortisation and accumulated impairment, if any.

Goodwill represents the excess of acquisition cost over the carrying amount of the Company's share of the identifiable net assets of the acquiree at the date of acquisition. Goodwill is amortised on a straight line basis over its estimated useful life of 5 years.

Software is stated at cost less accumulated amortization and are being amortised on a straight line basis over the estimated useful life of 5 years.

Gains or losses that arise on disposal or retirement of an asset are measured as the difference between net disposal proceeds and the carrying value of an asset and are recognised in the Statement of profit and loss when the asset is derecognised.

The amortisation period and method are reviewed at each balance sheet date. If the expected useful life of the asset is significantly different from the previous estimates, the amortisation period is changed accordingly. If there has been a significant change in the expected pattern of economic benefit from the asset, the method of amortisation is changed to reflect the changed pattern. Such changes are accounted in accordance with Accounting Standard (AS) 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

2.6 Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. An asset's recoverable amount is the higher of an asset's or cash generating unit's net selling price and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows from continuing use that are largely independent of those from other assets or group of assets. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is recognised in the Statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost and is accordingly reversed in the statement of profit and loss.

2.7 Investments

Investments that are readily realizable and are intended to be held for not more than one year from the date on which such investments are made are classified as current investments. All other investments are classified as long term investments. Long term investments are valued at cost. Provision is made for diminution in value to recognize a decline, if any other than that of temporary in nature. Current investments are valued at lower of cost and fair market value. Gains or losses that arise on disposal of an investment are measured as the difference between disposal proceeds and the carrying value and are recognised in the Statement of profit and loss.

2.8 Inventory

Inventory of stores and spares are stated at lower of cost and net realizable value and is determined on weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business less estimated cost to completion and applicable selling expenses.

Construction work in progress are contract costs incurred for a future activity on a contract and are recognized as an asset if it is probable that they would be recovered. The cost comprises of material and other expenses directly attributable to the contract.

2.9 Revenue Recognition

Revenue is measured on the basis of consideration received or receivable by the Company for goods supplied and services provided, excluding trade discounts, VAT and other applicable taxes and are recognised upon the performance of service or transfer of risk to the customer.

Revenue is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the costs incurred or to be incurred can be measured reliably, and when the criteria for each of the Company's different activities has been met. These activity-specific recognition criteria are based on the goods or solutions provided to the customer and the contract conditions in each case, and are as described below.

Operations and Maintenance

The revenue from operations and maintenance for water and waste water treatment is recognised over the period during which the service is rendered.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

Construction contracts

Contract Revenue and Contract Costs in respect of construction contracts, execution of which is spread over different accounting periods is recognized as revenue and expense respectively by reference to the basis of percentage of completion method of the project at the Balance Sheet date.

Determination of revenues under the percentage of completion method by the Company is based on estimates (some of which are technical in nature) concerning the percentage of completion, which is a proportion of work certified to contract value, costs to completion, expected revenue from the contract and the foreseeable losses of completion.

Foreseeable losses, if any, which are based on technical estimates, are provided in the accounts irrespective of the work done.

Unearned revenue on contracts where progress billings exceed costs incurred plus recognized profits (less loss) is the gross advance amount received from customers for contract work and is presented as a liability for all contracts in progress.

Other revenues

Income from interest is being accounted for on time proportion basis taking into account the amount outstanding and the applicable rate of interest. Dividend income is recognised when the right to receive is established by the reporting date.

Income from duty drawback is recognised on accrual basis as revenue on completion of export sale, as applicable.

2.10 Cost of Sales and services

Cost of sales and services comprise costs including estimated costs that are directly related to the contract, attributable to the contract activity in general and such costs that can be allocated to the contract and specifically chargeable to the customer under the terms of the contracts, which is charged to the statement of profit and loss account based on the percentage of revenue recognised as per accounting policy (2.9) above, in consonance with the concept of matching costs and revenue. Final adjustment is made on completion of the applicable project.

2.11 Taxation

Provision for tax for the year comprises current income tax and deferred tax. Provision for current income tax is made based on the estimated tax liability in accordance with the relevant tax rates and tax laws.

Current tax is payable on taxable profits, which differ from profit or loss in the financial statements. Current tax is computed based on tax rates and tax laws that have been enacted or substantially enacted by the end of the reporting period.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax assets are reviewed by the Company at each balance sheet date and the carrying amount of a deferred tax asset is written down to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised.

Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

The Company offsets deferred tax assets and deferred tax liabilities if the Company has a legally enforceable right to set off assets against liabilities representing current tax.

2.12 Foreign currency translations

Transactions in foreign currency and non-monetary assets are accounted for at the exchange rate prevailing on the date of the transaction. All monetary items denominated in foreign currency are converted at the year-end exchange rate. The exchange differences arising on such conversion and on settlement of the transactions are dealt with in the statement of profit and loss.

Gain or loss on forward exchange contract, not in the nature of hedge, is calculated based on difference between forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate. The premium or discount arising at the inception of forward exchange contracts is amortised as income or expense over the life of contract and exchange differences on such contracts is recognised as income or expense in the reporting period in which the exchange rate change.

2.13 Retirement and other employee benefits

Provident fund

The Company makes contribution to the statutory provident fund in accordance with Employees Provident Fund and Miscellaneous Provisions Act, 1952, which is a defined contribution plan, and contribution paid or payable is recognized as an expense in the period in which services are rendered by the employee.

Gratuity

Gratuity is a post employment benefit and is in the nature of a defined benefit plan. The liability recognised in the balance sheet in respect of gratuity is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated at the balance sheet date by an independent actuary using the projected unit credit method. Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged or credited to the statement of profit and loss in the year in which such losses or gains are determined.

Compensated absences

Liability in respect of compensated absences becoming due or expected to be availed after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method. Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged or credited to the profit and loss account in the year in which such losses or gains are determined. Accumulated compensated absences which are expected to be availed or encashed beyond 12 month from the end of the year end are treated as other long term employee benefits.

Superannuation Fund

Contribution made towards Superannuation Fund (funded by payments to ICICI Prudential Life insurance) which is a defined contribution plan, is charged to revenue on accrual basis. There are no obligations other than the contribution made to respective trust.

2.14 Employees Stock Option Plan

The accounting value of stock options is determined on the basis of "intrinsic value" representing the excess of the market price on the date of grant over the exercise price of the shares granted under the "Employees Stock Option Scheme" of the Company, and is being amortised as "Deferred employees compensation" on a straight-line basis over the vesting period in accordance with the Guidance Note 18 "Employee share-based payments" issued by the Institute of Chartered Accountants of India and the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 issued by the Securities and Exchange Board of India.

2.15 Contingent liabilities and provisions

A provision is recognised when the Company has a present obligation as a result of past event i.e., it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. A disclosure of the contingent liability is made when there is a possible or a present obligation that may, but probably will not, require an outflow of resources.

2.16 Cash and Cash equivalents

In the cash flow statement, cash and cash equivalent includes cash in hand, cheques on hand, balances with banks in current accounts and other short term highly liquid investments with original maturities of three months or less.

2.17 Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes, if any) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events including a bonus issue, bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares). For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

2.18 Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

3. Others

3.1 Capital Commitments

The estimated amount of contracts to be executed on capital account and not provided for (net of advances) Rs.1,612 lakhs (Previous year – Rs.771 lakhs). Other commitments are cancellable at the option of the Company and hence not disclosed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

3.2 Guarantees

(Rs. in Lakhs)

	As at 31 March 2012	As at 31 March 2011
Bank Guarantees/ Letter of Credit issued by the banks on behalf of the Company		
– Bank Guarantee	37,194	46,300
– Letter of Credit	14,928	9,787
Corporate Guarantees issued by the Company on behalf of its subsidiary		
– For VA Tech Wabag GmbH, Vienna	14,949	11,506

3.3 Segment reporting

The Company operates in a single segment "Construction and maintenance of Water and Waste water treatment plants". Therefore, the Company's business does not fall under different business segments as defined by AS-17 'Segment Reporting' issued by Companies (Accounting Standards) Rules, 2006.

3.4 Transfer Pricing

As per the Transfer pricing norms introduced in India with effect from April 1, 2001, the Company is required to use certain specific methods in computing arm's length price of international transactions between the associated enterprises and maintain prescribed information and documents relating to such transactions. The appropriate method to be adopted will depend on the nature of transactions/class of transactions, class of associated persons, functions performed and other factors, which have been prescribed. The Transfer pricing study for the fiscal year ending March 31, 2012 is in progress and accordingly, the contracts may be amended subsequently and related adjustment, if any, will be quantified upon completion of this study. However, in the opinion of the Management, the outcome of the study will not have material impact on the Company's results.

(Rs. in Lakhs)

	Year ended 31 March 2012		Year ended 31 March 2011	
	Nos.	Amount	Nos.	Amount
Note 4 SHARE CAPITAL				
Authorised share capital				
Equity Shares of Rs. 2 each (Previous year Rs. 5 each)*	50,875,000	1,018	20,350,000	1,018
Preference shares of Rs. 10 each	4,825,000	482	4,825,000	482
Issued, subscribed and fully paid up				
Equity Shares of Rs. 2 each (Previous year Rs. 5 each)*	26,486,585	530	10,563,795	528
	26,486,585	**530**	**10,563,795**	**528**

*Also refer note 4 (g)

a) Reconciliation of share capital (Equity)

Balance at the beginning of the year	10,563,795	528	9,356,621	468
Add :Issued during the year pursuant to Initial Public Offer			954,198	48
Add : Issued during the year pursuant to Employee Stock Option Plan	12,639	2	252,976	12
Balance before subdivision of shares	10,576,434			
Balance after subdivision of shares (Refer note g below)	26,441,085			
Add : Issued during the year pursuant to Employee Stock Option Plan	45,500			
Balance at the end of the year	**26,486,585**	**530**	**10,563,795**	**528**

b) Shareholders holding more than 5% of the aggregate shares in the company

	Nos.	% holding	Nos.	% holding
Equity Shares of Rs. 2 each (Previous year Rs. 5 each)*				
Mr. Rajiv Mittal (Managing Director)	4,799,860	18%	1,919,944	18%
Emerging Markets Growth Fund Inc	1,584,552	6%	633,821	6%
Emerging Markets Management, LLC A.c EMSAF	–	–	533,266	5%
*Also refer note 4 (g) on stock subdivision during the year				
	6,384,412		3,087,031	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

c) Details of shares issued as fully paid up by way of bonus issues

Year	Face value	Bonus issue	Buy back of shares
Equity Shares			
31 March 2010	5	1,039,629	–

d) Terms/ rights attached to equity shares

The Company has issued only one class of equity shares having a face value of Rs. 2 per share (Previous year Rs. 5 per share). Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except interim dividend.

In the event of liquidation, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts, if any. The distribution will be in proportion to the number of equity shares held by the shareholders.

During the year ended 31 March 2012, the amount of dividend per share, recognised as distributions to the equity shareholders of face value Rs. 2 each (Previous year Rs. 5 each) was Rs. 6 (Previous year : Rs. 10).

e) Shares reserved for issue under options

The Company had reserved issuance of 933,070 Equity shares of Rs. 2 each (Previous year : 455,410 shares of Rs. 5 each) for offering to eligible employees of the Company and its subsidiaries under Employees Stock Option Scheme (ESOS).

f) Details of the unutilised portion of the receipt from issue of shares (made for a particular purpose) and the corresponding investment details.

Gross proceeds received from the issue : Rs 12500 Lakhs			
Particulars	As per Prospectus	As of 31 March 12	Unutilized
Construction of corporate office	3,474	1,640	1,834
Working capital requirements	6,451	6,451	–
Implementation of Global Information Technology systems	1,105	1,105	–
General Corporate purposes	874	874	–
Issue related expenses	596	487	109
Unutilised amount			**1,943**

The balance of unutilized funds of INR 1,943 lakhs have been temporarily invested in short term deposits with banks.

g) During the year, on 18 August 2011, the Company subdivided 10,576,434 fully paid equity shares of face value of Rs. 5 each into 26,441,085 equity shares of Rs. 2 each fully paid up pursuant to the approval of the shareholders at the Annual General Meeting on 15 July 2011

h) Employee share based plan

In August 2006, the Board of Directors approved and the Company adopted the “ESOP 2006” (the “Plan”) under which not more than 204,080 shares of the Company’s equity shares was reserved for issuance to employees. The Board of Directors determined that the options granted under the Plan would vest not less than one year and not more than five years from the date of grant. The exercise price of options shall be Rs 200 (face value of Rs. 10 each) on the grant date. The exercise period of the options is 4 years.

Particulars	Number of options	Weighted average exercise price (Rs.)
Outstanding as at 01 April 2010	297,097	89
Exercised	252,976	89
Lapsed	3,308	89
Outstanding as at 31 March 2011	40,813	89
Exercised	12,639	89
Balance as on 17 August 2011	28,174	89
Balance after considering impact of subdivision of shares (Refer note g above)	70,435	36
Exercised	44,793	36
Lapsed	1,498	36
Outstanding as at 31 March 2012	24,144	36

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

Note 4 SHARE CAPITAL *(Contd.)*

No additional options were granted during the year ended March 31, 2012. The Company has calculated the employee compensation cost using the intrinsic value of the stock options. Had the Company used the fair value model to determine Compensation Costs, the impact on the reported net profit and earnings per share is presented below :

(Rs. in Lakhs)

	Year ended 31 March 2012	Year ended 31 March 2011
Profit after tax	7,512	5,526
Add : Employee stock compensation under intrinsic value method	–	60
Less : Employee stock compensation under fair value method	–	(73)
Pro-forma profit	7,512	5,513
Earnings per share		
Basic		
– As reported	28.41	22.31
– Pro-forma	28.41	22.26
Diluted		
– As reported	28.36	22.27
– Pro-forma	28.36	22.22

Employee share based plan- ESOP 2010 Scheme

In August 2010, the Board of Directors approved and the Company adopted the "ESOP 2010" (the "Plan") under which not more than 467,831 shares of the Company's equity shares was reserved for issuance to employees. The Board of Directors determined that the options granted under the Plan would vest not less than one year and not more than five years from the date of grant. The exercise price of options shall be Rs 900 (Face value of Rs. 5 each) on the grant date. The exercise period of the options is 4 years. The company has calculated the value of options using fair value, which is lower than the exercise price.

