

May 29, 2023

National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1, G Block,
Bandra Kurla Complex,
Bandra (E), Mumbai - 400 051

BSE Limited,
Floor 25, P J Towers,
Dalal Street,
Mumbai - 400 001

NSE Symbol: **WABAG**BSE Scrip Code: **533269**

Dear Sir/Madam,

Sub: Transcript of Earnings Conference Call & Investors Meet on Q4 FY23 Results.

Pursuant to Regulation 30(6) and 46 read with Part A of Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcript of Earnings Conference Call & Investors Meet on Q4 FY23 Results held on Tuesday, May 23, 2023.

The Transcript of Earnings Conference Call & Investors Meet on Q4 FY23 Results is also available on the Company's website www.wabag.com.

Kindly take the same on record.

Thanking You,

For **VA TECH WABAG LIMITED**

Anup Kumar Samal
Company Secretary & Compliance Officer
Membership No: F4832

Encl.: As above

Sustainable solutions, for a better life



“VA Tech Wabag Limited
Q4 FY23 Earnings Conference Call & Investors Meet”
May 23, 2023



MANAGEMENT: **MR. RAJIV MITTAL – CHAIRMAN AND MANAGING DIRECTOR – VA TECH WABAG LIMITED**
MR. PANKAJ MALHAN - GROUP CHIEF EXECUTIVE OFFICER AND DEPUTY MANAGING DIRECTOR – VA TECH WABAG LIMITED
MR. SKANDAPRASAD SEETHARAMAN – CHIEF FINANCIAL OFFICER – VA TECH WABAG LIMITED
MR. SHAILESH KUMAR – CHIEF EXECUTIVE OFFICER – INDIA CLUSTER – VA TECH WABAG LIMITED

MODERATOR: **MR. SUYASH SAMANT – STELLAR IR**

Rajiv Mittal:

Good evening friends, ladies and gentlemen, first let me thank you all for making it convenient to attend this investor's meet which we are doing almost after four years plus. Of course, COVID has kept us away, but otherwise this used to be a yearly event. Though we have been doing such calls over a telephone con call, but there's nothing like coming, looking into your faces, getting the feedback from you on first hand basis, shaking hand with you, we were missing that, so it's really fortunate to see you all in strength and I understand some are on the way and this is what we are here for, to meet you, get your guidance, get your expectations from the company because we are here to serve our shareholders and that is a single purpose.

We do our business to make sure that we add value, we create wealth for all our shareholders. Let me introduce my team on the dais, extreme left to me is Mr. Pankaj Malhan, he's our Group CEO and Deputy Managing Director joined us recently about six months back. Next to him is Mr. Skandaprasad Seetharaman, he's our CFO and he's been with the company for a long time and he's taken over the CFO's position about a couple of years back. To my immediate left is Mr. Shailesh Kumar, he's our CEO – India Cluster and he has also joined us about a year and a half back, he's heading our India cluster, India cluster is the biggest cluster for Wabag and is one of the three clusters we have, which Shailesh is heading is India cluster which is India and all the neighbouring countries including Southeast Asia and other clusters are Middle East and Africa and our legacy cluster is Europe, which we had acquired from Siemens in 2007 from a reverse acquisition.

This is a meeting where we are going to share with you our results and before we go to that, I think you will be happy to know that your company where you have put in your hard earned money. We are in 25 countries, we are truly Indian multinational, you can see our presence in Southeast Asia, in Middle East, in Africa and in Europe, that's what your company is and you will be even happier to know that next year we will be completing 100 years of Wabag, so next year we'll be celebrating our centenary year because Wabag as a brand came to existence in 1924 and this is 100 years we'll be completing during next year. We have a huge legacy which gives us huge technical advantage, brand value and references more than 6,500 plants we have built in this period which is helping the business to pre-qualify for any project anywhere in the world, any size, any complexity.

We'll be covering a bit on Wabag for all the new investors who did not have so much in-depth understanding of Wabag, then little bit about the sector especially the sustainability, the green, the circular economy, the climate change which are all the buzzwords and your company's business is right in the center of all these concepts which are very popular and is the right thing, people are taking interest in it to protect our Earth, Mother Earth and this is where your company is playing a big role in managing this.

Long-term strategy, around two years back we had a very renowned professional to support us in drawing a strategy which we did was approved by the board and we have started implementing it and we have started seeing the result of this strategy and briefly we'll discuss about it. Then finally of course, the numbers which matter the most, we'll talk about business metrics, the numbers which are very important and we'll share with you and try to take your views on that.

I think the thing in four quadrants is what Wabag stands for, as you know we are one of the very few companies which are into pure play water, you will not find anybody like us who only focuses in water, our business is only water, we have no other businesses, neither we have an aspiration to diversify into anything, we are happy with what we are doing. We are knowledgeable of what we are doing, we have a brand which is very solid in this sector and we want to continue it and this is something which we are also focusing on the technology part of.

We are not a general contractor like many other companies who are trying to enter this sector, we are a specialized contractor and we call ourselves a technology company. We have more than 125 IP rights in terms of patent and trademark and these IP rights we use it in our own business, we don't subcontract it, we don't license it, it is used only for proprietary projects.

I think we have continued to invest money in R&D centers where we are producing both technology in terms of process and product and this is something that, a part of our top line is always invested in new technologies and new products. Most of our research and development is today happening in sustainability, green and climate change and renewable energy. This is where the focus is and we believe this is where the future is, the market is going to support that so we are investing money and time into that.

Now if you look at our "going global" in terms of deliveries, we are already present in 25 countries and with 99 years of experience, 25 countries in just from 1995 year onwards, we have built more than 1,400 plants. You will not find companies who have this kind of a track record and not only in one country, multiple geographies. These are technologies which are second to none. These are global technologies, we compete with global companies not only with Indian companies and we compete with best in the class and we are second to none.

We have a tremendous price advantage because of our sheer presence in India compared to our competitors who predominantly come from Europe. So, this is giving us a cost arbitrage though our expectations of margins are far higher than a European company's expectation of margin. Still it leaves enough money to give a competitive edge over our European competitors.

I think it's very important to see that Wabag is not only an Indian company, it's recognized globally. You would be happy to know if you don't know already that Wabag started about 25 years back as a startup company and today it's number three globally. There's no company globally which have achieved so much in so little time and proud to be not only a Wabagite but also be a proud Indian to say that the Indian flag is in the water sector at number three. So this is a real proud moment that we could achieve what so many other companies could not achieve.

Desalination, which is also something of future technology, you see a lot of interest is coming there to build up water security globally. We are again in top 10 globally in providing desalination technology. We realized when we did our strategy that we should not do something what we are not good at and something what we are not good at is sheer construction, civil works.

That's not something good for us and at most of the time it's like pass through in our P&L and we don't make lot of margin. That portion subdues our margin. So it was decided to focus on EP

job, what is EP? Engineering, what we are good at and procurement of the technology components which are required to build an advanced technology plant. This is something we should supply. This is where we should make decent margin and not get subdued by civil works which is just like a pass through for us.