Particulars	Number of options	Weighted average exercise price (Rs.)
Outstanding as at 01 April 2010	436,929	900
Lapsed	22,332	900
Outstanding as at 31 March 2011	414,597	900
Balance after considering impact of subdivision of shares (Refer note g above)	1,036,525	360
Exercised	707	360
Lapsed	126,892	360
Outstanding as at 31 March 2012	908,926	360

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

(Rs. in Lakhs)

	As at 31 March 2012	As at 31 March 2011
Note 5 RESERVES AND SURPLUS		
Capital reserves		
Balance at the beginning of the year	250	250
Add : Additions made during the year	–	–
Balance at the end of the year	250	250
Securities premium reserve		
Balance at the beginning of the year	25,093	12,671
Add : Additions made during the year		
On exercise of employee stock options	28	213
On Issue of equity shares	–	12,452
Transferred from stock option outstanding account	29	244
Less : Deletions made during the year		
Share issue expenses	–	(487)
Balance at the end of the year	25,150	25,093
Stock option outstanding account		
Balance at the beginning of the year	39	234
Add : Additions made during the year	–	60
Less: Options exercised during the year	(29)	(244)
Options lapsed during the year	(1)	(11)
Balance at the end of the year	9	39
General reserve		
Balance at the beginning of the year	750	186
Add : Additions made during the year		
Transfer from employee stock option outstanding account	1	11
Transfer on account of dividend	751	553
Balance at the end of the year	1,502	750
Surplus in the statement of profit and loss		
Balance at the beginning of the year	14,270	10,529
Add : Transferred from statement of profit and loss	7,512	5,526
Less : Final equity dividend proposed/ paid	(1,590)	(1,056)
Less : Tax on proposed equity dividend	(254)	(176)
Less : Transfer to general reserve	(751)	(553)
Balance at the end of the year	19,187	14,270
	46,098	40,402

	As at 31 March 2012	As at 31 March 2011
Note 6 OTHER LONG TERM LIABILITIES		
Trade payables including acceptances		
Dues to micro and small enterprises (Also, refer note 9 (a))	–	–
Dues to others	3,790	2,101
Advance from customers	903	682
Others	63	55
	4,756	2,838

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

(Rs. in Lakhs)

	As at 31 March 2012		As at 31 March 2011	
	Long term	Short term	Long term	Short term
Note 7 PROVISIONS				
Proposed dividend to equity shareholders (Also refer note (a) below)	–	1,589	–	1,056
Dividend tax	–	258	–	176
Provision for warranty (Also refer note b(i) below)	398	1,172	408	449
Provision for liquidated damages (Also refer note b(ii) below)	–	1,094	–	1,950
Provision for litigations (Also refer note b(iii) below)	–	170	–	445
Provisions for employee benefits (Also refer note (c) below)				
Gratuity	–	60	–	66
Compensated absences	308	74	247	73
Provision for taxation (net of advance tax Rs. 0; Previous year Rs. 8,302 lakhs)	–	–	–	7
	706	4,417	655	4,222

(Rs. in Lakhs)

	As at 31 March 2012	As at 31 March 2011
a) Details with respect to proposed dividend		
Dividends proposed to		
Equity shareholders	1,589	1,056
Proposed dividend per share		
Equity shareholders (Rs.) - Face value of Rs. 2 each (Previous year Rs. 5 each)	6	10
(Also, refer note 4 (g))		
b) Reconciliation of provision		
i. Provision for warranty		
Balance at the beginning of the year	857	849
Charged during the year, net	789	270
Utilised during the year	(76)	(262)
Balance at the end of the year	**1,570**	**857**

A provision is recognized for expected warranty claims on construction contracts completed, based on past experience of level of repairs and returns. It is expected that these costs would be incurred within two years from the balance sheet date, which generally coincides with the completion of warranty period of the contract. The assumption used to calculate the provision for warranties are based on the company's current status of contracts under execution and information available about expenditure more probable to be incurred based on the company's warranty period for contracts completed.

ii. Provision for liquidated damages		
Balance at the beginning of the year	1,950	2,102
Reversed during the year, net	(36)	(167)
Utilised during the year	(820)	15
Balance at the end of the year	**1,094**	**1,950**

The Company provides performance guarantees to its customers which require it to complete projects within a specified timeframe. In the event of failure to complete a project as scheduled, or in case of a performance shortfall, the Company may generally be held liable for penalties in the form of agreed liquidated damages. The Company provides for liquidated damages when it reasonably expects that a delay in the completion of the project or a shortfall in the performance parameters might give rise to a claim from the customer. Liquidated damages are measured and recognized in accordance with the terms of the contracts with customers.

(Rs. in Lakhs)

	As at 31 March 2012	As at 31 March 2011
iii. Provision for litigations		
Balance at the beginning of the year	445	889
Reversed during the year, net	(275)	(444)
Balance at the end of the year	**170**	**445**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

Note 7 PROVISIONS *(Contd.)*

The Company provides for litigations, which is predominantly on account of disputes on statutory dues. The Company assesses each demand raised by the statutory authorities and based on responses and discussions with the attorneys and when there is a present obligation as a result of a past event, where the outflow of economic resources is probable and a reliable estimate of the amount of obligation, a provision for litigation is created. Instances when there is no present obligation or where the present obligation would probably not require outflow of resources or where the same cannot be reliably estimated, the same is disclosed as contingent liability in the financial statements. The Company reverses its provisions on receipt of a favourable order from the appropriate authority and when no further obligation is envisaged.

c) Employee benefits

i) Gratuity

In accordance with applicable Indian laws, the Company provides for gratuity, a defined benefit retirement plan ("the Gratuity Plan") covering eligible employees. The Gratuity Plan provides for a lump sum payment to vested employees on retirement (subject to completion of five years of continuous employment), death, incapacitation or termination of employment that are based on last drawn salary and tenure of employment. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation on the reporting date and the Company makes annual contribution to the gratuity fund maintained by LIC of India.

The following table sets out the funded status of the Gratuity Plan and the amounts recognized in the financial statement:

(Rs. in Lakhs)

	As at 31 March 2012	As at 31 March 2011
Change in projected benefit obligation		
Projected benefit obligation at the beginning of the year	199	134
Service cost	34	43
Interest cost	15	10
Actuarial (gain) / loss	27	20
Benefits paid	(11)	(8)
Projected benefit obligation at the end of the year	**264**	**199**
Thereof		
Unfunded	60	64
Partly or wholly funded	204	135
Change in plan assets		
Fair value of plan assets at the beginning of the year	135	132
Expected return on plan assets	14	12
Actuarial gain / (loss)	1	(2)
Employer contributions	66	–
Benefits paid	(12)	(7)
Fair value of plan assets at the end of the year	**204**	**135**

Components of net gratuity costs are		
Current Service cost	34	25
Interest cost	14	11
Expected returns on plan assets	(14)	(12)
Recognized net actuarial (gain)/ loss	26	23
Past service cost - vested benefits	–	17
Net gratuity costs recognised in the income statement	**60**	**64**
Principal actuarial assumptions used:		
Discount rate	8.60%	7.60%
Long-term rate of compensation increase	8%	8%
Expected rate of return on plan assets	9%	9%
Average remaining life (in years)	24	24
Attrition rate	17.50%	20.00%

The Company assesses these assumptions with the projected long-term plans of growth and prevalent industry standards.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

ii) Compensated absences

The Company permits encashment of compensated absences accumulated by their employees on retirement, separation and during the course of service. The liability in respect of the Company, for outstanding balance of privilege leave at the balance sheet date is determined and provided on the basis of actuarial valuation performed by an independent actuary. The Company doesn't maintain any plan assets to fund its obligation compensated absences.

(Rs. in Lakhs)

	As at 31 March 2012	As at 31 March 2011
Note 7 PROVISIONS *(Contd.)*		
Principal actuarial assumptions used :		
Discount rate	8.60%	7.60%
Long-term rate of compensation increase	8%	8%
Average remaining life	24	24
Attrition rate	17.50%	20.00%
Note 8 SHORT TERM BORROWINGS		
Secured		
Term loans from banks		
Overdraft account	6,818	–
Working capital loan repayable on demand	3,500	–
	10,318	–

1. During the year, the Company has availed two Secured overdraft facilities, one for an amount of Rs. 3,975 Lakhs from Punjab National Bank, Chennai at an interest rate of 10.40%-11.25%, which is secured against the Fixed Deposits of Rs. 4,300 Lakhs placed with the bank and another for amount of Rs. 2,843 Lakhs from Bank of India at an interest rate of 11.20%, which is secured against the Fixed Deposits of Rs. 3,000 Lakhs.
2. On 15 February 2012, the Company has availed a Working capital loan repayable on demand from Punjab National Bank for an amount of Rs. 3,500 Lakhs repayable within 60 days from the date of disbursement and is secured by the entire current assets both present and future.

	As at 31 March 2012	As at 31 March 2011
Note 9 TRADE PAYABLES		
Dues to micro and small enterprises (Also refer note (a) below)	1	23
Dues to others	49,615	33,229
Employee related payables (Also refer note (b) below)	864	3
Other accrued liabilities	691	185
	51,171	33,440
a) Dues to micro, small and medium enterprises pursuant to section 22 of the Micro, Small and Medium Enterprises Development Act (MSMED), 2006:		
i) Principal amount remaining unpaid	1	23
ii) Interest due thereon	–	–
iii) Interest paid by the Company in terms of Section 16 of MSMED Act, 2006, along with the amount of the payment made to the suppliers and service providers beyond the appointed day during the year	–	–
iv) Interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006	–	–
v) Interest accrued and remaining unpaid as at 31 March	–	–
vi) Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act, 2006	–	–
	1	23

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

Note 9 TRADE PAYABLES *(Contd.)*

b) Variable Pay and Productivity Reward

The Company has a performance related Variable pay program and the computation of the eligible pay for employees was hitherto made annually using various parameters depending on functional goals. During the year, the Company modified its Variable pay program such that it is related to quarterly target and performance. Pursuant to this updated scheme, the company has paid part of the variable pay related to performance of first half of the current year ended 31 March 2012 amounting to Rs. 102 Lakhs and has also accrued for the variable pay payable based on performance of second half of the year amounting to Rs.576 lakhs. The company has also expensed off an amount of Rs 664 lakhs, paid as variable pay to employees based on achievement of functional goals for year ended 2010-11.

(Rs. in Lakhs)

	As at 31 March 2012	As at 31 March 2011
Note 10 OTHER CURRENT LIABILITIES		
Billing in advance	–	1,060
Advance from customers	5,288	2,381
Unpaid dividends	1	–
Statutory dues	1,824	1,386
Due to subsidiaries (Also refer note 31)	2,116	1,655
Other payables	17	1
	9,246	6,483

There are no amounts due for payments to the Investor education and protection fund under Section 205C of the Companies Act, 1956 as at the balance sheet date.

Note 11 TANGIBLE ASSETS

GROSS BLOCK	Freehold land	Plant and machinery	Furniture and Fittings	Electrical Equipment	Office Equipment	Computers	Vehicles	Total
Balance as at 01 April 2010	1,698	40	351	176	72	758	362	3,457
Additions	–	–	18	5	25	99	112	259
Disposals	–	–	–	2	–	–	9	11
Balance as at 31 March 2011	1,698	40	369	179	97	857	465	3,705
Additions	–	146	107	42	26	74	146	541
Disposals	–	–	67	3	–	14	58	142
Balance as at 31 March 2012	**1,698**	**186**	**409**	**218**	**123**	**917**	**553**	**4,104**
Accumulated depreciation								
Balance as at 01 April 2010	–	30	204	69	37	572	139	1,051
Depreciation for the year	–	2	29	15	7	96	72	221
Reversal on disposal of assets	–	–	–	1	–	–	6	7
Balance as at 31 March 2011	–	32	233	83	44	668	205	1,265
Depreciation for the year	–	3	32	17	10	91	83	236
Reversal on disposal of assets	–	–	37	2	–	11	40	90
Balance as at 31 March 2012	–	35	228	98	54	748	248	1,411
Net block								
Balance as at 31 March 2011	1,698	8	136	96	53	189	260	2,440
Balance as at 31 March 2012	1,698	151	181	120	69	169	305	2,693

Note 12 INTANGIBLE ASSETS

(Rs. in Lakhs)

Gross Block	Goodwill	Computer Software	Total
Balance as at 01 April 2010	1,555	428	1,983
Additions	–	1,121	1,121
Balance as at 31 March 2011	1,555	1,549	3,104
Additions	–	193	193
Balance as at 31 March 2012	1,555	1,742	3,297
Accumulated amortisation			
Balance as at 01 April 2010	1,244	134	1,378
Amortization for the year	311	56	367
Balance as at 31 March 2011	1,555	190	1,745

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

Note 12 INTANGIBLE ASSETS *(Contd.)*

(Rs. in Lakhs)

Gross Block	Goodwill	Computer Software	Total
Amortization for the year	–	337	337
Balance as at 31 March 2012	1,555	527	2,082
Net block			
Balance as at 31 March 2011	**–**	**1,359**	**1,359**
Balance as at 31 March 2012	**–**	**1,215**	**1,215**

(Rs. in Lakhs)

	As at 31 March 2012	As at 31 March 2011
Note 13 NON-CURRENT INVESTMENTS		
Trade Investments (Valued at cost unless stated otherwise)		
Investments in equity instruments - Unquoted		
In Subsidiaries		
VA Tech Wabag (Singapore) Pte Ltd	1,235	779
(34,19,626 (Previous year : 22,32,728) equity shares of SGD 1 each)		
VA Tech Wabag (Gulf) Contracting LLC	–	16
(0 (Previous year : 147) equity shares of AED 1000 each)		
VA Tech Wabag Muscat LLC	124	–
(105,000 (Previous year : Nil) equity shares of OMR 1 each)		
VA Tech Wabag (Philippines) Inc	90	–
(8,570,195 (Previous year : Nil) equity shares of PHP 1 each)		
In Other Companies		
First STP Private Limited		
(150,000 (Previous year :150,000) equity shares of Rs. 10 each)	15	15
Konark Water Infraprojects Private Limited	1	–
(5,000 (Previous year : Nil) equity shares of Rs.10 each)		
	1,465	**810**
Aggregate amount of unquoted investments	1,465	810
Aggregate provision for diminution in value of investments	–	–

	As at 31 March 2012	As at 31 March 2011
Note 14 DEFERRED TAXES ASSET, NET		
The breakup of net deferred tax asset is as follows:		
Deferred tax asset arising on account of :		
Provision for employee benefits, liquidated damages, doubtful debts and losses	801	1,199
Other provisions	266	978
	1,067	2,177
Less: Deferred tax liability arising on account of :		
Timing difference between depreciation/ amortisation as per financials and depreciation as per tax	(209)	(145)
	858	**2,032**

(Rs. in Lakhs)

	As at 31 March 2012		As at 31 March 2011	
	Long term	Short term	Long term	Short term
Note 15 LOANS AND ADVANCES				
Capital advances				
– Secured, considered good	–	167	–	–
– Unsecured, considered good	–	12	–	–
(A)	–	**179**	–	–
Security deposits				
– Unsecured, considered good	51	543	205	513
(B)	**51**	**543**	**205**	**513**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