Plus also when you take this kind of civil work it's always delayed for reasons which are out of your control and most of them are ROW issues but when you are not doing the civil work you are not played by these delays. So that is the reason, we said we focus on EP projects going forward and you will see all this is having effect on our bottom line as well as cash flow.

We also said that we will not get into plain vanilla run of the mill technologies because that has become a commodity. We will focus on advanced technology, where we can limit the competition because in our business still business is L1 business. So if we have to be L1 then we have to put barriers for other companies, so that they don't pull the price down and one of the best way to put barriers is to use technology as your barrier because what you have done, what references you have, these other companies will not be able to do and even if they try to bring joint ventures and all that they will not be able to compete with you.

So that was the other strategy we had but at the same time we said we want to remain asset light. It has been worked for us over the years we have seen the companies who have gone for an asset heavy model, we have seen what has happened to them. We are very proud that in the last 25 years, we have followed very religiously to remain asset light. Even presently, we are handling some HAM projects but we have found a way that it is not heavy on our balance sheet and we remain asset light.

We are a service provider and we want to remain service provider. We don't want to invest neither in assets nor in a manufacturing facility. We are design company; we will get it outsourced and we'll get it manufactured our technology components but we don't want to invest in manufacturing also.

A new concept has come and we'll talk more about it later in my discussion. See today we call there are two types of water one is a "God given water" other we call it today a "Manufactured Water". God given is all what is glaciers Yamunotri, Gangotri flowing down rainwater which is filling our lakes for you in Mumbai, Tansa, Tulsi, Vaitarna and that is the lakes they are used to supply water throughout the year. But with all the climate change happening and drought situation happening, we have seen what has happened to cities and countries.

So we wanted to come up with a solution which is drought proof irrespective of drought we can manufacture water so we can help to supplement this water by our technology. First, we said let's go to see and use seawater as this is a perennial source of water and it's a drought proof any season, any condition you will always have seawater. So why don't we use seawater and convert that into potable water which can be used for both domestic and industrial customers.

This technology is working well you know we had built a plant almost 11 years back in Chennai, last 10 years we have been operating this plant and it is giving water to south of Chennai very

reliable, economical and viable technology since last 10 years. Further innovation has happened which has brought the cost down and reliability up and more and more plants are coming.

So we are going to focus the next decades on this desalination and try to build our order book and execution on that because the competition is limited, people don't have references in this. Neither they have the scale at which, the new plants are coming. So, we will be easily able to put the qualification barrier and make decent margins for the company.

The other Manufactured Water, we talk about used water. Whether it's used water from industry or from domestic users, from our houses, these hotels, commercial establishments, they go down the drain, most of the time. Even your own Mumbai, doesn't have treatment plants, it goes into the sea. We are polluting the environment, so the government has come very strictly. We have put even NGT on it, if you do that, you can be slapped with fines. So we said, why to make this liability cost us, convert the liability into a resource and resource will give you a business compulsion to treat this water not only the compliance you have to do to the discharge standards.

So from sewage today, we are recovering all three forms of resources, the first one is gas, which we convert all the organics to biogas methane and it is used to produce energy, to run the plant or it is used for CNG production both are economically valuable resource. Second, we use this wastewater and it is very rich in fertilizer, manure, nitrogen, phosphorus, potash. All this, even Government of India gives us subsidy for that, if we sell it to the farmers every ton, we get direct money from government of India. So they are encouraging us, to use this rather than try to only dispose it. So we have to treat it, use it and it has again economic value.

The biggest economic value comes in recycling this water. We have plants all over the globe, not only in India, our first plant was set up 25 years back in Africa, which people are still drinking this water. That's the only resource, they have to survive. Nothing has happened to them. They're all healthy and they're putting up a new plant now. So it shows that, it's a mental barrier, that you cannot drink this water but if you go to Singapore, we will use the same water coming out of the taps, coming out of the wash basin, brushing our teeth, there's no problem.

When we say, it is in our country we said, no we don't want to use this treated water but biologically, chemically, it is much safer than this bottled water. If any one of you come to Chennai, we take you to the plant and we will show you, that we can drink this water. We can give you a bottle, go to or send it to any lab and see that, whether it meets all the WHO parameters. So this day is not too far, when this recycle water will be used for potable purpose but it's well accepted today, to use it for non-potable purpose. So all the industries are only going to get this water. Those days are gone when they tap into groundwater and take the water.

Central groundwater commission is going to disconnect all these and slap heavy fines, if they do something, which is not licensed for them to take groundwater. We have not only projects in Chennai today, we are executing a project in Ghaziabad, where the same thing has happened, that they are disconnecting all the groundwater tapings, which the industry has done and they have to buy this water in industry. In Chennai, we're selling it for INR 80 a kilo liter and in Ghaziabad, it's close to INR 50.

Now you see, how a liability is converted into resource. So it is a business compulsion that, you have to treat. It's not a compliance to the discharge standards, you have to treat and this is what is making a big difference in the mindset of treating this water. I think all of you know this, we are a complete solution provider and we do design engineering procurement, construction, installation, commissioning and operation maintenance, for all sectors, whether it is water, wastewater, municipal, industrial, desalination, reuse, sludge management, we do all of it and the model, we use to execute projects, can be EP model, can be EPC model, can be DBO – Design, Build and Operate model or it can be also HAM model. So, these are the models, which we use, to execute ourselves.

This is what I was telling you, proud to be not only as a Wabagite, but also an Indian to seek globally, we are today at number three and you see, we've not gone overnight. We've gone from 10 to six to four and today to three and this shows that, your company is moving in the right direction, moving in with lot of momentum and belief and I'm sure, it's a matter of time, we further improve our rating. On the right side you see, on desalination, we are at number six, globally and I'm sure with this new project in Chennai, our rating will move more to leftwards, I don't know, whether it will be three, four, next year, we have to see, where our rating will move.

Just to talk about our leadership team, this is our board. I'm joined by Mr. Varadarajan, who's a co-promoter with me, Mr. Milin Mehta, Independent Director, Mrs. Vijaya Sampath, Independent Director, Mr. Ranjit Singh, Independent Director and Mr. Amit Goela Non-Independent Non-Executive Director. These are the people on the board and I have a management team. I've already introduced Mr. Pankaj Malhan, Mr. Skandaprasad Seetharaman, Mr. Shailesh Kumar, Mr. Mahmut Gedek, who's not here, he leads our European cluster and Rajneesh Chopra, who heads our Global Business Development. This is our top management team.

Let's talk a little bit about the sector. You can see, there's a huge outlay of this technologies, which are happening in southern part and also in North America. A lot of technologies, which are used, recycle is very vastly promoted and all this discharge standards have very strong regulatory framework, even in India. NGT has been given powers to slap heavy fines including imprisonment, if you don't need the discharge done. There's huge investment globally happening in desalination, led by of course Saudi Arabia, which we are going to invest a lot of money, over the next three years Egypt has announced huge desalination schemes, where we are also pre-qualified. So, we'll be looking for having our chances to win some projects there, we have been already in Egypt, for last over 40 years and we are doing a lot of projects in Egypt.