(Rs. in Lakhs)

	As at 31 March 2012		As at 31 March 2011	
	Long term	Short term	Long term	Short term
Note 15 LOANS AND ADVANCES *(Contd.)*				
Other loans and advances				
(Unsecured, considered good)				
– Advances to supplier	269	4,077	164	5,435
– Advances to employees*	–	279	–	159
– Due from subsidiaries (Also refer note 31)	–	1,457	–	961
– Advance tax (net of provision for tax Rs. 10,625)	–	1,006	–	–
(C)	269	6,819	164	6,555
Total (A+B+C)	320	7,541	369	7,068
*Includes amounts due by				
Officers		39		

(Rs. in Lakhs)

	As at 31 March 2012	As at 31 March 2011
Note 16 OTHER NON-CURRENT ASSETS		
Non-current bank balances (Refer note 20)	6,000	–
Long term trade receivables		
Customer retention - Unsecured, considered good	2,007	3,699
	8,007	3,699
Note 17 CURRENT INVESTMENTS		
Investments in mutual funds - unquoted	–	3,000
(Market value - Rs. 0; previous year - Rs. 3,023 lakhs)		
	–	3,000
Aggregate amount of unquoted investments	–	3,000
Aggregare provision for diminution in value of investments	–	–
Note 18 INVENTORIES		
Construction work-in-progress	3,140	4,853
Stores and spares	352	306
	3,492	5,159

(Rs. in Lakhs)

	As at 31 March 2012	As at 31 March 2011
Note 19 TRADE RECEIVABLES		
(Unsecured considered good, unless stated otherwise)		
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured considered good	9,257	2,440
Doubtful	1,326	1,188
	10,583	3,628
Less : Allowances for bad and doubtful debts	(1,326)	(1,188)
(A)	9,257	2,440
Outstanding for a period less than six months from the date they are due for payment		
Other debts	59,522	39,313
Customer retention	10,461	3,527
(B)	69,983	42,840
Total (A+B)	79,240	45,280

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

(Rs. in Lakhs)

		As at 31 March 2012		As at 31 March 2011	
		Current	Non-current	Current	Non-current
Note 20 CASH AND BANK BALANCES					
Cash and cash equivalents					
Cash on hand		20	–	31	–
Cheques on hand		7,644	–	5,102	–
Balances with banks					
– in current accounts		3,406	–	1,722	–
	(A)	11,070	–	6,855	–
Other bank balances					
Unpaid dividend account		1	–	–	–
Deposits with maturity more than 3 months but less than 12 months*		7,300	–	8,450	–
Bank deposits with maturity of more than 12 months		–	6,000	–	–
Balances with bank held as Margin money		–	–	5	–
	(B)	7,301	6,000	8,455	–
Less : Amounts disclosed as other non-current assets (Refer note 16)	(C)	–	6,000	–	–
Total	(A+B-C)	18,371	–	15,310	–

* Deposit amounting to Rs. 7,300 lakhs (previous year Rs. 0) are subject to a charge to secure the Company's short term borrowings (Also refer note 8 (1))

(Rs. in Lakhs)

	As at 31 March 2012	As at 31 March 2011
Note 21 OTHER CURRENT ASSETS		
(Unsecured, considered good)		
Receivable under Customs, VAT and Service tax	877	387
Tender deposits	421	404
Duty draw back receivable	287	23
Rent advance	279	252
Prepaid expenses	224	174
Interest accrued	128	25
Others	61	33
	2,277	1,298

(Rs. in Lakhs)

	Year ended 31 March 2012		Year ended 31 March 2011	
Note 22 REVENUE				
Revenue from operation				
Sale of services				
Export		21,724		6,173
Domestic		78,289		67,044
		100,013		73,217
Other operating revenues		334		129
		100,347		73,346
Note 23 OTHER INCOME, NET				
Interest income		1026		227
Dividend income		304		291
		1,330		518
Less: Interest expenses	(782)		(74)	
Bank charges	(515)	(1,297)	(408)	(482)
		33		36

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

(Rs. in Lakhs)

	Year ended 31 March 2012	Year ended 31 March 2011
Note 24 COST OF SALES AND SERVICES		
Material costs	45,714	28,622
Civil costs	11,902	18,422
Erection and commissioning costs	4,448	3,191
Taxes and duties	3,486	3,458
Site establishment cost	1,718	1,365
Engineering costs	546	161
Project consultancy fee	373	544
Warranty expenses	789	270
Project travel	615	610
Insurance costs	304	235
Power and fuel	175	122
Liquidated damages	(36)	(167)
Other project expenses, net	7,402	4,182
	77,436	**61,015**

	Year ended 31 March 2012	Year ended 31 March 2011
Note 25 DECREASE/ (INCREASE) IN INVENTORIES		
Inventories at the beginning of the year		
Construction work-in-progress	4,853	1,563
Stores and spares	306	271
	5,159	1,834
Less: Inventories at the end of the year		
Construction work-in-progress	3,140	4,853
Stores and spares	352	306
	3,492	5,159
	1,667	**(3,325)**

	Year ended 31 March 2012	Year ended 31 March 2011
Note 26 EMPLOYEE BENEFIT EXPENSE		
Salaries, wages and bonus	5,519	3,810
Contribution to gratuity (Also, refer note 7(c))	60	64
Contribution to provident and other defined contribution funds	279	202
Employee stock option scheme	–	61
Staff welfare expenses	540	511
	6,398	**4,648**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

(Rs. in Lakhs)

	Year ended 31 March 2012	Year ended 31 March 2011
Note 27 OTHER EXPENSES		
Travelling and conveyance	540	531
Professional charges (Also, refer note 38)	464	403
Rent	312	297
Foreign currency loss, net	168	32
Communication expenses	157	194
Power and fuel	94	92
Repairs and maintenance		
– Vehicle maintenance	86	32
– Computers	119	73
– Others	57	56
Advertisement	24	19
Insurance	2	5
Rates and taxes	4	9
Loss on sale of tangible assets	32	1
Provision for bad and doubtful debts, net	138	(412)
Bad debts	451	30
Other selling expenses	44	67
Miscellaneous expenses	612	648
	3,304	2,077

Note 28 DEPRECIATION AND AMORISATION EXPENSE		
Depreciation of tangible assets (Refer note 11)	236	221
Amortisation of intangible assets (Refer note 12)	337	367
	573	588

Note 29 EARNINGS PER SHARE (RS.)		
Nominal value of equity shares	2	2*
Profit attributable to equity shareholders (A)	7,512	5,526
Weighted average number of equity shares outstanding during the year (B)	26,437,197	24,764,300
Basic earnings per share (A/B)	28.41	22.31
Dilutive effect on profit (C)	–	–
Profit attributable to equity shareholders for computing diluted EPS (D) = (A+C)	7,512	5,526
Dilutive effect on weighted average number of equity shares outstanding during the year (E)	47,392	53,063
Weighted average number of equity shares and equity equivalent shares for computing Diluted EPS (F) = (B+E)	26,484,589	24,817,363
Diluted earnings per share (D/F)	28.36	22.27

* EPS for the previous year ended 31 March 2011 have been adjusted for the impact of subdivision of shares pursuant to the approval of the shareholders in its Annual General meeting on 15 July 2011 (Also, refer note 4(g)). The basic and diluted EPS for the year ended 31 March 2011 as originally reported was Rs. 55.78 and Rs. 55.67 respectively.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

(Rs. in Lakhs)

	Year ended 31 March 2012	Year ended 31 March 2011
Note 30 CONSTRUCTION CONTRACTS		
In terms of the disclosures required to be made under the Accounting Standard (AS) 7 as notified in section 211 (3C) of the Companies Act, 1956, the amounts considered in the financial statements up to the balance sheet date are as follows:		
Contract revenue recognised	92,438	66,444
Aggregate amount of costs incurred and recognised profits and losses for all contracts in progress	223,373	198,983
Less : Progress billings	223,373	200,043
	–	(1,060)
Recognised as :		
Due to customers for construction contract work, recognised in current liabilities	–	(1060)
	–	(1,060)
Advances received from customers for contracts related to work not yet performed included in 'Other long term liabilities' and 'Other current liabilities'	6,191	3,063
Retention on contracts included within 'Trade receivables' and 'Other non-current assets'	12,468	7,226

Note 31 RELATED PARTIES

a) Names of related parties

Subsidiary companies	VA Tech Wabag Singapore (Pte) Ltd, Singapore
	VA Tech Wabag GmbH, Austria
	Wabag Wassertechnik AG, Switzerland
	VA Tech Wabag Deutschland GmbH, Germany
	VA Tech Wabag Brno Spol S.R.O, Czech Republic
	Engenharia Hidraulica de Macau, Limitada, Macao
	Wabag Water Services (Macao) Limited, Macao
	Wabag Water Services s.r.l, Romania
	VA Tech Wabag Tunisia s.a.r.l., Tunisia
	VA Tech Wabag (Hong Kong) Limited, Hong Kong
	Beijing VA Tech Wabag Water Treatment Technology Company Limited, China
	VA Tech Wabag Muscat LLC, Oman
	VA Tech Wabag (Philippines) Inc., Philippines
	VA Tech Wabag Algeria s.a.rl., Algeria
	VA Tech Wabag Tecknolojisi Ve Ticaret Limited, Turkey
	VA Tech Wabag Egypt Limited, Egypt.
	VA Tech Wabag (Gulf) Contracting LLC, Dubai (Upto 17 January 2012)
	Ujams Wastewater Treatment Company (Pty) Limited, Namibia
Associates	Windhoek Goreangab Operating Company Limited, Namibia
Key Managerial Personnel (KMP)	Mr. Rajiv Mittal – Managing Director
	Mr. S Varadarajan – Chief Financial Officer
	Mr. Shiv Narayan Saraf – Head - Operations
	Mr. Amit Sengupta – Head - Corporate Strategy & Marketing
	Mr. Rahul Jaiswal – President - International Business Group
	Mr. Patrick Andrade – Senior Vice President - Industrial Water Group
	Mr. Krishna Narayan Gokhale - Senior Vice President - International Engineering Centre
	Mr. Rajneesh Chopra - Strategic business Unit - Head - Operations and Maintenance
	Mr. Srinivasan M S - Senior Vice President - Contract Execution - MBG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

Note 31 RELATED PARTIES *(Contd.)*

Transactions with related parties

Related Party	For the year 2011-12						For the year 2010-11			
	Engineering service received cost	Purchase/ (Sale) of goods	Rendering of services	Investmetn purchased/ (sold)	Remuneration paid	Others expense/ (Income)	Engineering services received (costs)	Reimburse ment of software cost	Remuneration paid	Investment purchased
VA Tech Wabag GmbH, Austria	373	114	(65)	–	–	(21)	460	883	–	–
Wabag Wassertechnik AG, Switzerland	–	–	–	–	–	–	–	55	–	–
VA Tech Wabag Singapore (Pte) Ltd, Singapore	–	–	–	456	–	–	–	–	–	255
VA Tech Wabag (Philippines) Inc, Philippines	–	(301)	(260)	90	–	–	–	–	–	–
VA Tech Wabag Muscat LLC, Oman	–	(35)	–	124	–	(2)	–	–	–	–
VA Tech Wabag (Gulf) Contracting LLC, Dubai	–	–	–	(16)	–	(15)	–	–	–	–
Beijing VA Tech Wabag Water Treatment Technology Company Limited, China	–	–	–	–	–	6	–	–	–	–
VA Tech Wabag (Hong Kong) Limited, Hong Kong	–	–	–	–	–	(2)	–	–	–	–
Key Managerial Personnel										
Rajiv Mittal	–	–	–	–	248	–	–	–	115	–
Rahul Jaiswal	–	–	–	–	81	–	–	–	67	–
Others	–	–	–	–	332	–	–	–	235	–

Balance with related parties	For the year 2011-12			For the year 2010-11		
Related Party	Investments	Advances/ Amount recoverable*	Creditors/ Payables	Investments	Advances/ Amount recoverable*	Creditors/ Payables
VA Tech Wabag Singapore (Pte) Ltd, Singapore	1,235	960	–	779	960	–
VA Tech Wabag GmbH, Austria	–	–	2,051	–	–	1,569
WABAG Wassertechnik AG, Switzerland	–	–	59	–	–	55
VA Tech Wabag (Philippines) Inc, Philippines	90	485	–	–	–	–
VA Tech Wabag Muscat LLC, Oman	124	10	–	–	–	–
VA Tech Wabag (Hong Kong) Limited, Hong Kong	–	2	–	–	–	–
VA Tech Wabag (Gulf) Contracting LLC, Dubai	–	–	–	16	–	31
Beijing VA Tech Wabag Water Treatment Technology Company Limited, China	–	–	6	–	–	–

*Also represents the maximum amount of loans/advances to subsidiaries in accordance with Clause 32 of the listing agreement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

Note 32 DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE

a) Derivatives outstanding as at the reporting date

(Amount $)

Particulars	Purpose	31 March 2012	31 March 2011
Forward cover to sell	Hedging risks on receivables	100	–

b) Particulars of unhedged foreign currency exposure as at the reporting date

Particulars	In USD	In Euro	In OMR	In CNY	In AED	In Rupee equivalent
a) Trade receivables including retention net of advances	100	10	37	–	–	10,727*
(Previous year)	*(43)*	*(16)*	*(11)*	–	–	*(4,214)*
b) Project related creditors	199	45	8	0.36	19	14,623
(Previous year)	*(3)*	*(19)*	*(5)*	*(–)*	*(41)*	*(31)*

* Represents amounts due from customers on account of export sales and services.

(Rs. in Lakhs)

	As at 31 March 2012	As at 31 March 2011
Note 33 CONTINGENT LIABILITIES AND COMMITMENTS		
Income tax impact on account of non deductibility U/s 80-IA (Refer 'a' below)	2,422	2,419
- Out of the above, Income tax demand contested in appeal	939	578
Interest U/s 234B on the tax liability referred above (Refer 'b' below)	1,672	1,376
Sales tax matters under dispute (Refer 'c' below)	325	130

a) The Company had been claiming deduction under section 80-IA of the Income Tax Act, 1961 from the financial year ended 31 March 2002 as a developer of infrastructure projects in India. The Finance Act 2009 amended the provisions of Section 80-IA retrospectively with effect from 01 April 2000 to make it inapplicable for persons having a mere works contract with the government or statutory authority. The Company believes that this amendment is in line with the objective of the government of incentivising only a developer of infrastructure facility and not a mere works contractor.

The Company strongly opines that, being a developer of infrastructure turnkey development contracts starting from the conceptualisation to execution assuming significant financial commitment and risks, the Company would be treated as a developer and the amendment would not apply to it. Based on a legal opinion from a Senior Counsel, the Company has filed a writ petition in the High Court of Madras challenging the Constitutional validity of the retrospective amendment. Also, the Company has subsequently received favourable Appellate Orders from CIT (Appeals) from financial years 2001-02 to 2006-07 allowing the benefit under section 80-IA of the Income Tax Act, while, the Income Tax department has raised a demand for Rs.939 Lacs denying benefit under section 80-IA for the financial year 2008-09. Considering these facts and as a matter of prudence, the company has presented the total tax benefit so far claimed u/s 80-IA as contingent liability in the Financial Statement for 31 March 2012.

However, on a conservative basis the liability on account of possible denial of deduction prospectively from 01 April 2009 has been fully provided as current tax in the respective years.

b) The Company, also based on an opinion taken from a professional firm believes that the interest under section 234B on account of 80-IA disallowance discussed in paragraph 'a' above amounting to Rs. 1,672 lakhs as at 31 March 2012 would not be payable as the Jurisdictional High Court rulings and various assessment orders commencing from financial year 2001-02 are in favour of the Company on this aspect and on this basis, the amount of interest has been disclosed as contingent liability.

c) The additional liability assessed by sales tax authorities for various financial years from 2002-03 to 2008-09 amounts to Rs. 325 Lakhs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

(Rs. in Lakhs)

	Year ended 31 March 2012	Year ended 31 March 2011
Note 34 EARNINGS IN FOREIGN CURRENCY (ACCRUAL BASIS)		
Export value on FOB basis	21,724	6,173
	21,724	**6,173**
Note 35 EXPENDITURE IN FOREIGN CURRENCY (ACCRUAL BASIS)		
Professional and consultation fees	373	2,170
Foreign travel	290	218
Site Establishment	274	271
Overseas regional office expenses	6	31
Commission	265	306
Other project expenses	7,255	168
Erection and commissioning costs	1,379	460
	9,842	**3,624**
Note 36 VALUE OF IMPORTS ON CIF BASIS		
Raw materials	11,053	9,613
Capital goods	114	–
	11,167	**9,613**
Note 37 DISCLOSURES IN RESPECT OF NON-CANCELLABLE OPERATING LEASES		
The lease rentals charged for the years ended 31 March 2012 and 2011 and maximum obligations on long-term, non-cancellable operating leases payable as per the rentals stated in the respective agreements are as provided below:		
The total of future minimum lease payments for each of the following periods:		
(i) Not later than one year	376	293
(ii) Due later than one year and not later than five years	289	189
(iii) Due later than five years	–	–
	665	**482**
Lease payments charged off to the statement of profit and loss	312	297
Note 38 PAYMENTS TO AUDITORS		
As auditor		
Statutory audit	17	14
Limited review	6	2
Tax audit	2	2
	25	18
In other capacity		
Other services	9	8
	34	**26**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

(Rs. in Lakhs)

	Year ended 31 March 2012	Year ended 31 March 2011
Note 39 DIVIDEND REMITTED IN FOREIGN CURRENCY		
Period to which is relates	2010-11	–
Number of non - resident shareholders (Nos.)	1	–
Number of shares held on which dividend was due		
Equity shares of Rs. 2 each	22,333	–
Amount remitted (Euro 1376.85)	1	–

Note 40 AGGREGATE OF EXPENSES THAT HAVE BEEN BIFURCATED AND GROUPED UNDER DIFFERENT HEADS ARE PROVIDED BELOW:

	Year ended 31 March 2012	Year ended 31 March 2011
Professional charges	4,959	947
Travelling and conveyance	1,155	1,141
Power and fuel	269	214
Rates and taxes	3,490	3,467
	9,873	**5,769**

Additional Information Pursuant to the provisions of part IV of Schedule VI to the Companies Act, 1956

Balance Sheet Abstract and Company's General Business Profile

1. Registration Details

Registration No.	030231	State Code	18
Balance Sheet Date	31 (Date) 03 (Month) 2012 (Year)		

2. Capital Raised during the year (Amount in Rs. in Lakhs)

Public Issue	NIL	Right Issue	NIL
Bonus issue	NIL	Private Placement	NIL

3. Position of Mobilisation and Deployment of Funds (Amount in Rs. in Lakhs)

Total Liabilities	127242	Total Assets	127242
Sources of Funds			
Paid up Capital	530	Reserves & Surplus	46098
Secured Loans	10318	Unsecured Loans	NIL
Application of Funds			
Net Fixed Assets	5671	Investments	1465
Net Current Assets*	49810	Misc. Expenditure	NIL
Accumulated Losses	NIL		

* Includes net non-current assets of Rs. 2865 lakhs and deferred tax asset of Rs. 858 Lakhs.

4. Performance of the Company (Amount in Rs. in Lakhs)

Turnover	100380	Total Expenditure	89378
Profit Before Tax	11002	Profit After Tax	7512
Earning Per Share in ₹	28.41	Dividend Rate (%) Annualised	300

5. Generic Names of Three Principal Products / Services of Company (as per monetary terms)

ITC Code	841989.03
Product Description	WATER TREATMENT PLANT
ITC Code	841989.04
Product Description	WASTEWATER TREATMENT PLANT

For **Walker, Chandiok & Co**
Chartered Accountants

per **Sumesh E S**
Partner

Place : Chennai
Date : 24 May 2012

On behalf of the Board of Directors

Rajiv Mittal
Managing Director

Sumit Chandwani
Director

S Varadarajan
Chief Financial Officer

Rajiv Balakrishnan
Company Secretary

Place : Chennai
Date : 24 May 2012

CONSOLIDATED AUDITORS' REPORT

To
The Members of
VA Tech Wabag Limited

1. We have audited the attached consolidated balance sheet of VA TECH WABAG LIMITED ('the company'), its subsidiaries and its associates (hereinafter collectively referred to as the 'Group'), as at 31 March 2012 and also the consolidated Statement of profit & loss and the consolidated cash flow statement for the year ended on that date annexed thereto (collectively referred as the 'Consolidated Financial Statements'). These Consolidated Financial Statements are the responsibility of the Group's management and have been prepared by the Group's management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Consolidated Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We report that:
   a. the Consolidated Financial Statements have been prepared by the Group's management in accordance with the requirements of Accounting Standard 21 on 'Consolidated Financial Statements' and Accounting Standard 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements' notified pursuant to the Companies (Accounting Standards) Rules, 2006.

   b. We did not audit the financial statements of certain subsidiaries and associates, whose financial statements reflect total assets (after eliminating intra-group balances) of Rs. 50,162 lakhs as at 31 March 2012, total revenues (after eliminating intra-group transactions) of Rs. 44,005 lakhs and cash inflows of Rs. 1,000 lakhs for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us by the management, and our opinion is based solely on the reports of such other auditors'.

4. Without qualifying our opinion, we draw your attention to note 22 (a) of the notes to accounts of the financial statements attached.

   Consequent to Section 80-IA being amended by Finance Act, 2009 denying the benefit of deduction under this Section to business in the nature of work contracts, with retrospective effect from April, 2000, the Company based on a legal opinion, believes that this amendment will not impact its eligibility to claim deduction under the said section. Based on the legal opinion, the Company has filed a writ petition in the High Court, challenging the constitutional validity of the retrospective amendment.

   The ultimate outcome of the matter cannot be presently determined and no provision for any liability that may result has been made in the financial statements by the company for the period from 1 April 2001 to 31 March 2009. However, such liability on account of possible denial of deduction prospectively from 1 April 2009 has been fully provided as current tax. Pursuant to this, the estimated tax liability for the period from 1 April 2001 to 31 March 2009 amounting to Rs. 2,422 lakhs and interest thereupon from 1 April 2001 to 31 March 2012 amounting to Rs. 1,672 lakhs have been disclosed as contingent liabilities as at 31 March 2012.

5. Based on our audit and on consideration of reports of other auditors' on the separate financial statements and on the other financial information of the subsidiaries and associates, and to the best of our information and according to the explanations given to us, in our opinion, the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India, in the case of:

   a) the consolidated balance sheet, of the state of affairs of the Group as at 31 March 2012;

   b) the consolidated statement of profit and loss, of the profit of the Group for the year ended on that date; and

   c) the consolidated cash flow statement, of the cash flows of the Group for the year ended on that date.

For **Walker, Chandiok & Co**
Chartered Accountants
Firm Registration No: 001076N

per **Sumesh E S**
Partner
Membership No. 206931

Place : Chennai
Date : 24 May 2012

CONSOLIDATED BALANCE SHEET

(Rs. in Lakhs)

	Note No.	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	4	530	528
Reserves and surplus	5	63,672	56,568
		64,202	57,096
Minority interest		98	–
Non-current liabilities			
Long-term borrowings	6	38	27
Deferred tax liabilities, net	7	2	–
Other long term liabilities	8	4,789	2,928
Long-term provisions	9	2,973	2,434
		7,802	5,389
Current liabilities			
Short-term borrowings	6	12,441	4,239
Trade payables	10	65,762	49,190
Other current liabilities	11	15,834	12,156
Short-term provisions	9	11,265	12,231
		105,302	77,816
Total		177,404	140,301
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	12	3,616	3,262
Intangible assets	13	1,456	1,578
Capital work-in-progress		1,803	770
Non-current investments	14	363	1,370
Deferred tax assets, net	7	1,042	2,160
Long-term loans and advances	15	385	369
Other non-current assets	16	8,016	3,727
		16,681	13,236
Current assets			
Current investments	17	–	3,000
Inventories	18	4,989	7,361
Trade receivables	19	109,261	70,436
Cash and bank balances	20	33,826	32,448
Short-term loans and advances	15	8,328	9,955
Other current assets	21	4,319	3,865
		160,723	127,065
Total		177,404	140,301
Notes 1 to 36 form an integral part of these financial statements			

This is the balance sheet referred to in our report of even date

For **Walker, Chandiok & Co**
Chartered Accountants

per **Sumesh E S**
Partner

Place : Chennai
Date : 24 May 2012

On behalf of the Board of Directors

Rajiv Mittal
Managing Director

Sumit Chandwani
Director

S Varadarajan
Chief Financial Officer

Rajiv Balakrishnan
Company Secretary

Place : Chennai
Date : 24 May 2012

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(Rs. in Lakhs)

	Note No.	Year ended 31 March 2012	Year ended 31 March 2011
REVENUE			
Revenue from operations	23	144,352	124,182
Total revenue		**144,352**	**124,182**
EXPENSES			
Cost of sales and services	24	101,727	92,456
Decrease / (Increase) in inventories	25	2,495	(4,258)
Employee benefit expenses	26	18,829	17,155
Finance costs	27	1,039	1,478
Other expenses	28	8,298	6,726
Depreciation and amortisation expense	29	859	998
Total expenses		**133,247**	**114,555**
Profit before exceptional items and tax		**11,105**	**9,627**
Exceptional items	30	–	1,286
Profit before tax		**11,105**	**8,341**
Tax expense			
Current tax		2,652	3,502
Deferred tax		1,140	(341)
		3,792	**3,161**
Profit for the year before share of profit in associates		7,313	5,180
Share of profit in Associate		93	77
Net Profit for the year after tax and share of profit in associates before Minority Interest		**7,406**	**5,257**
Minority Interest		31	–
Net Profit for the year after Minority Interest attributable to equity shareholders		**7,375**	**5,257**
Earnings per equity share (Nominal value Rs.2 per share) (In Rs.)	31		
Basic		27.90	21.23*
Diluted		27.85	21.18*

* Adjusted for the impact of subdivision of share during the year (Refer note 4(g))

Notes 1 to 36 form an integral part of these financial statements

This is the statement of Profit and Loss referred to in our report of even date

For **Walker, Chandiok & Co**
Chartered Accountants

per **Sumesh E S**
Partner

Place : Chennai
Date : 24 May 2012

On behalf of the Board of Directors

Rajiv Mittal
Managing Director

Sumit Chandwani
Director

S Varadarajan
Chief Financial Officer

Rajiv Balakrishnan
Company Secretary

Place : Chennai
Date : 24 May 2012

CONSOLIDATED CASH FLOW STATEMENT

(Rs. in Lakhs)

		Year ended 31 March 2012		Year ended 31 March 2011
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before taxation		11,105		8,341
Adjustments for:				
Exceptional Item	–		1,286	
Depreciation and amortisation	859		998	
Interest expenses	1,113		416	
Interest income	(1,067)		(669)	
Dividend income	(304)		(23)	
Profit on sale of investments	(17)		–	
Loss on sale of fixed assets, net	29		(7)	
Amortisation of deferred employees compensation	–		61	
Provisions for Employee obligations	548		354	
Provision for warranty, liquidated damages, litigations and others	(1,568)	(407)	3,847	6,263
Operating profit before working capital changes		**10,698**		**14,604**
Adjustments for:				
(Increase)/ decrease in trade receivables	(38,825)		(10,852)	
(Increase)/ decrease in short term loans and advances	2,865		(2,573)	
(Increase)/ decrease in long term loans and advances	(16)		(369)	
(Increase)/ decrease in inventory	2,372		(3,849)	
(Increase)/ decrease other current assets	(454)		1,613	
(Increase)/ decrease other non current assets	(4,289)		220	
Increase/ (decrease) in trade payables	16,572		13,498	
Increase/ (decrease) in short term provisions	(58)		(1,169)	
Increase/ (decrease) in long term provisions	(67)		(167)	
Increase/ (decrease) in other short term liabilities	3,678		(182)	
Increase/ (decrease) in other long term liabilities	1,861		(2,709)	
		(16,361)		**(6,539)**
Cash generated from operations		**(5,663)**		**8,065**
Exceptional Item		–		(1,286)
Direct taxes paid		(3,597)		(4,070)
Net cash generated from operating activities		**(9,260)**		**2,709**
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets (including capital work in progress)		(2,259)		(1,964)
Proceeds on disposal of fixed assets		88		18
Purchase of investments		(1)		(3,000)
Sale of investments		4,056		–
Movement in margin money deposit		2,687		2,981
Movement in non cash equivalents		1,150		(8,450)
Interest and dividend received		1,371		668
Net cash used in investing activities		**7,092**		**(9,747)**

CONSOLIDATED CASH FLOW STATEMENT *(Contd.)*

(Rs. in Lakhs)

	Year ended 31 March 2012	Year ended 31 March 2011
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital including share premium	30	12,241
Proceeds from issue of shares to minority shareholders	98	
Proceeds/(repayment) of secured loan	(2,318)	(51)
Short term borrowings from Banks	10,531	405
Interest paid to Banks and others	(1,113)	(416)
Net cash used in financing activities	**7,228**	**12,179**
D. NET CASH FLOWS DURING THE YEAR	5,060	5,141
Effects of foreign currency translation	155	(13)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING	21,298	16,170
F. CASH AND CASH EQUIVALENTS AT THE END	**26,513**	**21,298**
Cash and cash equivalents comprise of:		
Cash on hand	517	519
Cheques on hand	7,644	5,102
Balances with banks - in current accounts	15,637	10,222
Balances with banks - in deposit accounts (maturity less than 3 months)	2,715	5,455
Cash and cash equivalents as per note 20	**26,513**	**21,298**

This is the Cash Flow Statement referred to in our report of even date

For **Walker, Chandiok & Co**
Chartered Accountants

per **Sumesh E S**
Partner

Place : Chennai
Date : 24 May 2012

On behalf of the Board of Directors

Rajiv Mittal
Managing Director

Sumit Chandwani
Director

S Varadarajan
Chief Financial Officer

Rajiv Balakrishnan
Company Secretary

Place : Chennai
Date : 24 May 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

1.1 General Information

All amounts in the financial statements are presented in Rupees in Lakhs except per share data and as otherwise stated. Figures for the previous year have been regrouped / rearranged wherever considered necessary to conform to the figures presented in the current year.