Somebody was talking to me over a cup of tea, semiconductor, yes, it's a big business. At least ultra pure water, semiconductor doesn't need only water, it needs ultra pure water. It needs technology and we have done a few plants, we know what to do and that's where, we are. Green hydrogen, everybody's is talking about it, maybe it's not economical today but it's a matter of time, like solar. It took some time to become viable, so I'm very sure, green hydrogen is also technology, it's a matter of time. We'll be all talking about it, how it is helping businesses to grow and also manage the climate change and reduce the greenhouse gases.

Water will play a very important role in hydrogen production. Oil and gas, we remain very bullish on it. We have one of the best references globally and we will continue to be focusing on oil and gas. You must have seen in the last many years, there's a suddenly a lot of interest in investment in water sector.

Water sector is seen as because SDG goals and number six is all talking about water and environment and we are right there. You talk about ESG, it all talks about environment, social and governance. So again we are, very much there as a water sector. You talk about green, clean all this water is right in the focus. So we would believe that, going forward, there are going to be huge investments coming into the sector. Plus all the multilaterals are seeing this sector being a social sector with renewed interest, lot of money is flowing into this sector, whether it's from JICA Japan, World Bank, Asian Development Bank, KFW from Germany, all this money is coming into its very attractive interest rate and a long tenure to Government of India.

The numbers are huge, we don't want to talk about it, even let's assume, they invest half of it, one fourth of it, huge numbers. So water sector is going to see huge attraction of funds in the years to come. As I told you, we have three clusters, India cluster, MEA cluster and Europe cluster. India is going to be driven by all government funds, which are all sovereign funds, which are coming, whether it's AMRUT, Jal Jeevan mission, Namami Gange, Jal Jeevan mission is also some say "Har Ghar Nal Se Jal," this is an initiative of Honorable Prime Minister, to see that, every house has a tap and piped connection. So that's a huge investment going into Jal Jeevan mission. Swachh Bharat mission too.

Also five states have already signed into reuse of used water and I am sure as, time passes, success stories will reveal and we see more and more buyers for reuse of water. There's also a huge demand for water in Southeast Asia, which is the India cluster business and we'll keep focusing on it. MEA as I told you, Saudi Arabia alone have a plan of investing 28 billion to treat wastewater. We don't want only treat water but also the treated water like i told you, they want to reuse it. So that's what they say, the target is 35% of wastewater, they want to recycle by the year 2030.

Egypt, I told you, huge desalination plant, where pre-qualification is over and we have qualified for it. Lot of work is happening in Africa, lot of multilateral money is going. Lot of G2G money is flowing into Africa to support them, to manage this climate change. In Europe, there is, we talk about nutrient removal. They go two steps up and talk about micro-nutrient removal.

So there are technologies at a different level and we are right there. We are one of the companies, who have maximum references in micro-nutrient removal. So they are into a different league, which probably will reach in the next 20 years but to say, we are a company also having all these advanced technologies and we will have references by the time, this part of the world, will need it, we would have built maybe 50 plants by them. So we will always have a head start, when this technology will become relevant in our part of geographies.

Again lot of EU funds are moving into former Eastern bloc of Europe and that will also open up new opportunities for the company. We talked about biogas market, you can see how big is this one. Lot of plants are not tapping this biogas, which is wasted and if you are wasting biogas, you

are really taking up oxygen from atmosphere because it mix four oxygens to kill one methane, so it is having a very drastic effect on Greenhouse effect gases and that is the reason, you should tap this biogas, not let it out into air, convert into CNG or energy and this is a huge potential.

You can see, almost 80 billion potential is there in biogas, which is not tapped today. Somebody has to apply, even a small business sense to say, why don't we tap into this potential and convert this, into an economic resource. Again we are doing lot of work on hydrogen to partner with people who have the electrodes to produce hydrogen and we can be their water partner to give them clean water so the electrodes will not have scaling on it. So we have to remove lots of minerals because scaling doesn't happen.

We can see when we talk about SDG goals. We don't only talk, we have numbers to support, what we have done to support this SDG goals. This is what our path is to net zero so all the greenhouse gases we want to reduce it and that's what we are working on. If you see water neutral, we are making industries to be water neutral. And how we are doing it as we said used water we are recycling up to 85% to 90%, but 10% which is remaining goes for zero liquid discharge.

So that goes for the evaporation route where again that water is recovered. So net discharge from any industry will become zero. We have already references and I think more plants will follow this route. That they don't deal with regulators pollution control boards, because if they're discharging water they have to meet the compliance. When they don't discharge anything, one has given them water security under any condition, they have their own recycle water. Like our Honorable Prime Minister says AatmaNirbhar, self-reliant , they are producing their own water, plus they're not discharging anything out so that headache is also gone.

Waste to energy we talked about we can convert waste into energy, which is today a liability. We can convert into resource. Resource recovery we talked about it gas, solid, water. Circular economy, by doing all this we are helping to converge towards circular economy. Because everything we are recycling, reusing and this is going back into the ground.

So, nothing is going to waste. You can see the bottom part of the presentation. So much of desalination, water we are producing, recycle water we are producing, so much green energy we are producing, wastewater treatment we are doing, clean water per day what we are producing, saving power cost by producing power from biogas, we are saving so much of thermal energy and hence reducing the greenhouse effect.

And also, we are saving so much of greenhouse gases, enormous quantity. So, we are making a small contribution to the global SDG goals. This is a group strategy and this is what we have come up in last two years. You can see why we have come up with. We have always wanted to grow and grow profitably. We are never a company who was only thinking of growth in terms of revenue, top lines, no. Our bottom line should grow faster than top line and that is what we call profitable growth.

Market leadership, we have shown you, we have done enough to achieve the market leadership and people respect us, they look at us with regard and brand has tremendous value. Today, third

year consecutive, we are generating free cash. You have seen our presentation, we have uploaded into our investor relation page of our website. Third year consecutively, we have generated free cash.

Our growths are quantum, you have seen our profitability in terms of EBITDA, PBT, PAT. And this is the trend we want to continue and grow, not stepwise growth, we want to grow quantum, leaps we want to do. And today, the order book we have will enable us to achieve this.

Last but not least, because concern has been the valuation, we do not deserve to be valued so low, 10 multiple and we have to do everything to change the valuation because company is in the right business, company is doing the right things, why we should not be valued for what we are worth. These are the strategies which we had, we said to improve this, whatever I told you, we need to have very strong marketing team, we call them go to market teams.

They are the people who are going to sell technologies, they are the people who are going to penetrate the market, they are going to open up new markets, they are going to sell new advanced technologies, which will create barrier for our competitors and we need smart team who can open new doors and convert existing clients to what we want.

O&M focus, service business has always been our focus, as we say we are not top line driven, people who are top line driven, for them O&M business is not important, for us it is extremely important, it is annuity business, it gives us visibility. Today, we have a huge 10 to 12 years visibility of O&M with the backlog we have.

So, we are going to focus on standalone business, we are going to focus on one city, one operator, we will talk later a little bit more about it, like we are doing in Agra and also in Ghaziabad, only one operator for the whole city to maintain the complete waste water infrastructure. That is the model we want to follow for many cities in the future and this we brought in from Istanbul, Turkey, where we did management of Istanbul city for 3 years.

We want to in near future or medium term, we want our O&M revenues to be at least 20% of the total revenue of the company. This will bring in stability, this will bring in better margins, better cash flows and better predictability of our numbers. As I told you, we are focusing on EP, we are taking the C out, that is not focused, if it comes, we will do it, but that is not the way we want to go.

We want to focus on industrial business, which we have always done, in fact this company was born when we took the first Reliance job in Jamnagar, they were setting up a green field refinery. So, even today we are focusing on industries, we want to focus more, because they give us opportunity to really use some of our innovative technologies, which we have done very successfully.

Today we are one of the leaders in oil and gas, so we want to continue that journey. We also want to be more international, if you have seen our presentations over the last couple of years, our split of order book, we are more 50-50, our revenues are more 50-50. So we want to continue that, because it is a lumpy business, some years because of some large orders like Chennai order,

can shift this, but on long term we want to be in international market, at least 50% of our revenue should flow from international market.

Partnership, as we said, we need partnership both in technology, construction and finance. Construction, because we don't want to do civil, we need partners who can do civil, so it is off our balance sheet. We also don't want to invest, we want to remain an asset-light company, we want financial partners who have deep pockets, who are interested in investing to earn their IRR, so we are already partnered with some of them like IFCs, ADBs and Tata Cleantech, they are investing and also some other front like Green Growth Equity Fund, they are also investing in equity, so these are the partnerships we want to do, so that all the investment is off our balance sheet and we remain asset-light.

Technology, we believe we are second to none in technology, but technology is always evolving. If somebody has a better technology than us, we don't mind going and getting these technologies from them and that's something we are willing to take care of. Again, we are doing so much business globally, we want to develop a few centers across the globe where projects can be executed completely from engineering to commissioning from one center.

So we are developing few centers across the globe which can service any geography from their center, so it will be a dedicated team, they need not be, they have to sit in one place, but the teams will be one, they can even work remotely because it's all possible, COVID has taught us that remotely things can work and we did it very successfully, in fact our successful years have been the COVID years, so why not continue what we have done well.

Now, I will give the business metrics presentation to my colleague, our CFO, Mr. Skandaprasad Seetharaman.

Skandaprasad S:

Thank you, Mr. Mittal. Good evening, everybody. I will take a few minutes to go through the key metrics, I am sure you have seen the investor presentation. So, these are the highlights for the year, we continue our profitable growth journey, which has been our focus and commitment to all stakeholders, our EBITDA has grown by 43% before exceptional items and PAT has grown by 74% to about INR 230 crores in the last year, our order book is at a historic high of INR 13,200 crores, which is again 30% year over year, this provides us a very robust revenue visibility for the next few years, both on EPC and on O&M front.

From a cash and working capital, our focus remains intact, you would have seen us giving you commitment on cash in the last conference calls, we have generated operational cash like in the last couple of years of INR 85 crores, 850 million on consolidated basis and free cash of INR 86 crores in this year. We continue our turnaround from being a net debt to a net cash company this year as well, with a net cash balance at the end of the year of about INR 100 crores.

There has been a significant reduction in our gross debt by 50%, we moved from INR 428 crores, which was the last year's gross debt to about INR 213 crores in this year. Working capital again has been a key focus for us to keep it under 90 days. We are well below 90 days at 78 days with a 10% gross reduction in absolute values.

Credit rating, obviously the reflection of how we perform and today we are at the highest short term rating of A1+, this again reaffirms the strong business credentials that we exhibit. As I said, this has been the highlight, this has been us delivering on the commitments of cash. If you see the first four bars is when we did have a net debt scenario and as we moved more on implementation of the strategy, it started also reflecting on both the metrics as well as most importantly cash.

Like we said, when we started about say 10-12 years back, the focus was on order book, then it moved to top line. Now the focus is on profitable growth and generating cash because valuation doesn't come from top line or from order book, it comes from how profitable we are and how much we are able to generate cash for our shareholders.

A historic desalination order, highest ever for Wabag, historic high, JICA funded and the largest desalination plant both in India and Southeast Asia. We are very proud to have won this against tough international competition and if you see the pre-qualified parties, we were the only Indian party, Indian leader, JV in the four parties which got pre-qualified.

This will make Chennai the desalination capital and we are very proud that we will be managing 70% of the water production through desalination in the city of Chennai. We have already done the 100 MLD, this is another 400 MLD that we are doing. Second, this is another historic order in terms of our breakthrough into this geography, Bangladesh, again a World Bank and AIIB funded project. This is again won against tough international competition and like Mr. Mittal mentioned, this is one place where we are generating green energy from biogas, which will be captivity used for the plant, which will make it power neutral.

On key performance metrics, I'm sure you would have noted that in the last few years, we have been representing core and non-core with the large exceptional items that came through. The overhang is completely out. Now, our numbers are actually reflecting what is our business performance. And these are the numbers which are directly from the results. The ROCE of about 18.5%, EBITDA double digit, as we have said always 12%, a PAT of close to 8% and working capital at 78 days.

And this is our order book composition at the INR 13,200 crores with a very healthy O&M mix of about 40%, which gives us visibility over the next 10-12 years in terms of O&M turnover. And as Mr. Mittal said, the business is lumpy, so it will move between years, but our endeavor will be to keep the international and Indian business at 50-50. This is the moment is largely because of the large project that we got in Chennai.

So our focus has been on Manufactured Water, will be on Manufactured Water. So by Manufactured Water, we first focus on protecting the environment and this also powers the economy. As was mentioned, one is recycle, the other is desalination, and third is industrial water treatment. All these three product lines, as you can see, are not any more liabilities. These are all money generators and it ends up protecting the environment because it promotes eventually a circular economy.

We'd like to take a couple of minutes to play a video on "Manufactured Water".

[Video Presentation]

Moderator: Ladies and gentlemen, there's a video being played on the site. Please be connected. Thank you.

Skandaprasad S: I'm sure you've seen that we don't just talk Manufactured Water, we also walk the talk. With this, thank you very much for your attention and we are open for Q&A.

Rajiv Mittal: Everybody who wants to ask questions, they can put their hands, talk about their names and the organization they are represent and the mic will come to you. Ladies and Gentlemen.