The Company is in the business of execution of turnkey projects for water management and hence the requirements under paragraph 5(ii)(a), 5(ii)(b) and 5(ii)(d) of Part II of Revised Schedule VI to the Companies Act, 1956 are not applicable.

1.2 Company Overview

VA TECH WABAG LIMITED ('the Company'), its subsidiaries, associates and joint ventures (collectively referred to as 'the Group') is one of the world's leading companies in the water treatment field. The group's principal activities include design, supply, installation, and operational management of drinking water and waste water treatment plants.

VA TECH WABAG LIMITED was part of the water technology and engineering division of the Austrian group, VA Technologie AG.

In July 2005, VA TECH WABAG worldwide was acquired by Siemens. Soon after in September 2005, the Company had a Management buyout with 20% of the shares with the management team and 60% of the shares with ICICI Ventures and the rest with Siemens.

In November 2007, the Company acquired 100% stake in its erstwhile parent VA TECH WABAG GmbH, Vienna through its wholly owned subsidiary VA TECH WABAG (Singapore) Pte Limited.

Pursuant to an Initial Public offering of its shares, the shares of the company were listed on 13th October, 2010 in the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).

2. Summary of accounting policies

2.1 Basis of accounting

The financial statements are prepared under the historic cost convention on accrual basis of accounting in accordance with generally accepted accounting principles ("GAAP") applicable in India. GAAP comprises mandatory accounting standards prescribed by the Companies (Accounting Standards) Rules, 2006 issued by the Central Government in exercise of the power conferred under sub-section (1)(a) of Section 642 and the relevant provisions of the Companies Act, 1956. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. The management evaluates all recently issued or revised accounting standards on an on-going basis.

2.2 Changes in presentation and disclosure of financial Statements

Pursuant to the notification of the revised Schedule VI under the Companies Act, 1956, the Company has prepared and presented its financial statements for the year ended 31 March 2012 in accordance with the notification and has consequently reclassified its previous year figures to confirm with the current year's classification as specified in the revised Schedule VI notification. Until the previous year ended 31 March 2011, the Company was using the pre-revised Schedule VI to the Companies Act, 1956 for preparation and presentation of its financial statements. Except for accounting of dividend on investment in subsidiaries, the adoption of the revised Schedule VI does not impact the recognition or measurement principles followed for preparation of financial statements. However, the revised Schedule VI has significantly impacted the presentation and disclosures made in the financial statements generally and particularly the presentation of the Balance sheet of the Company.

2.3 Basis of Consolidation

The Consolidated financial statements include the financial statements of the Subsidiary companies and associates as listed below. The financial statements of the subsidiary undertakings and associates forming part of these consolidated financial statements are drawn up to 31 March 2012. Subsidiaries are all entities over which the Company has the power to control the financial and operating policies.

The consolidated financial statements are prepared in accordance with the principles and procedures for the preparation and presentation of the consolidated financial statements as laid down under AS 21 Consolidated Financial Statements. In respect of investment in an Associate Company, the principles prescribed under AS 23 - Accounting for Investments in Associates in Consolidated Financial Statements has been adopted in the preparation of these financial statements. All material inter-company transactions and accounts are eliminated on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

The following subsidiaries and associates have been included in the consolidated financial statements

Subsidiaries	Country of Incorporation	Percentage of Holding
VA TECH WABAG (Singapore) Pte Ltd	Singapore	100
VA TECH WABAG GmbH	Austria	100
WABAG Wassertechnik AG	Switzerland	100
VA TECH WABAG Deutschland GmbH	Germany	100
VA TECH WABAG Brno Spol S.R.O	Czech Republic	100
Engenharia Hidraulica de Macau, Limitada	Macao	100
Wabag Water Services (Macao) Limited	Macao	100
WABAG Water Services s.r.l	Romania	100
VA TECH WABAG Tunisia s.a.r.l.	Tunisia	100
VA TECH WABAG Algeria s.a.r.l.	Algeria	100
VA TECH WABAG (Gulf) Contracting LLC	Dubai	49
Beijing VA TECH WABAG Water Treatment Technology Co. Limited	China	100
VA Tech Wabag Tecknolojisi Ve Ticaret Limited	Turkey	100
VA TECH WABAG (Hong Kong) Limited	Hong Kong	100
VA Tech Wabag Egypt Limited	Egypt	100
VA Tech Wabag Muscat LLC	Oman	70
VA Tech Wabag (Philippines) Inc.	Philippines	100
Ujams Wastewater Treatment Company (Pty) Ltd.	Namibia	82
Associates		
Windhoek Goreangab Operating Company (Pty) Limited	Namibia	33

The company has commenced the liquidation process for its subsidiary in Dubai. However, since the liquidation process is not completed, the same has been included for Consolidation. The subsidiaries in Egypt and Namibia have not completed the incorporation procedures and have not commenced commercial operations and hence they have not been consolidated. The accounting period for the associate in Namibia is 01 January 2011 to 31 December 2011. However, for the purpose of inclusion in the consolidated financial statements of the parent, the accounts of Namibia have been drawn up for the period from 01 April 11 to 31 March 12.

2.3 (a) Principles of consolidation:

The Consolidated financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under the accounting standards 21 (AS 21) on Consolidated Financial Statements as specified in the Companies (Accounting Standard) Rules 2006.

Excess of acquisition cost over the carrying amount of the parent company's share of equity of the acquiree at the date of acquisition is recognized as goodwill. In cases where the share of the equity in the acquiree as on the date of acquisition is in excess of acquisition cost, such excess of share in equity is recognised as 'Capital reserve' and classified under 'Reserves and Surplus'. The parent company's share of equity in the subsidiary is determined on the basis of book values of assets and liabilities as per the financial statements of the subsidiary as at the date of acquisition.

The financial statements of the parent company and its subsidiary have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transaction and unrealized profits in full. Unrealised losses resulting from intra-group transactions are also eliminated except to the extent recoverable value of related assets is lower than their cost to the Group. The amounts shown in respect of reserves comprise the amount of relevant reserves as per the balance sheet of the parent company and its share in the relevant reserves of the subsidiary.

Amounts reported in the financial statements of the subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss of subsidiaries acquired or disposed of during the year is recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. Minority interests represent the portion of a subsidiary's profit and loss and net assets that is not held by the Group. If losses in a subsidiary applicable to minority interest exceed the minority interest in the subsidiary's equity, the excess is allocated to the majority interest except to the extent that the Minority has a binding obligation and is able to cover the losses.

2.4 Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities on the date of the financial statements and the results of operations during the reporting periods. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimates and revisions, if any, are recognised in the current and future periods.

2.5 Tangible assets and depreciation/ amortisation

Tangible assets are stated at acquisition cost less accumulated depreciation and impairment losses, if any. Cost of acquisition comprises of purchase price and directly attributable costs of bringing the asset to its working condition for the intended use and is net of CENVAT credits as applicable. Cost of fixed assets not ready for the intended use before such date is disclosed as capital work in progress.

Subsequent expenditure incurred on an item of Tangible asset is added to the book value of that asset only if this increases the future benefits from the existing asset beyond its previously assessed standard of performance.

Gains or losses that arise on disposal or retirement of an asset are measured as the difference between net disposal proceeds and the carrying value of an asset and are recognised in the Statement of profit and loss when the asset is derecognised.

Depreciation on assets is provided on written down value method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

2.6 Intangibles

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, the intangible assets are carried at cost less accumulated amortisation and accumulated impairment, if any.

Goodwill represents the excess of acquisition cost over the carrying amount of the Company's share of the identifiable net assets of the acquiree at the date of acquisition. Goodwill is amortised on a straight line basis over its estimated useful life of 5 years.

Software is stated at cost less accumulated amortization and are being amortised on a straight line basis over the estimated useful life of 5 years.

Gains or losses that arise on disposal or retirement of an asset are measured as the difference between net disposal proceeds and the carrying value of an asset and are recognised in the Statement of profit and loss when the asset is derecognised.

The amortisation period and method are reviewed at each balance sheet date. If the expected useful life of the asset is significantly different from the previous estimates, the amortisation period is changed accordingly. If there has been a significant change in the expected pattern of economic benefit from the asset, the method of amortisation is changed to reflect the changed pattern. Such changes are accounted in accordance with Accounting Standard (AS) 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

2.7 Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. An asset's recoverable amount is the higher of an asset's or cash generating unit's net selling price and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows from continuing use that are largely independent of those from other assets or group of assets. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is recognised in the Statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost and is accordingly reversed in the statement of profit and loss.

2.8 Investments

Investments that are readily realizable and are intended to be held for not more than one year from the date on which such investments are made are classified as current investments. All other investments are classified as long term investments. Long term investments are valued at cost. Provision is made for diminution in value to recognize a decline, if any other than that of temporary in nature. Current investments are valued at lower of cost and fair market value. Gains or losses that arise on disposal of an investment are measured as the difference between disposal proceeds and the carrying value and are recognised in the Statement of profit and loss.

2.9 Inventory

Inventory of stores and spares are stated at lower of cost and net realizable value and is determined on weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business less estimated cost to completion and applicable selling expenses.

Construction work in progress are contract costs incurred for a future activity on a contract and are recognized as an asset if it is probable that they would be recovered. The cost comprises of material and other expenses directly attributable to the contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

2.10 Revenue recognition

Revenue is measured on the basis of consideration received or receivable by the Company for goods supplied and services provided, excluding trade discounts, VAT and other applicable taxes and are recognised upon the performance of service or transfer of risk to the customer.

Revenue is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the costs incurred or to be incurred can be measured reliably, and when the criteria for each of the Company's different activities has been met. These activity-specific recognition criteria are based on the goods or solutions provided to the customer and the contract conditions in each case, and are as described below.

Operations and Maintenance

The revenue from operations and maintenance for water and waste water treatment is recognised over the period during which the service is rendered.

Construction contracts

Contract Revenue and Contract Costs in respect of construction contracts, execution of which is spread over different accounting periods is recognized as revenue and expense respectively by reference to the basis of percentage of completion method of the project at the Balance Sheet date.

Determination of revenues under the percentage of completion method by the Company is based on estimates (some of which are technical in nature) concerning the percentage of completion, which is a proportion of work certified to contract value, costs to completion, expected revenue from the contract and the foreseeable losses of completion.

Foreseeable losses, if any, which are based on technical estimates, are provided in the accounts irrespective of the work done.

Unearned revenue on contracts where progress billings exceed costs incurred plus recognized profits (less loss) is the gross advance amount received from customers for contract work and is presented as a liability for all contracts in progress.

Other revenues

Income from interest is being accounted for on time proportion basis taking into account the amount outstanding and the applicable rate of interest. Dividend income is recognised when the right to receive is established by the reporting date.

Income from duty drawback is recognised on accrual basis as revenue on completion of export sale, as applicable.

2.11 Cost of Sales and Services

Cost of sales and services comprise costs including estimated costs that are directly related to the contract, attributable to the contract activity in general and such costs that can be allocated to the contract and specifically chargeable to the customer under the terms of the contracts, which is charged to the statement of profit and loss account based on the percentage of revenue recognised as per accounting policy (2.9) above, in consonance with the concept of matching costs and revenue. Final adjustment is made on completion of the applicable project.

2.12 Taxation

Provision for tax for the year comprises current income tax and deferred tax. Provision for current income tax is made based on the estimated tax liability in accordance with the relevant tax rates and tax laws.

Current tax is payable on taxable profits, which differ from profit or loss in the financial statements. Current tax is computed based on tax rates and tax laws that have been enacted or substantially enacted by the end of the reporting period.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax assets are reviewed by the Company at each balance sheet date and the carrying amount of a deferred tax asset is written down to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised.

Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

The Company offsets deferred tax assets and deferred tax liabilities if the Company has a legally enforceable right to set off assets against liabilities representing current tax.

2.13 Foreign currency translations

Transactions in foreign currency and non-monetary assets are accounted for at the exchange rate prevailing on the date of the transaction. All monetary items denominated in foreign currency are converted at the year-end exchange rate. The exchange differences arising on such conversion and on settlement of the transactions are dealt with in the statement of profit and loss.

Gain or loss on forward exchange contract, not in the nature of hedge, is calculated based on difference between forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate. The premium or discount arising at the inception of forward exchange contracts is amortised as income or expense over the life of contract and exchange differences on such contracts is recognised as income or expense in the reporting period in which the exchange rate change.

On Consolidation, the assets, liabilities (both monetary and non-monetary) and goodwill or capital reserve arising on the acquisition, of non-integral operations are translated at exchange rates prevailing on the balance sheet date. Income and expenditure items are translated at the average exchange rate for the year. Exchange differences arising out of translation are recognized in the Group's foreign currency translation reserve classified under Reserves and Surplus.

2.14 Retirement and other employee benefits

Provident fund

The Company makes contribution to the statutory provident fund in accordance with Employees Provident Fund and Miscellaneous Provisions Act, 1952, which is a defined contribution plan, and contribution paid or payable is recognized as an expense in the period in which services are rendered by the employee.

Gratuity

Gratuity is a post-employment benefit and is in the nature of a defined benefit plan. The liability recognised in the balance sheet in respect of gratuity is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated at the balance sheet date by an independent actuary using the projected unit credit method. Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged or credited to the statement of profit and loss in the year in which such losses or gains are determined.

Compensated absences

Liability in respect of compensated absences becoming due or expected to be availed after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method. Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged or credited to the profit and loss account in the year in which such losses or gains are determined. Accumulated compensated absences which are expected to be availed or encashed beyond 12 month from the end of the year end are treated as other long term employee benefits.