Siddharth Gupta: Good Evening Sir. I am Siddharth Gupta from Voyager Capital. Great to hear from you and meet you all in person. I will bucket my question into two halves. One about the business metrics and one about the growth. With regard to the write off what everyone is thinking about. INR 289 crores that we have written off, is it on account of both the projects i.e., APGENCO and Tecpro or is it just one of the project. And second if we could have an update on the litigation status or broadly when do we expect the litigation to be resolved and the second with regard to the growth metrics, the growth of the company we are looking at. One of things that we wanted to know was we did talk a lot about we in the business of Manufactured Water, and largely most of our business is either B2G or B2B, is B2C a segment we are targeting in the sense that if at all possible getting into bottled water manufacturing or packaged water manufacturing and a question I had was with regard to the margins. Is there a substantial difference in terms of the margins that we broadly enjoy in the European region vs. Middle East and if yes why is it that we are focusing on more on Middle East than Europe. Thank you Sir.

Rajiv Mittal: Regarding the write off, the three cases are in litigation, some are at NCLT, and some are in arbitration. Now, we have been patiently waiting for it. Even NCLT case, so-called fast track, four, five years, no decision. And that is the reason we have taken this case and whether it belongs to both the projects or no. Predominantly, this write-off is because of APGENCO, which are one is at NCLT, other is in arbitration. You can see still we have not taken the TSGENCO because that is already at the highest level of Supreme Court arbitration. We expecting the decision quite soon. And client has already accepted that they owe us this money. Just because of arbitration conclusion, the payment is not made. I'm hoping that arbitration will be concluded favorably to us and that money will be recovered. So other than TSGENCO, everything else is written off. We'll continue to pursue the legal things on these three receivables we have in our books and if things come true, we'll add back to our income. But today, we waited enough time and that's the reason we've done that.

Regarding your second question, which one is on B2C? Simple answer is no. We want to remain what we are doing, as I told you right at the start. What we do, we continue to do. What we do good, we want to do better. But we don't want to get into a business which we don't know. We have no expertise. It is completely a different FMCG business. We are not experts there, so we will not do that.

And the last one was about margins. I think, as you have seen that the margins have been good and which has also enabled us to write-off because this year, the margins have been fantastic. The businesses have done well. The EP part has worked for us. The international part has worked

for us. Currency gain has worked for us for the international projects. So, all the parameters have worked for us, which has enabled us to get a decent, good bottom line, which enabled us to write-off and still be in green.

Now going forward, maybe one or two things, we may not be so lucky, but double-digit EBITDA margins are very sustainable at consolidated basis. That's something we want to confirm that. Thank you.

Analyst:

My question is on receivables, post the write-back we have done I think we still have around INR 1,500 crores of receivables which is the revenue of the last 6 months, so is there a gap between payment schedule with the clients, how we account for the revenue, is there a gap of what are the payment due date and that is why there are difference. What is the reason for 6 months of revenue under receivables ?

Rajiv Mittal:

I think first thing you should know that there are a lot of new projects Reliance, Senegal, Sibur, Russia which towards the second half and towards the last quarter and last month there were lot of dispatches, material dispatches, EP projects which has taken the revenues up but also they are not due to be collected. Some of this material will have to reach Russia before they even start processing our things and it is a good two-months cycle from the day you dispatch and the day you pay you cash.

Others are having some payment cycles anything between three months to more than that on international projects and Indian projects 52 days to 70 days. So these are the last quarter or last four, five months revenues are not even due and that is the reason there is a bulkiness in the second half of this which always in the first half of this year, even first quarter we should be able to collect a lot of that. This happens every year but this year it has been special because of lot of new projects where we have invoiced. And we ended up invoicing almost in the last month and last quarter.

Analyst:

Second question was regarding EP vs. EPC projects. So today what percentage is still construction we are doing like how much is the EPC percentage? And how do you see that going down ? And is there a margin difference when you do only EP vs. EPC contract ?

Rajiv Mittal:

Yes, I think something which we cannot control. We can only direct our sales and marketing team to go after projects which are more EP than EPC. But there are still customers who want us to take a single point responsibility. And that is where we enter into partnership with companies who will do the C part. So our endeavor going forward will be to reduce C which we have been able to do over the last couple of years and going forward we will continue to do that but also this is also comes from a business strategy, where we want to do EP.

And your question on EP has a better margin? Yes, EP has a better margin, better timing, better cash flow, all this is the reason we want to focus on EP. And you have seen last two years our margins have improved, our cash flows have improved and this is the combined effect of two things we are doing right based on our strategy.

- Analyst:** What percentage would still be the construction in our order book or revenue for this year?
- Rajiv Mittal:** I will not be able to tell you an exact number but maybe excluding this recent Perur job, maybe 20% to 25% approximately.
- Rajiv Mittal:** Anybody. Also we want to hear from people who has joined us through phone if they have any questions.
- Analyst:** Congratulations on a good operating performance. My question is that in the last 5 years, the revenue growth has been little lumpy. So given that now we are at a stable position, can you provide revenue guidance and I would also like you to share EBITDA guidance and EBITDA margin because we are now close to 11% and can we expect this trajectory to continue ?
- Rajiv Mittal:** See I have already told one of our friends here that this year you have 12%, okay. Yes, we have been lucky on few fronts which we have told you but anything on double digit you can take it in your model. Okay, I will not be able to give you exact number. I think that is the best guidance I can give you but you can definitely consider double digit which we have been aiming for many-many years in the past but now you can confidently take that. Because of the strategy shift we have done you can take that double digit numbers.
- Revenue growth, as I told you we are not focused on revenue growth but it is going to be an outcome of our order backlog. We are not going to book orders just to grow on revenue. We are going to book orders to grow on bottom line and cash, okay. But with the kind of order book we have, all time high, historical high, you are going to get a revenue growth, irrespective because we have to execute the project in the given time. So that will definitely see a good revenue growth in the years to come. And we also are endeavoring to further improve our order backlog in the years to come.
- Analyst:** My second question is regarding the Chennai desalination plant. When are we going to start the execution of the order ? And when can we see the revenue peaking from that particular order ?
- Rajiv Mittal:** This large project have certain time to complete all the formalities. We have completed all the formalities. The contract has been signed, it goes to the funding agency to set up LC limits because we have a dollar component in it, which only JICA from Japan, Tokyo can pay us. So this LC limits will be signed. These are all condition precedents before the effective date. Our work has started but contractually, effective date will not be announced till all this condition precedent is met including giving us a site.
- There will be a political foundation stone laying for this kind of massive project which we expect in the coming month all that they will do, they will hand over the site. I assume that in this next 30 days, we will meet all that and get going and start invoicing at least the engineering portion of it and then going forward we start invoicing the construction portion because we start with construction within this year. So you will see some revenues coming in the first half, mainly engineering and little bit of construction but there will be some good revenues will come in the second half and it will peak next year.