Superannuation Fund

Contribution made towards Superannuation Fund (funded by payments to ICICI Prudential Life insurance) which is a defined contribution plan, is charged to revenue on accrual basis. There are no obligations other than the contribution made to respective trust.

Overseas entities

Post employment benefits

- Defined contribution

  Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

- Defined benefit liability

  Management estimates the defined benefit liability annually. The actual outcome may vary due to estimation uncertainties. The estimate of its defined benefit liability is based on standard rates of inflation, medical cost trends and mortality. It also takes into account the Group's specific anticipation of future salary increases.

  Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Estimation uncertainties exist particularly with regard to medical cost trends, which may vary significantly in future appraisals of the Group's defined benefit obligations.

2.15 Employees stock option plan

The accounting value of stock options is determined on the basis of "intrinsic value" representing the excess of the market price on the date of grant over the exercise price of the shares granted under the "Employees Stock Option Scheme" of the Company, and is being amortised as "Deferred employees compensation" on a straight-line basis over the vesting period in accordance with the Guidance Note 18 "Employee share-based payments" issued by the Institute of Chartered Accountants

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

of India and the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 issued by the Securities and Exchange Board of India.

2.16 Contingent liabilities and provisions

A provision is recognised when the Company has a present obligation as a result of past event i.e., it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. A disclosure of the contingent liability is made when there is a possible or a present obligation that may, but probably will not, require an outflow of resources.

2.17 Cash and Cash equivalents

In the cash flow statement, cash and cash equivalent includes cash in hand, demand deposits with banks, cheques on hand, balances with banks in current accounts and other short term deposits with banks, other short term highly liquid investments with original maturities of three months or less.

2.18 Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes, if any) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events including a bonus issue, bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares). For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

2.19 Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased asset, is classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

3. Others

3.1 Capital commitments

The estimated amounts of contracts to be executed on capital account and not provided for (net of advances) Rs.1,612 lakhs (Previous year – Rs.771 lakhs). Other commitments are cancellable at the option of the Company and hence not disclosed.

3.2 Guarantees

(Rs. in Lakhs)

Bank Guarantees/ Letter of Credit issued by the banks on behalf of the Company	As at 31 March 2012	As at 31 March 2011
– Bank Guarantee	58,627	62,642
– Letter of Credit	14,928	9,787

3.3 Segment reporting

The Company operates in a single segment "Construction and maintenance of Water and Waste water treatment plants". Therefore, the Company's business does not fall under different business segments as defined by AS-17 'Segment Reporting' issued by Companies (Accounting Standards) Rules, 2006.

3.4 Transfer Pricing

As per the Transfer pricing norms introduced in India with effect from 1 April 2001, the Company is required to use certain specific methods in computing arm's length price of international transactions between the associated enterprises and maintain prescribed information and documents relating to such transactions. The appropriate method to be adopted will depend on the nature of transactions/class of transactions, class of associated persons, functions performed and other factors, which have been prescribed. The Transfer pricing study for the fiscal year ending 31 March 2012 is in progress and accordingly, the contracts may be amended subsequently and related adjustment, if any, will be quantified upon completion of this study. However, in the opinion of the Management, the outcome of the study will not have material impact on the Company's results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

(Rs. in Lakhs)

	As at 31 March 2012		As at 31 March 2011	
	Nos.	Amount	Nos.	Amount
Note 4 SHARE CAPITAL				
Authorised share capital				
Equity Shares of Rs. 2 each (Previous year Rs. 5 each)*	50,875,000	1,018	20,350,000	1,018
Preference shares of Rs. 10 each	4,825,000	482	4,825,000	482
Issued, subscribed and fully paid up				
Equity Shares of Rs. 2 each (Previous year Rs. 5 each)*	26,486,585	530	10,563,795	528
Total	26,486,585	530	10,563,795	528

*Also refer note 4 (g)

a) Reconciliation of share capital (Equity)

Balance at the beginning of the year	10,563,795	528	9,356,621	468
Add :Issued during the year pursuant to Initial Public Offer			954,198	48
Add : Issued during the year pursuant to Employee Stock Option Plan	12,639	2	252,976	12
Balance before subdivision of shares	10,576,434			
Balance after subdivision of shares (Refer note g below)	26,441,085			
Add : Issued during the year pursuant to Employee Stock Option Plan	45,500			
Balance at the end of the year	26,486,585	530	10,563,795	528

b) Shareholders holding more than 5% of the aggregate shares in the company

	Nos.	% holding	Nos.	% holding
Equity Shares of Rs. 2 each (Previous year Rs. 5 each)				
Mr. Rajiv Mittal (Managing Director)	4,799,860	18%	1,919,944	18%
Emerging Markets Growth Fund Inc	1,584,552	6%	633,821	6%
Emerging Markets Management, LLC A.c EMSAF	–	–	533,266	5%
(Also refer note 4 (g) on stock subdivision during the year)				
	6,384,412		3,087,031	

c) Details of shares issued as fully paid up by way of bonus issues

Year	Face value	Bonus issue	Buy back of shares
Equity Shares			
31 March 2010	5	1,039,629	–

d) Terms/ rights attached to equity shares

The Company has issued only one class of equity shares having a face value of Rs. 2 per share (Previous year Rs. 5 per share). Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except interim dividend.

In the event of liquidation, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts, if any. The distribution will be in proportion to the number of equity shares held by the shareholders.

During the year ended 31 March 2012, the amount of dividend per share, recognised as distributions to the equity shareholders of face value Rs. 2 each (Previous year Rs. 5 each) was Rs. 6 (Previous year : Rs. 10).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

Note 4 SHARE CAPITAL *(Contd.)*

e) **Shares reserved for issue under options**

The Company had reserved issuance of 933,070 Equity shares of Rs. 2 each (Previous year : 455,410 shares of Rs. 5 each) for offering to eligible employees of the Company and its subsidiaries under Employees Stock Option Scheme (ESOS).

f) **Details of the unutilised portion of the receipt from issue of shares (made for a particular purpose) and the corresponding investment details.**

Gross proceeds received from the issue : Rs 12,500 Lakhs			
Particulars	As per Prospectus	As of 31 March 12	Unutilized
Construction of corporate office	3,474	1,640	1,834
Working capital requirements	6,451	6,451	–
Implementation of Global Information Technology systems	1,105	1,105	–
General Corporate purposes	874	874	–
Issue related expenses	596	487	109
Unutilised amount			**1,943**

The balance of unutilized funds of INR 1,943 lakhs have been temporarily invested in short term deposits with banks.

g) During the year, on 18 August 2011, the Company subdivided 10,576,434 fully paid equity shares of face value of Rs. 5 each into 26,441,085 equity shares of Rs. 2 each fully paid up pursuant to the approval of the shareholders at the Annual General Meeting on 15 July 2011

h) **Employee share based plan**

Employee share based plan-ESOP 2006 Scheme

In August 2006, the Board of Directors approved and the Company adopted the "ESOP 2006" (the "Plan") under which not more than 204,080 shares of the Company's equity shares was reserved for issuance to employees. The Board of Directors determined that the options granted under the Plan would vest not less than one year and not more than five years from the date of grant. The exercise price of options shall be Rs 200 (face value of Rs. 10 each) on the grant date. The exercise period of the options is 4 years.

Particulars	Number of options	Weighted average exercise price (Rs.)
Outstanding as at 01 April 2010	297,097	89
Exercised	252,976	89
Lapsed	3,308	89
Outstanding as at 31 March 2011	40,813	89
Exercised	12,639	89
Balance as on 17 August 2011	28,174	89
Balance after considering impact of subdivision of shares (Refer note g above)	70,435	36
Exercised	44,793	36
Lapsed	1,498	36
Outstanding as at 31 March 2012	24,144	36

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

No additional options were granted during the year ended March 31, 2012. The Company has calculated the employee compensation cost using the intrinsic value of the stock options. Had the Company used the fair value model to determine Compensation Costs, the impact on the reported net profit and earnings per share is presented below :

(Rs. in Lakhs)

	Year ended 31 March 2012	Year ended 31 March 2011
Profit after tax	7,375	5,258
Add : Employee stock compensation under intrinsic value method	–	61
Less : Employee stock compensation under fair value method	–	–73
Pro-forma profit	7,375	5,245
Earnings per share		
Basic		
– As reported	27.90	21.23
– Pro-forma	27.90	21.18
Diluted		
– As reported	27.85	21.18
– Pro-forma	27.85	21.14

Employee share based plan- ESOP 2010 Scheme

In August 2010, the Board of Directors approved and the Company adopted the "ESOP 2010" (the "Plan") under which not more than 467,831 shares of the Company's equity shares was reserved for issuance to employees. The Board of Directors determined that the options granted under the Plan would vest not less than one year and not more than five years from the date of grant. The exercise price of options shall be Rs 900 (Face value of Rs. 5 each) on the grant date. The exercise period of the options is 4 years. The company has calculated the value of options using fair value, which is lower than the exercise price.

Particulars	Number of options	Weighted average exercise price (Rs.)
Outstanding as at 01 April 2010	436,929	900
Lapsed	22,332	900
Outstanding as at 31 March 2011	414,597	900
Balance after considering impact of subdivision of shares (Refer note g above)	1,036,525	360
Exercised	707	360
Lapsed	126,892	360
Outstanding as at 31 March 2012	908,926	360

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

(Rs. in Lakhs)

	As at 31 March 2012	As at 31 March 2011
Note 5 RESERVES AND SURPLUS		
Capital reserves		
Balance at the beginning of the year	13,948	13,948
Add : Additions made during the year	–	–
Balance at the end of the year	13,948	13,948
Securities premium reserve		
Balance at the beginning of the year	25,093	12,671
Add: Additions made during the year		
On excercise of employee stock options	28	213
On Issue of equity shares	–	12,452
Transferred from stock option outstanding account	29	244
Less: Deletions made during the year		
Share issue expenses	–	(487)
Balance at the end of the year	25,150	25,093
Stock option outstanding account		
Balance at the beginning of the year	39	234
Add: Additions made during the year	–	60
Less: Options exercised during the year	(29)	(244)
Options lapsed during the year	(1)	(11)
Balance at the end of the year	9	39
General reserve		
Balance at the beginning of the year	750	186
Add: Additions made during the year		
Transfer from employee stock option outstanding account	1	11
Transfer on account of dividend	751	553
Balance at the end of the year	1,502	750
Surplus in the statement of profit and loss		
Balance at the beginning of the year	16,794	13,321
Add : Transferred from statement of profit and loss	7,375	5,257
Less : Final equity dividend proposed/ paid	(1,590)	(1,056)
Less : Tax on proposed equity dividend	(254)	(175)
Less : Transfer to general reserve	(751)	(553)
Less : Transfer to other reserves	(7)	–
Balance at the end of the year	21,567	16,794
Other Reserves		
Balance at the beginning of the year	–	–
Add : Transferred from statement of profit and loss	7	–
Balance at the end of the year	7	–
Foreign currency translation reserve	1,489	(56)
	63,672	56,568

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

(Rs. in Lakhs)

	As at 31 March 2012		As at 31 March 2011	
	Long term	Short term	Long term	Short term
Note 6 BORROWINGS				
Secured				
Term loans from banks				
Overdraft account	38	8,896	27	4,203
Working capital loan repayable on demand	–	3,545	–	36
	38	12,441	27	4,239

1. During the year, the Company has availed two Secured Overdraft facilities, one for an amount of Rs. 3,975 Lakhs from Punjab National Bank, Chennai at an interest rate of 10.40%-11.25%, which is secured against the Fixed Deposits of Rs. 4,300 Lakhs placed with the bank and another for amount of Rs. 2,843 Lakhs from Bank of India at an interest rate of 11.20%, which is secured against the Fixed Deposits of Rs. 3,000 Lakhs.
2. On 15 February 2012, the Company has availed a Working capital loan repayable on demand from Punjab National Bank for an amount of Rs. 3,500 Lakhs repayable within 60 days from the date of disbursement and is secured by the entire current assets both present and future.
3. VA Tech Wabag GmbH, Austria and VA Tech Wabag Algeria s.a.rl., Algeria have secured overdraft facilities for an amount of Rs. 1,300 lakhs and Rs. 760 lakhs respectively (Previous Year - Rs. 1,125 lakhs and Rs. 3,078 lakhs respectively) which is repayable on demand and is secured by the entire current assets both present and future of the respective subsidiaries.
4. VA Tech Wabag GmbH, Austria has a working capital loan repayable on demand of Rs. 38 lakhs (Previous Year - Rs. 36 lakhs) and is secured by the current assets of the respective subsidiary.
5. VA Tech Wabag Tunisia s.a.r.l., Tunisia has during the year availed a working capital loan repayable on demand for an amount of Rs. 7 lakhs and also availed Secured overdraft facilities for an amount of Rs. 18 lakhs, both of which are secured by the current assets of the respective subsidiary.
6. VA Tech Wabag GmbH, Austria has term loans repayable after one year for an amount of Rs. 38 lakhs (Previous Year - Rs. 27 lakhs) and is secured by the current assets of the respective subsidiary.

(Rs. in Lakhs)

	As at 31 March 2012	As at 31 March 2011
Note 7 DEFERRED TAXES		
Deferred tax asset arising on account of:		
Provisions and other liabilities	1,921	2,835
Unutilised tax losses	103	91
Total deferred tax asset	**2,024**	**2,926**
Deferred tax liability arising on accout of:		
Timing difference between depreciation/amortisation as per financials and depreciation as per tax	302	222
Receivables and other assets	702	553
Total deferred tax liability	**1,004**	**775**
Foreign exchange fluctuation	20	9
Total Deferred tax asset	**1,040**	**2,160**
Disclosed as		
Deferred tax asset	**1,042**	**2,160**
Deferred tax liability	**2**	**–**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

(Rs. in Lakhs)

	As at 31 March 2012	As at 31 March 2011
Note 8 OTHER LONG TERM LIABILITIES		
Trade payables including acceptances	3,804	2,151
Advance from customers	909	682
Others	76	95
	4,789	2,928

(Rs. in Lakhs)

	As at 31 March 2012		As at 31 March 2011	
	Long term	Short term	Long term	Short term
Note 9 PROVISIONS				
Proposed dividend to equity shareholders (Also refer note (a) below)	–	1,589	–	1,056
Dividend tax	–	258	–	176
Provision for warranty, liquidated damages, litigations and others (Refer note (b) below)	706	8,885	654	10,505
Provisions for employee benefits (Also refer note (c) below)	2,267	60	1,780	66
Provision for taxation (net of advance tax Rs. 356 lakhs; previous year Rs.8,472 lakh)	–	473	–	428
	2,973	11,265	2,434	12,231

	As at 31 March 2012	As at 31 March 2011
a) Details with respect to proposed dividend		
Dividends proposed to		
Equity shareholders	1,589	1,056
Proposed dividend per share		
Equity shareholders (Rs.) - Face value of Rs. 2 each (Previous year Rs. 5 each)	6	10
(Also, refer note 4 (g))		
b) Reconciliation of provision		
Provision for warranty, liquidated damages, litigations and others		
Balance at the beginning of the year	11,159	7,312
Charged during the year, net	1,104	8,268
Utilised during the year	(3,157)	(4,693)
Difference on Foreign Exchange	485	272
Balance at the end of the year	9,591	11,159

Provision for warranty, liquidated damages and litigations and others

A provision is recognized for expected warranty claims on construction contracts completed, based on past experience of level of repairs and returns. It is expected that these costs would be incurred within two years from the balance sheet date, which generally coincides with the completion of warranty period of the contract. The assumption used to calculate the provision for warranties are based on the company's current status of contracts under execution and information available about expenditure more probable to be incurred based on the company's warranty period for contracts completed.