- Analyst:** Is there a scope for further improvement in working capital cycle and finance cost?
- Skandaprasad S:** We will be anywhere between 60-90 days and I think with the EP & EPC mix that we have anything below 90 days is something that we will continue to endeavor. We are at 78, and would like to go down and we have demonstrated, we have been at 55-60 days also. So we like to maintain this but with larger projects, obviously, there will be some expansion. But on the other side, the EP will balance it, so we will maintain our working capital.
- Analyst:** What is the expectation on order inflow through FY24?
- Rajiv Mittal:** The market is very bullish. I have shown you there are huge opportunities in India and abroad. So we would like to target order intake at a similar level at what we have given this year.
- Analyst:** How is the bid pipeline?
- Rajiv Mittal:** This pipeline is very strong, very robust. A lot of bids are in the pipeline where we are even a preferred bidder. So God willing keeping our fingers crossed we may be able to announce some orders in this quarter.
- Analyst:** Given the inordinate delays seen this far what are the odds on the recovery of the debtors amount being recovered written off in Q4 which is near INR 290 crores?
- Rajiv Mittal:** See, this is something if I could answer this question to you, we would have never written off. The only thing I can say, sincerely, we will continue to fight, continue to invest our legal expenses to ensure that we recover this money. So we are not giving up. This is only the book entry to clean the baggage which we have been doing for so long. So we want to be in the light of this and the true business performance you can measure that what the company is doing rather than getting these provisions every year as per ECL policy. We don't want that. And anyway this write up is also going to be cash-accretive by the way.
- Analyst:** What are the management's top priorities and key areas of focus?
- Rajiv Mittal:** The areas of focus is to implement the strategy. That is what will give us profitable growth. That is what will give us valuation improvement. What all we have got from this very low valuation. Next year we stand in front of you and improve the valuation from this 10 multiples to 15. We are all smiling. So we are working on it.
- Analyst:** Congratulations on the Q4 numbers and for the much awaited JICA order won. Since we are expecting more orders in Q1 also, are we expecting any fundraise in near future? With regard to Russia project, as of now in the last quarter you had specifically mentioned that you are facing logistics issue for that project so what is the current situation as of now. And are we still bidding in Russia since you said there is good scope in Russia since competitors are less and also due to geo-political issues?
- Rajiv Mittal:** I think you should know, as I said, we are a startup company. 25 years we started. In 25 years, we have grown this company by leaps and bounds. Today, we are the only company who is proud to say, we are globally number three. Without any fundraise, we have done through our

business accruals and that is what we have invested back. Even the IPO we did in 2010, we gave exit to all the Private Equity investors to make this company truly a public. A small portion came to us. We had to do because of SEBI. INR 125 crores we invested in our office and in IT infrastructure because we were going global. Today, in Chennai, we are controlling all the IT of our 25 offices. So we have invested there. So nothing we have put it to our business.

The only and only fundraise we got was a few years back when we raised INR 120 crores. In these 26 years, the only fundraise we have is INR 120 crores. God willing, even with all these projects, we may not need a fundraiser to fuel our working capital for executing these projects. That's our belief. We have done it successfully in the past. We want to continue to do that and try not to do fundraise and still be able to deliver the project.

Analyst: Can we expect this order book to touch 16000-17000 in the coming 1-2 years?

Rajiv Mittal: Why we should not do that? So aim would be, like I said to the young lady there, even order what we did last year, we intend to do even this year. So if we do that, and even if we have a growth on our sales, still we'll add at least 2,000 to our order book, even in this year. So from 13.2 to 15, another one or two years, why we should not reach 17,000.

Analyst: And my second question regarding the Russia project?

Rajiv Mittal: Russia is stabilizing. We had sanctions issues. We had a lot of vendors change because a lot of European companies did not want to do business with Russia. So we had to change the vendors to India, Chinese and other vendors who can do business. We lost a lot of time in this. And also, deliveries from certain locations were not possible. We had to transfer it to various places. I think it's all in place. This year is going to be a bumper year for Russia's Siber project. You will see a huge sales number because a lot of, or most of the supplies will move in this year, up to March. And that's what we are expecting.

And your second thought, yes, Russia remains our key market. Russia will be focused. We have a special team focusing on it because India is preferred there. We like to do business and they open LCs. Even for this Russian project, they opened \$100 million LCs, single LCs from Kazakhstan, not from Russia, from Kazakhstan Bank to State Bank of India. So, there's no payment risk. Why we should not do this? Why? And as you rightly said, our competition is less. European companies have gone out. So, we should take advantage and improve our business and improve our margin.

Yash Shah: This is Yash here from IBS Capital. Regarding the two new growth opportunities i.e., green hydrogen fuel segment and semi-conductor industry. Where are we currently in these ?

Pankaj Malhan: The green hydrogen remains a point of focus for us. You have seen some numbers on it. We are already in touch with lot of partners and India is going to pick up and working with partners in this space. Middle East again we are working with lot of partners, and that space is heating up more than India and we would be there also.

Yash Shah: Any projects currently?

- Pankaj Malhan:** Currently, no but there are some projects in the pipeline.
- Rajiv Mittal:** It will take some time for green hydrogen. Economically, still it's not viable. So, there will be slow in investment. Till it reaches a critical mass, then it will take off.
- Yash Shah:** But are we ready technologically?
- Rajiv Mittal:** Yes yes. Here I said, we are into ultra pure water like Pankaj said in semiconductor. If we are at that level, hydrogen doesn't need that quality of water. It needs one bit lower, but better than desal, but lower than semiconductor. We are there. We even produce water for semiconductor. We have plants for that. Yes, technology wise, we are ready.
- Skandaprasad S:** We will not do anything on hydrogen, we are the water partner. We produce water to ultra-pure quality, we are ready, we need the hydrogen space to pick up and be economically viable.
- Yash Shah:** Where are we in the semiconductor space? How many projects do we have currently?
- Pankaj Malhan:** India is just opening up and there are lots of investments which are announced and yet to take off from ground. And from a water technology ground, we are already there. We have executed some projects in Europe, we are sitting cool on that. As and when these projects mature off, we are there on the technology part.
- Rajiv Mittal:** We have already constructed a couple of plants, one in Qatar, where we have supplied our plant to produce water quality, suitable for production of semiconductors.
- Yash Shah:** Can we expect a dividend policy since five years we have stopped doing that?
- Rajiv Mittal:** Dividend policy is very much there, go to our website, policy is very much there.
- Yash Shah:** We are turning cash positive, so can we expect anything soon?
- Rajiv Mittal:** It depends what is good for the investors, we are investing in the business, we are not raising funds and growing the business, improving the valuation, so investors can decide whether dividend is important or the improvement and valuation is important. We can go into the market and raise funds, so it is a combined decision of all of us. So we tend to make a decision on your behalf which we believe is good for the shareholders. We are open for suggestion.
- Yash Shah:** Since we are turning 100 years so, so we are expecting something big.
- Rajiv Mittal:** We are turning big, we are turning big, we will definitely consider your suggestion. Thank you. Okay, somebody is on the con call, we will give those team also a chance to ask the questions.
- Moderator:** Question comes from the line of Shreyans Mehta with Shree Capitals, go ahead.
- Shreyans Mehta:** Yes, good afternoon, thanks for sharing all the details. I just have two quick questions, number one it being a professionally run company, why don't we have ESOP scheme for our executives and all the employees? That's question number one.