The Company provides performance guarantees to its customers which require it to complete projects within a specified timeframe. In the event of a failure to complete a project as scheduled, or in case of a performance shortfall, the Company may generally be held liable for penalties in the form of agreed liquidated damages. The Company provides for liquidated damages when it reasonably expects that a delay in the completion of the project or a shortfall in the performance parameters might give rise to a claim from the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

Note 9 PROVISIONS (Contd.)

customer. Liquidated damages are measured and recognised in accordance with the terms of the contracts with customers.

The Company provides for litigations, which is predominantly on account of disputes on statutory dues. The Company assesses each demand raised by the statutory authorities and based on responses and discussions with the attorneys and when there is a present obligation as a result of a past event, where the outflow of economic resources is probable and a reliable estimate of the amount of obligation, a provision for litigation is created. Instances when there is no present obligation or where the present obligation would probably not require outflow of resources or where the same cannot be reliably estimated, the same is disclosed as contingent liability in the financial statements. The Company reverses its provisions on receipt of a favourable order from the appropriate authority and when no further obligation is envisaged.

c) Employee benefits

The Status of all the plans (for the year ended 31 March 2012) are set out in the following tables:

(Rs. in Lakhs)

Particulars	Gratuity	Anniversary	Severence Payments	Pension and other Obligations
Defined Benefit obligation 1 April 2011	199	108	1,139	6,585
Current Service Cost	34	7	52	176
Interest Cost	15	5	53	233
Actuarial (gain)/Losses	27	(42)	(30)	392
Benefits paid	(11)	(6)	–	(582)
Past service costs	–	–	–	140
Effect of Foreign Currency	–	8	94	1,732
Defined Benefit obligation 31 March 2012	**264**	**80**	**1,308**	**8,676**
Defined Benefit obligation 31 March 2012				
Represented by :				
– Unfunded	60	80	1,308	879
– Partly or Wholly Funded	204	–	–	7,797
Total	**264**	**80**	**1,308**	**8,676**
Reconciliation of the Plan Assets				
Fair value of plan assets as at start of the year	134	–	–	6,540
Expected return on plan assets	14	–	–	188
Actuarial gains/ (losses)	1	–	–	139
Contributions by the Group	66	–	–	333
Benefits paid	(11)	–	–	(553)
Effect of Foreign Currency	–	–	–	1,150
Fair value of plan assets at Year End	**204**	**–**	**–**	**7,797**
Reconciliation of the liability:				
Defined benefit obligation	264	80	1,308	8,676
Fair value of plan assets	(204)	–	–	(7,797)
Defined benefit plans	**60**	**80**	**1,308**	**879**
Classified as:				
Provisions	60	80	1,308	879
Expense recognized:				
Service cost and Benefits paid	34	1	52	268
Interest costs	14	5	53	233
Expected return on plan assets	(14)	–	–	(506)
Actuarial (gains) losses	26	(42)	(30)	257
Foreign Currency Movements	–	8	94	95
Total expense recognized in the income statement	**60**	**(28)**	**169**	**347**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

Note 9 PROVISIONS (Contd.)

(Rs. in Lakhs)

Particulars	Gratuity	Anniversary	Severence Payments	Pension and other Obligations
Actuarial Assumptions:				
Discount rate	8.60%	4.75%	4.75%	2.50%
Expected rate of return on plan assets	9.00%	4.20%	4.20%	2.50%
Expected rate of salary increases	8.00%	3.25%	3.25%	1.00%
Attrition Rate	17.50%	NA	NA	NA
Defined Benefit obligation 1 April 2010	134	136	1,175	5,875
Current Service Cost	26	7	45	131
Interest Cost	10	6	57	187
Actuarial (gain)/Losses	20	(28)	(6)	64
Benefits paid	(8)	(18)	(180)	184
Past service costs	17	–	–	(109)
Effect of Foreign Currency	–	5	48	253
Defined Benefit obligation 31 March 2011	**199**	**108**	**1,139**	**6,585**
Defined Benefit obligation 31 March 2011				
Represented by :				
– Unfunded	64	108	1,139	533
– Partly or Wholly Funded	135	–	–	6,052
Total	**199**	**108**	**1,139**	**6,585**
Reconciliation of the Plan Assets				
Fair value of plan assets as at start of the year	132	–	–	5,517
Expected return on plan assets	12	–	–	148
Actuarial gains/ (losses)	(2)	–	–	26
Contributions by the Group	–	–	–	243
Benefits paid	(7)	–	–	(183)
Effect of Foreign Currency	–	–	–	301
Fair value of plan assets at Year End	**135**	**–**	**–**	**6,052**
Reconciliation of the liability:				
Defined benefit obligation	199	108	1,139	6,585
Fair value of plan assets	(135)	–	–	(6,052)
Defined benefit plans	64	108	1,139	533
Classified as:				
Provisions	**64**	**108**	**1,139**	**533**
Expense recognized:				
Current and Past service cost	42	7	46	131
Interest costs	11	6	57	187
Expected return on plan assets	(12)	–	–	(148)
Actuarial (gains) losses	23	(28)	(6)	36
Foreign Currency Movements	–	2	48	(48)
Total expense recognized in the income statement	**64**	**(13)**	**145**	**158**
Actuarial Assumptions:				
Discount rate	7.70%	4.75%	4.75%	3.00%
Expected rate of return on plan assets	9.00%	NA	NA	2.50%
Expected rate of salary increases	7.50%	3.25%	3.25%	1.00%
Attrition Rate	15.00%	NA	NA	NA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

(Rs. in Lakhs)

	As at 31 March 2012	As at 31 March 2011
Note 10 TRADE PAYABLES		
Dues to micro and small enterprises (Also, refer note (a) below)	1	23
Dues to others	63,768	48,730
Employee related payables (Also refer note (b) below)	977	234
Other accrued liabilities	1,016	203
	65,762	49,190

a) For details of disclosure pursuant to section 22 of Micro, Small and Medium Enterprises Development Act (MSMED), 2006 refer note 9(a) of the annual standalone financial statements.

b) Variable Pay / Productivity Reward
The Company has a performance related Variable Pay program and the computation of the eligible pay for employees was hitherto made annually using various parameters depending on functional goals. During the year, the Company modified its Variable Pay program such that it is related to quarterly target and performance. Pursuant to this updated scheme, the company has paid part of the variable pay related to performance of first half of the current year ended 31 March 2012 amounting to Rs. 102 Lakhs and has also accrued for the variable pay payable based on performance of second half of the year amounting to Rs.576 lakhs. The company has also expensed off an amount of Rs 664 lakhs, paid as variable pay to employees based on achievement of functional goals for year ended 2010-11.

Note 11 OTHER CURRENT LIABILITIES		
Billing in advance	3,087	4,364
Advance from customers	9,409	4,130
Unpaid dividends	1	–
Statutory dues	2,805	3,000
Other payables	532	662
	15,834	12,156

There are no amounts due for payments to the Investor education and protection fund under Section 205C of the Companies Act, 1956 as at the balance sheet date.

Note 12 TANGIBLE ASSETS

	Freehold land	Plant and machinery	Vehicles	Office, leased and other equipments	Total
Balance as at 01 April 2010	1,698	347	755	2,284	5,084
Additions	–	29	172	301	502
Disposals	–	–	(26)	(48)	(74)
Foreign exchange fluctuation	–	18	23	69	110
Balance as at 31 March 2011	1,698	394	924	2,606	5,622
Additions	5	172	228	367	772
Disposals	–	(194)	(221)	(126)	(541)
Foreign exchange fluctuation	–	45	45	124	214
Balance as at 31 March 2012	**1,703**	**417**	**976**	**2,971**	**6,067**
Accumulated depreciation					
Balance as at 01 April 2010	–	246	323	1,325	1,894
Depreciation for the year	–	15	141	320	476
Reversal on disposal of assets	–	–	(16)	(47)	(63)
Foreign Exchange Fluctuation	–	5	8	40	53
Balance as at 31 March 2011	–	266	456	1,638	2,360
Depreciation for the year	–	25	146	262	433
Reversal on disposal of assets	–	(194)	(151)	(83)	(428)
Foreign Exchange Fluctuation	–	14	17	55	86
Balance as at 31 March 2012	–	111	468	1,872	2,451
Net block					
Balance as at 31 March 2011	**1,698**	**128**	**468**	**968**	**3,262**
Balance as at 31 March 2012	**1,703**	**306**	**508**	**1,099**	**3,616**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

Note 13 INTANGIBLE ASSETS

(Rs. in Lakhs)

Gross Block	Goodwill	Computer Software	Total
Balance as at 01 April 2010	1,556	1,430	2,986
Additions	–	1,274	1,274
Disposals	–	(4)	(4)
Foreign exchange fluctuation	–	61	61
Balance as at 31 March 2011	1,556	2,761	4,317
Additions	–	276	276
Disposals	–	(85)	(85)
Foreign exchange fluctuation	–	107	107
Balance as at 31 March 2012	1,556	3,059	4,615
Accumulated amortisation			
Balance as at 01 April 2010	1,244	938	2,182
Amortisation for the year	312	210	522
Reversal on disposal of assets	–	(4)	(4)
Foreign exchange fluctuation	–	39	39
Balance as at 31 March 2011	1,556	1,183	2,739
Amortisation for the year	–	426	426
Reversal on disposal of assets	–	(82)	(82)
Foreign exchange fluctuation	–	76	76
Balance as at 31 March 2012	1,556	1,603	3,159
Net block			
Balance as at 31 March 2011	**–**	**1,578**	**1,578**
Balance as at 31 March 2012	**–**	**1,456**	**1,456**

(Rs. in Lakhs)

	As at 31 March 2012	As at 31 March 2011
Note 14 NON-CURRENT INVESTMENTS		
Trade Investments (Valued at cost unless stated otherwise)		
Investments in Associate Companies		
Windhoek Goreangab Operating Company (Pty) Limited	347	316
(The group holds 33 shares of 1 Namibian dollar each, representing 33% of the Share capital (Previous year: 33 Shares)		
Investment in Securities - Quoted	–	**1,039**
In Other Companies		
First STP Private Limited		
(150,000 (Previous year :150,000) equity shares of Rs. 10 each)	15	15
Konark Water Infraprojects Private Limited	1	–
(5,000 (Previous year : Nil) equity shares of Rs.10 each)		
	363	**1,370**
Aggregate amount of quoted investments	–	1,039
Market value of quoted investments	–	1,071
Aggregate amount of unquoted investments	363	331
Aggregate provision for diminution in value of investments	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

(Rs. in Lakhs)

		As at 31 March 2012		As at 31 March 2011	
		Long term	Short term	Long term	Short term
Note 15 LOANS AND ADVANCES					
Capital advances					
– Secured, considered good		–	167	–	–
– Unsecured, considered good		–	12	–	–
	(A)	–	179	–	–
Security deposits					
– Unsecured, considered good		60	543	–	513
	(B)	60	543	205	513
Other loans and advances					
(Unsecured, considered good)					
– Advances to supplier		325	6,230	164	9,249
– Advances to employees		–	317	–	184
– Advance tax (Net of Provisions current year Rs.10,666 lakhs; previous year Rs.1 lakh)		–	1,059	–	9
	(C)	325	7,606	164	9,442
Total	(A + B + C)	385	8,328	369	9,955

(Rs. in Lakhs)

		As at 31 March 2012	As at 31 March 2011
Note 16 OTHER NON-CURRENT ASSETS			
Long term trade receivables			
Customer retention - Unsecured, considered good		2,007	3,699
	(A)	2,007	3,699
Non-current bank balances (Refer note 20)		6,000	–
Others		9	28
	(B)	6,009	28
Total	(A + B)	8,016	3,727

Note 17 CURRENT INVESTMENTS		
Investments in mutual funds - Unquoted	–	3,000
(Market Value - Rs. 0; previous year - Rs.3,023 lakhs)		
	–	3,000
Aggregate amout of unquoted investments	–	3,000
Aggregate provision for diminution in value of investments	–	–

Note 18 INVENTORIES		
Construction work-in-progress	4,622	6,954
Stores and spares	367	407
	4,989	7,361

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

(Rs. in Lakhs)

		As at 31 March 2012	As at 31 March 2011
Note 19 TRADE RECEIVABLES			
Outstanding for a period exceeding six months from the date they are due for payment			
Unsecured considered good		10,075	2,502
Doubtful		1,463	1,227
		11,538	3,729
Less : Allowances for doubtful debts		(1,463)	(1,227)
	(A)	10,075	2,502
Outstanding for a period less than six months from the date they are due for payment			
Other debts			
Unsecured considered good		88,683	64,087
Doubtful		–	1
		88,683	64,088
Less : Allowances for doubtful debts		–	(1)
	(B)	88,683	64,087
Customer retention			
Unsecured considered good		10,503	3,847
Doubtful		182	–
		10,685	3,847
Less : Allowances for doubtful debts		(182)	–
	(C)	10,503	3,847
Total	(A + B + C)	109,261	70,436

(Rs. in Lakhs)

		As at 31 March 2012		As at 31 March 2011	
		Current	Non-current	Current	Non-current
Note 20 CASH AND BANK BALANCES					
Cash and cash equivalents					
Cash on hand		517	–	519	–
Cheques on hand		7,644	–	5,102	–
Balances with banks					
– in current accounts		15,637	–	10,222	–
– in deposit account (with maturity upto 3 months)		2,715	–	5,455	–
	(A)	26,513	–	21,298	–
Other bank balances					
Unpaid dividend account		1	–	–	–
Deposits with maturity more than 3 months but less than 12 months*		7,300	–	8,450	–
Balances with bank held as					
Margin money		12	–	2,700	–
Bank deposits with maturity of more than 12 months		–	6,000	–	–
	(B)	7,313	6,000	11,150	–
Less : Amounts disclosed as					
Other non–current assets (Refer note 16)		–	6,000	–	–
Total	(A+B)	33,826	–	32,448	–

* Deposit amounting to Rs.7,300 lakhs (previous year 0) are subject to a charge to secure the Company's short term borrowings (Also refer note 6(1))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

(Rs. in Lakhs)

	As at 31 March 2012	As at 31 March 2011
Note 21 OTHER CURRENT ASSETS		
(Unsecured, considered good)		
Balances with statutory authorities	2,171	1,593
Prepaid expenses	735	638
Rental deposits	314	267
Interest accrued & other deposits	1,099	1,367
	4,319	3,865
Note 22 CONTINGENT LIABILITIES AND COMMITMENTS		
Income tax impact on account of non deductibility U/s 80 IA (Refer 'a' below)	2,422	2,419
- Out of the above, Income tax demand contested in appeal	939	578
Interest U/s 234 on the tax liability referred above (Refer 'b' below)	1,672	1,376
Sales tax matters under dispute (Refer 'c' below)	325	130

a. The Company had been claiming deduction under section 80-IA of the Income Tax Act, 1961 from the financial year ended 31 March 2002 as a developer of infrastructure projects in India. The Finance Act 2009 amended the provisions of Section 80-IA retrospectively with effect from 01 April 2000 to make it inapplicable for persons having a mere works contract with the government or statutory authority. The Company believes that this amendment is in line with the objective of the government of incentivising only a developer of infrastructure facility and not a mere works contractor.

The Company strongly opines that, being a developer of infra structure turnkey development contracts starting from the conceptualisation to execution assuming significant financial commitment and risks, the Company would be treated as a developer and the amendment would not apply to it. Based on a legal opinion from a Senior Counsel, the Company has filed a writ petition in the High Court of Madras challenging the Constitutional validity of the retrospective amendment. Also, the Company has subsequently received favourable Appellate Orders from CIT (Appeals) from financial years 2001-02 to 2006-07 allowing the benefit under section 80-IA of the Income Tax Act, while, the Income Tax department has raised a demand for Rs.939 lakhs denying benefit under section 80-IA for the financial year 2008-09. Considering these facts and as a matter of prudence, the company has presented the total tax benefit so far claimed u/s 80-IA as contingent liability in the Financial Statement for 31 March 2012.

However, on a conservative basis the liability on account of possible denial of deduction prospectively from 01 April 2009 has been fully provided as current tax in the respective years.

b. The Company, also based on an opinion taken from a professional firm believes that the interest under section 234B on account of 80-IA disallowance discussed in paragraph 'a' above amounting to Rs. 1,672 lakhs as at 31 March 2012 would not be payable as the Jurisdictional High Court rulings and various assessment orders commencing from financial year 2001-02 are in favour of the Company on this aspect and on this basis, the amount of interest has been disclosed as contingent liability.

c. The additional liability assessed by sales tax authorities for various financial years from 2002-03 to 2008-09 amounts to Rs. 325 lakhs.

(Rs. in Lakhs)

	Year ended 31 March 2012	Year ended 31 March 2011
Note 23 REVENUE		
Revenue from operation		
Sale of services	143,824	123,298
Other operating revenues	528	884
Revenue from operations	144,352	124,182

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

(Rs. in Lakhs)

	Year ended 31 March 2012	Year ended 31 March 2011
Note 24 COST OF SALES AND SERVICES		
Material, engineering and civil costs	82,727	75,763
Service costs and other project expenses	19,000	16,693
	101,727	**92,456**

	Year ended 31 March 2012	Year ended 31 March 2011
Note 25 DECREASE/ (INCREASE) IN INVENTORIES		
Inventories at the beginning of the year		
– Construction work-in-progress	6,954	3,126
– Stores & Spares	407	386
	7,361	3,512
Less: Inventories at the end of the year		
– Construction work-in-progress	4,622	6,954
– Stores & Spares	367	407
	4,989	7,361
Foreign currency impact	123	(409)
	2,495	**(4,258)**

	Year ended 31 March 2012	Year ended 31 March 2011
Note 26 EMPLOYEE BENEFIT EXPENSE		
Salaries, wages and bonus	15,462	14,206
Employee stock option scheme	–	61
Contribution to defined benefit plans (also refer note 9(c))	548	354
Staff welfare and other employee benefits	2,819	2,534
	18,829	**17,155**

	Year ended 31 March 2012	Year ended 31 March 2011
Note 27 FINANCE COSTS		
Interest expenses	1,113	416
Bank charges	1,433	1,731
Less: Interest and dividend received from bank and others	(1,507)	(669)
	1,039	**1,478**

	Year ended 31 March 2012	Year ended 31 March 2011
Note 28 OTHER EXPENSES		
Rent	1,256	1,067
Insurance	199	262
Power and fuel	179	151
Rates and taxes	178	275
Maintenance	891	909
Professional charges (Also refer note 34)	1,451	1,280
Communication expenses	451	528
Traveling and Conveyance	1,221	1,316
Foreign exchange losses	176	–
Bad debts and provision for bad debts	674	(270)
Advertisement	336	146
Loss on sale of assets	29	–
Other selling expenses	43	66
Miscellaneous expenses	1,214	996
	8,298	**6,726**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

(Rs. in Lakhs)

	Year ended 31 March 2012	Year ended 31 March 2011
Note 29 DEPRECIATION AND AMORTISATION EXPENSE		
Depreciation of tangible assets (Also refer note 12)	433	476
Amortisation of intangible assets (Also refer note 13)	426	522
	859	998

Note 30 EXCEPTIONAL ITEMS

During the previous year, the Company had on account of adverse arbitrations involving one of its overseas subsidiaries, VA Tech Wabag Deutschland GmbH, accounted for Rs. 968 lakhs (Euro 1.6 million) for a project named Constanta and Rs. 318 lakhs (Euro 0.525 million) for a project named Mexenna. Both these cases relate to projects which were executed prior to acquisition of the subsidiary by the company.

Note 31 EARNINGS PER SHARE (RS.)

	Year ended 31 March 2012	Year ended 31 March 2011
Nominal value of equity shares	2	2*
Profit attributable to equity shareholders (A)	7,375	5,257
Weighted average number of equity shares outstanding during the year (B)	26,437,197	24,764,300
Basic earnings per share (A/B)	**27.90**	**21.23**
Dilutive effect on profit (C)	–	–
Profit attributable to equity shareholders for computing diluted EPS (D) = (A+C)	7,375	5,257
Dilutive effect on weighted average number of equity shares outstanding during the year (E)	47,392	53,063
Weighted average number of equity shares and equity equivalent shares for computing Diluted EPS (F) = (B+E)	26,484,589	24,817,363
Diluted earnings per share (D/F)	**27.85**	**21.18**

* EPS for the previous year ended 31 March, 2011 have been adjusted for the impact of subdivision of shares pursuant to the approval of the shareholders in its Annual General meeting on 15 July 2011 (Also refer note 4(g)). The basic and diluted EPS for the year ended 31 March, 2011 as originally reported was Rs. 53.07 and Rs. 52.96 respectively.

Note 32 CONSTRUCTION CONTRACTS

	Year ended 31 March 2012	Year ended 31 March 2011
In terms of the disclosures required to be made under the Accounting Standard (AS) 7 as notified in section 211(3C) of the Companies Act, 1956, the amounts considered in the financial statements up to the balance sheet date are as follows:		
Contract revenue recognised	123,704	101,744
Aggregate amount of costs incurred and recognised profits and losses for all contracts in progress	267,278	234,856
Less : Progressive billings	257,158	227,778
	10,120	**7,078**
Recognised as :		
Due from customers for construction contract work, recognised in Trade receivables	13,300	11,255
Due to customers for construction contract work, recognised in current liabilities	(3,180)	(4,177)
	10,120	**7,078**
Advances received from customers for contracts related to work not yet performed included in 'Other long term liabilities' and 'Other current liabilities'.	10,318	4,812
Retention on contracts included within 'Trade receivables' and 'Other non-current assets'.	12,510	7,546

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 *(Contd.)*

(Rs. in Lakhs)

	Year ended 31 March 2012	Year ended 31 March 2011
Note 33 DISCLOSURES IN RESPECT OF NON-CANCELLABLE OPERATING LEASES		
The lease rentals charged for the years ended 31 March 2012 and 2011 and maximum obligation on long-term, non-cancellable operating leases payable as per the rentals stated in the respective agreements are as provided below:		
The total of future minimum lease payments for each of the following periods:		
(i) Not later than one year	806	635
(ii) Due later than one year not later than five years	1,117	1,663
(iii) Due later than five years	–	–
Total	1,923	2,298
Lease payments charged off to the statement of profit and loss	1,256	1,067

	Year ended 31 March 2012	Year ended 31 March 2011
Note 34 PAYMENTS TO AUDITORS (included as part of Professional Charges)		
As auditor		
Statutory audit	17	14
Limited review	6	2
Tax audit	2	2
	25	18
In other capacity		
Other services	9	8
	9	8
	34	26

	Year ended 31 March 2012	Year ended 31 March 2011
Note 35 REMUNERATION TO KEY MANAGERIAL PERSONNEL		
The following table describes the compensation to key managerial personnel which comprises of directors and other managerial personnel. Refer note 31(a) of the annual standalone financials for details.		
Rajiv Mittal	248	115
Rahul Jaiswal	81	67
Others	332	235
Total	661	417

	Year ended 31 March 2012	Year ended 31 March 2011
Note 36 DIVIDEND REMITTED IN FOREIGN CURRENCY		
Period to which it relates	2010-11	–
Number of non - resident shareholders	1	–
Number of shares held on which dividend was due		
Equity shares of Rs. 2 each	22,333	–
Amount remitted (Euro 1,376.85)	1	–

For **Walker, Chandiok & Co**
Chartered Accountants

per **Sumesh E S**
Partner

On behalf of the Board of Directors

Rajiv Mittal
Managing Director

Sumit Chandwani
Director

S Varadarajan
Chief Financial Officer

Rajiv Balakrishnan
Company Secretary

Place : Chennai
Date : 24 May 2012

FINANCIAL INFORMATION OF SUBSIDIARY COMPANIES PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

(Rs. in Lakhs)

Sl. No.	Name of the Company	Capital	Reserves	Total Assets	Total Liabilities	Details of Investment (Except in case of Investment in Subsidiary)	Turnover	Profit before Taxation	Provision for Taxation	Profit after Taxation	Proposed Dividend
1.	VA TECH Wabag (Singapore) Pte. Ltd.	1,413.57	506.26	3,195.93	1,276.11	–	1.93	88.98	–	88.98	–
2.	VA TECH Wabag (Hongkong) Ltd.	1,288.38	(148.75)	1,201.66	62.03	–	0.00	(98.52)	–	(98.52)	–
3.	Beijing VA TECH Wabag Water Treatment Technology Co. Ltd.	894.82	(884.84)	201.11	191.13	–	3.98	(455.53)	2.50	(458.03)	–
4.	VA TECH Wabag GmbH	683.40	16,633.49	36,480.91	19,164.02	186.86	19,266.76	560.00	(3.90)	556.10	–
5.	VA TECH Wabag Deutschland, GmbH	157.35	35.61	1,822.92	1,629.96	–	37.43	15.47	–	15.47	–
6.	VA TECH Wabag Algeria SARL	7.03	(662.07)	1,158.34	1,813.38	–	1,458.86	(301.34)	–	(301.34)	–
7.	WABAG Wassertechnik AG	467.46	1,025.99	9,447.95	7,954.50	–	12,214.29	647.69	(76.91)	570.78	–
8.	VA TECH WABAG BRNO spol. S.r.o.	50.66	707.21	5,836.16	5,078.29	–	5,703.55	258.11	(15.78)	242.33	–
9.	VA TECH WABAG Tunisia S.A.R.L.	3.71	207.72	1,365.32	1,153.88	–	833.38	1.67	(0.12)	1.55	–
10.	Engenharia Hidraulica de Macao Ltd.	136.76	58.87	238.95	43.33	–	1,392.86	(21.80)	(22.20)	(44.00)	–
11.	Wabag water services (Macao) Ltd.	1.44	74.00	354.57	279.12	–	655.06	75.50	(6.89)	68.61	–
12.	WABAG Water Services S.R.L.	6.83	1,200.05	2,377.13	1,170.25	–	5,070.61	477.11	(77.35)	399.77	–
13.	VA TECH Wabag Techknolojisi ve Ticaret Limited	15.58	(419.09)	259.59	663.10	–	100.70	(323.88)	2.20	(321.68)	–
14.	VA Tech Wabag Muscat LLC	202.46	111.44	368.49	54.60	–	414.08	112.65	9.00	103.65	–
15.	VA Tech Wabag (Philippines) Inc.	103.67	219.86	2,229.38	1,905.86	–	2,914.60	292.87	89.10	203.77	–
16.	VA TECH Wabag Egypt Ltd.	35.65	–	–	–	–	–	–	–	–	–
17.	Ujams Wastewater Treatment Company (Pty) Limited	0.01	–	–	–	–	–	–	–	–	–
18.	VA TECH Wabag(Gulf) Contracting (L.L.C) **	–	–	–	–	–	–	–	–	–	–

Note: Exchange rate used for Balance Sheet items is the rate as on March 31, 2012 and for Profit and Loss account items is the average rate for the Financial Year 2011-2012.

** VA TECH Wabag(Gulf) Contracting (L.L.C) is under Process of Liquidation.

Currency	Rate for Balance Sheet Items INR	Rate for Profit & Loss Account items INR
1 Euro	68.34	66.47
1 SGD	41.34	38.52
1 AED	14.15	13.16
1 HKD	6.69	6.21
1 CNY	8.22	7.56
1 PHP	1.21	1.12
1 OMR	134.97	125.54
1 NAD	6.62	6.49

Corporate Information

Board of Directors
Bhagwan Dass Narang, Chairman
Rajiv Mittal, Managing Director
Sumit Chandwani
Jaithirth Rao
Guenter Heisler
Revathi Kasturi

Chief Financial Officer
S Varadarajan

Company Secretary
Rajiv Balakrishnan

Registered & Corporate Office
11, Murray's Gate Road,
Alwarpet, Chennai 600 018

Bankers
State Bank of India
ICICI Bank Limited
Yes Bank Limited
HDFC Bank Limited
IDBI Bank Limited
Punjab National Bank
Societe Generale Bank

Statutory Auditors
Walker, Chandiok & Co.,
Chartered Accountants

Registrar and Transfer Agents
Karvy Computershare Private Limited

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