Rajiv Mittal: Slowly, slowly, I think everybody is here, the question from this gentleman is we are professionally run company, why do we not have an executive program for ESOP? I think the answer Shreyans is we have done twice the ESOP scheme when it was really making lot of sense, one we had done in 2006, another we had done in 2010.

We are in discussion with various experts what is good for motivation and rewarding our executives and we don't only limit to top executives. We give it across the company, we have demonstrated that it has been a great motivator. We will have to consider because ESOP is no longer a very attractive thing from the tax which has come in. So we will have to consider what is most attractive for our people which we can give more money in their hand, we will consider that Shreyans.

Shreyans Mehta: Yes, I appreciate that, so if we do not approve of ESOP after new consideration, you will possibly will have something else which you consider to be more appropriate for employee motivation, so as in when you come to some decision on that, it will be helpful if you share the details?

Rajiv Mittal No, no we always share but for your information we have a very decent performance related bonus program, which we have it for last 15 years in this organization. We were probably the first one in the engineering industry to have this variable pay, so there is a fixed pay and there is always variable pay which is depending on the performance of individual and also of the company.

Shreyans Mehta: On the same line then if we also have some understanding about retention of talent because as you continue to talk about being the asset light company, not having our main strength is technology as you have repeatedly mentioned, technology possibly backed by patents and talents or the manpower which we are employed, so how is the retention of our human resources?

Rajiv Mittal: Yes, I think the retention has to be meaningfully employing people, giving them challenging exciting assignments, having a great career path and creating a great environment to work in, it was also good to see that we have been also selected and nominated as best places to work recently.

So there are some right things we are doing but this is a continuous process and we will definitely keep on focusing on it as you rightly said, talent management and talent retention is the biggest job for our HR today because there is a market is opening up and we want our talent to remain with us because they are the people who are going to contribute to our future growth.

Shreyans Mehta: Right, I appreciate that, just last question from my side.

Rajiv Mittal: So many questions, can you come back Shreyans? Because you have already taken three questions, we have a rule of two questions per participant.

Shreyans Mehta: Sure, no issues, yes.

Analyst: Our order book is INR 13,300 crores. INR 2,700 crores is O&M order book. If you can just give a broad range of execution timeline of O&M and execution timeline of the EPC project?

- Rajiv Mittal:** EPC is typically three years, O&M from the backlog we have. It gives us a revenue visibility of almost a decade, 10 years.
- Analyst:** How many how much receivables we have written off cumulatively?
- Rajiv Mittal:** There is a clear Ind AS ECL policy, where you have to provide for delay and default, so that we provide whenever we get it back, we reverse it. But every year, if we remove this APGENCO, there's not much 10-20 Crs, which is not even 1% of our total top line, maybe half a percent of that.
- Analyst:** And you mentioned about the TSGENCO. So, how much is that?
- Rajiv Mittal:** INR110 crores.
- Nitin Gandhi:** This is Nitin here from KIFS Trade Capital. What is the 3 years O&M order book approximately?
- Rajiv Mittal:** Won't be able to give you off hand. Why don't you contact us offline. Our team here will give you all the details.
- Nitin Gandhi:** What about the framework order book?
- Rajiv Mittal:** We are not one of the companies which takes orders, these are the orders we have received, we have signed the contract, the client has not opened the LC. We will not invest a single rupee on it till the time we get a payment a bank guarantee. That order we put in framework like how we have shown you in Libya Desalination plant, a large one, a client has to open LC before we start execution. We want our investors to know there is a order there but will take into force after we get a proper LC.
- Nitin Gandhi:** Again, it will be 3 years like EPC?
- Rajiv Mittal:** This will not be 3 years because EP, it will be 2 years.
- Nitin Gandhi:** Since our order book is stepping up faster, what is our potential to execute within a year?
- Shailesh Kumar:** Executable capability what we have today is very robust. We have a very capable execution team. We have a strong system and procedure and we have a lot of learnings from our last decade. We are ready to go and execute such larger projects.
- Nitin Gandhi:** Can we have some number on this?
- Rajiv Mittal:** We have to execute what we have to execute. What we are contracted to execute. You either execute using your internal teams or outsource team till you build your internal team. The execution has to be done, only the methodology will depend how quickly you can build the talent pool. There are enough agencies around to outsource, for non-core engineering work.
- Analyst:** How much was year outsourced?

- Rajiv Mittal:** Nothing, very less.
- Analyst:** How much was O&M in last year's revenue?
- Rajiv Mittal:** INR 400 crores.
- Analyst:** Is it the same percentage historically?
- Rajiv Mittal:** It has been growing cause of one city one operator. It is giving a bulk O&M and our DBO contracts are coming in force, plus HAM contracts will come this year and this will further enhance the O&M revenues.
- Analyst:** What is the size of the Qatar semiconductor unit?
- Rajiv Mittal:** It was not big, semiconductor water requirement is not big maybe 12-14, because the requirement of water is not massive but the quality of water is a challenge.
- Analyst:** In North America the water requirement is massive, most of the players like AMDs and others have a huge requirement for water.
- Rajiv Mittal:** Not a single project, unless they go for a massive semiconductor project, but in Qatar it was not massive. It is more about quality that capacity of water.
- Analyst:** What about be the effective tax rate for FY 2024-25?
- Skandaprasad S:** It will roughly be around 24-25%. As large amount of order book is in India. And already our European geography has come down to 5%, again largely based in North Africa and in the Middle East. So, effective tax rate would be 24-25%. We have been in the range of 23-25%.
- Analyst:** How much we spend on R&D, percentage of spend on revenues?
- Rajiv Mittal:** We are one of the few companies in India in engineering which is still investing in R&D and that too in advanced geographies of central Europe. That's how we have 125 IP rights, patents and trademarks. So, our expenditure as we do a lot of co-work with clients and sometimes educational institutions, less than 1% of our topline.
- Analyst:** What is the debt reduction and average cost of debt?
- Skandaprasad S:** We have been focusing on debt reduction. And that's how we've been net cash over the last two, three years. Obviously, there'll be some amount of debt we will use to balance. And with a lot of export projects, we are also able to raise debt from the banks at a much lower rate than what let's say we would do just in INR debt. So we are sub 9% in terms of our overall cost of capital. If you see how we have been on the interest charges just to a calculation on an average we have been sub 9%.
- Dhwanil:** Hello, Dhwanil here from I Wealth management. What is our USP?

- Rajiv Mittal:** We are into advanced technology, complex projects, and in this league we do not have many Indian companies, we are not into run of the mill projects where new players are coming in. Lots of construction companies coming in. We try to avoid this, our target market we see more international players. Even if Indian players come, we have to tie-up with international players as joint ventures. We have a huge price arbitrage of being a India company, which is an advantage for us as our manpower cost and over heads are lesser than European company, we are at the same level when it comes to technology.
- Dhwanil:** Are we planning for any capex to support the growth?
- Rajiv Mittal:** No capex, we are an asset light company as you can see from the gross block and net block. This we will continue, only block is our building and IT infrastructure. Nothing else.
- Moderator:** Question comes from the line of Jinesh Kothari with HDFC Securities Limited. Please go ahead.
- Jinesh Kothari:** So I just wanted to get some insights on our upcoming order pipeline. So we are currently having an all-time high order book. So what are the prospects you are looking forward as the L1 order in the coming years and the order pipeline that we are looking at?
- Rajiv Mittal:** Our focus is going to be on Manufactured Water. So our main focus is going to be on “Manufactured Water” on desalination and reuse, which the team will continue to focus. Yes, once a while we'll continue to take industrial projects, some projects in sewage and water treatment also. But we'll have to see that we are competitive in it and we can create some differential with our technologies. But our focus will continue to be in Manufactured Water going forward.
- Jinesh Kothari:** And may I have a number for the bid pipeline, sir?
- Rajiv Mittal:** The bid pipeline can go into billions and thousands of crores. But what I was telling some of our friends here that there is a good pipeline, a concrete pipeline of which some projects we are already declared as a preferred bidder. This we expect in the next six to eight weeks we should be able to declare the orders.
- Moderator:** Thank you. Our next question comes from Neeraj with AM Securities. Please go ahead. Neeraj, your line is unmuted. You could please ask your question. Since there is no response, we move on to our next question. It's from the line of Tushar Raghatate with KamayaKya Wealth Management Private Limited. Please go ahead.
- Tushar Raghatate:** Good evening, sir, and thank you for the opportunity. Sir, I could see that the Company is looking more on the EP projects. So I just want to understand the EP project contribution to the total order book. Considering the EPC order, we have near 60% of the EPC order. I just want to understand the EP contribution to that INR 7,920 crores odd number?
- Skandaprasad S:** So this was answered earlier also. Our EP portion would be roughly 30%-35% of our order book today, especially because of this large lumpy order that we have received from Chennai Metro for the 400 MLD desalination. So we would have about 30%-35% of our EPC order book as EP.

- Tushar Raghatare:** Okay. Sir, my next question would be, for this O&M project, what would be the annual run rate for the O&M projects which you can be sure of?
- Skandaprasad S:** See, these projects in the order book will start at different timelines as the EPC part of these orders gets over. Then the O&M starts. But we have at least a visibility of about 10 years of revenue coming out of this order book.
- Tushar Raghatare:** Okay. Sir, is my calculation correct that considering the execution period of 2-3 years, so considering that 7,900 odd EPC contract, the number is coming out near to INR 2,640 crores. If you add the O&M part to that, so the number should, the top line should grow to a good extent from here on. What's your thought on that, sir?
- Skandaprasad S:** So, the question is, there is an order book which will pan out over 3 years, the EPC. And the O&M, if we add even the current 400 kind of number, we are seeing growth with this number. And he's asking what is your thought on that?
- Rajiv Mittal:** There's nothing to be very intelligent about it. As you rightly have said, with the order book we have, definitely we are looking at growth and we have to see how much we can execute from EPC. O&M will be anyway a steady business and that will give us a top line number in the years to come. But definitely with the kind of order book we have, we are looking at a top line growth also.
- Ashwini:** Hello, Ashwini here from 3P Investments. What is the difference between your know how and what Veolia does for example? What is the real big difference? What is the gap and how do you close the gap in the years ahead? Second what is the opportunity on industrial side in India and outside and how do you address that?
- Rajiv Mittal:** We are second to none. More or less, type of technology what Veolia's, we also have. We don't see a gap. No gap which needs to be filled up to meet market demand. We are second to none, we use our proprietary technology in our plants. Industrial is definitely our focus area and is 30% our execution revenues. We will try to maintain that. Because of this lumpy order it might come down, however, over a period of 10 years 30% of our business will come from industrial. And will focus on complex large industrial plants, and they mainly come from oil and gas and we are second to none in oil and gas, and we have done projects all around the world. And this will continue to give more opportunities in oil and gas and that will be our main focus and we will also be moving into semiconductor areas.
- Analyst:** In terms of awarding the projects, in terms of the industrial and municipal side, what is the key element the consumers look for?
- Rajiv Mittal:** Major order comes from municipal customers, government sectors to maintain conspiracy the L1 criteria but pursuing them to have L1 but evaluated one. Where a certain percentage is given for technical and something for price, so if are able to achieve a good rating for technical then even if our price is not L1 then we can still be the preferred bidder.
- Analyst:** And in terms of technical spec, what is the customer precisely looking for?

Rajiv Mittal: Look at it from only an economical point of view, 1. Are you able to give him a more reliable product? 2. Can you fit into the space he gives you? 3. Capex may be high, but is the capex plus opex cost lower in lifetime? Today no one gives you an award cause of capex but because of the life time project cost. That also they evaluate, and the reliability of the partner. What has been your reliability in the past and how well you have executed and have you met the performance standards? Have you executed on time and do you have the workforce. There are standards. Are the experienced to execute this project? These are few parameters considered, to give you a technical score.

Rucheeta: Hello, Rucheeta from I Wealth. With several challenges associated with the traditional desalination process such as high cost involved due to large fossil fuel energy requirements and the environmental impact. As these desal plants produces green house gases from large amount of fossil fuel energy use, where is Wabag on usage of solar power technology.

Rajiv Mittal: See I repeat, we only want to do at what we are good at and what we know. We are not into power sector neither into solar. There are projects where we are pre-qualified like Egypt with hybrid models and that is not our expertise. We always tie-up with companies who have experience of building these plants and operating these. So it will always be a partnership and we will focus on water and somebody else can do the power. But yes the green energy and renewable energy is the trend going forward. We may also see in Chennai, there is a talk that they may invite tender for powering the desalination plant with renewable energy.

Rucheeta: What is the capex and opex difference between a normal desalination plant and solar based plant?

Rajiv Mittal: Anybody will go for solar not only because it is renewable and green. It has to make capital sense, to make opex sense and the cost of power should be lower and that is what we see, solar can be lower but it has its limitations, they will only make a commercial decision if renewable is cheaper than thermal.

Rucheeta: What will be the cost for a solar plant for example?

Rajiv Mittal: No one will put up a solar plant, they will buy from people who own the asset. It will be more opex and capex will not be on the balance sheet. So thermal power plants the government does not put but the organization does but they are selling at a fixed price with certain escalations. That will be the model in the future also even if it is a renewable power.

Management: Thank you.

Moderator: Thank you. On behalf of VA Tech Wabag Limited, that concludes the conference call. Thank you for joining us. And you may now disconnect your lines.