

February 17, 2023

National Stock Exchange of India Limited  
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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 Investors' Conference Call on Q3 FY23 Financial 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 Investors' Conference Call on Q3 FY23 Financial Results held on Monday, February 13, 2023.

The Transcript of Investors' Conference Call on Q3 FY23 Financial Results is also available on the Company's website [www.wabag.com](http://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  
Q3 FY '23 Earnings Conference Call”

**February 13, 2023**



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

**Moderator:**

Good evening, and welcome, everyone, to this Earnings Call Post Announcement of 9 months and Q3 FY '23 results of VA Tech Wabag Limited. On the call today from the management team, we have Mr. Rajiv Mittal, Chairman and Managing Director; Mr. Pankaj Malhan, Deputy Managing Director and Group CEO; and Mr. Skandaprasad Seetharaman, Chief Financial Officer.

Kindly note that during this call, the company may make certain forward-looking statements concerning the business prospects and profitability, which may be subject to risks and uncertainties, and the actual results could materially differ from those in such forward-looking statements. The conference call will be archived, and a transcript will be made available on the company's website.

The company's results update presentation has been uploaded on the website and stock exchanges, which provides an overview about our core offerings and the analysis of the results for the period. We trust that you had an opportunity to look through the same. We will start with the opening remarks from the management, post which, we will open for the interactive Q&A. I now hand over to Mr. Mittal to take you all through the key business highlights. Over to you, sir.

**Rajiv Mittal:**

Thank you. Ladies and gentlemen, welcome to this earnings call for Q3 and 9 months FY '23. Along with me on this call is Mr. Skandaprasad Seetharaman, our Chief Financial Officer. I'm also joined today on this call by Mr. Pankaj Malhan, Deputy Managing Director and Group CEO, who has joined our leadership team at Wabag as part of our ongoing succession planning exercise.

Pankaj comes with a rich experience in power and steel sector, leading diverse roles in engineering, greenfield projects and also leading profit centers. He was earlier associated with JSW and Vedanta as part of their steel business and was a long timer in the Tata Group in their power and steel businesses. Pankaj will closely work with the leadership team of Wabag in the next month and will take over the Group CEO responsibilities from me. I wish Pankaj all the best, and I'm confident that he will lead the Wabag Group to great success.

Our momentum of delivering profitable growth continues through the 9-month period as well. As a group, our strategy has been to focus on international geographies, industrial projects, advanced technology plants and EP, which is engineering and procurement business, and also continued focus on long-term O&M business. This is reflected in our improved margin profile and cash position, which we have consistently demonstrated over the last many quarters. As a multinational plan, about half of our revenues consistently flow from projects in international geographies.

As an advanced technology business leader, our order intake majorly comprises plant in desalination, recycle, reuse and effluent treatment segment. This mix of international presence in emerging geographies, technology-focused orders and increased mix in EP projects directly reflects on the consistent growth of our operating margins and enables us to maintain a net positive cash flow. As a group, we have also stated our objective to increase the quantum of our O&M business, which is now stands approximately around 35% of the order book.

And with more DBO and HAM projects in the pipeline, long-term O&M business are the future, and we are well placed here. I'm proud to inform you that Wabag has once again improved its global GWI ranking from fourth place to third position for ensuring safe and clean drinking water and healthy environment for over 88 million people. Also, it is a matter of great pride for us to be recognized among the top 10 Global Desalination Players by GWI. Both these recognitions are further testament to our position globally as a water technology leader, global manufactured water leaders and our consistent contribution to the cause of global water security.

As a group, we have aligned our business and focus areas towards sustainable development goals of the UN in specific SDG-6. We are already a water-positive organization and with our focus on green energy production from biogas in our wastewater treatment plant, we are also contributing to Panchamrit goal set by India at COP 26 of achieving 50% energy requirement of India from renewable energy by 2030 and achieving net zero by 2070. Again, circular economy is very important for Wabag. We have been advocating that waste to wealth is our theme in promoting a total water resource recovery model to tertiary treatment plants where we manufacture clean water from used water which is deployed for non-potable purpose, thereby releasing water for potable use. Our plants across the world produces over 2,500 MLD of tertiary-treated water.

Also accompanied in such plant is a generation of green energy from biogas, which powers the treatment plant making them energy-neutral. Our biogas plants produce over 40 megawatts of green energy. The sludge that gets produced from the treatment plant is converted into manure, thereby ensuring the sewage is resource and not a liability. Circular economy in water is thus a revenue model and not a liability model. Recently, Wabag conducted a conference on manufactured water in India, in Chennai, with eminent panellists from municipal and industrial segment participating in the panel discussion and also, it was graced by a large audience. We also focused our marquee plants in desalination and tertiary treatment plants in Chennai. Conference enabled creating higher awareness and acceptance of recycle and reuse for industrial, agriculture and indirect potable reuse purpose.

Wabag has always been in the forefront of using technology in the water sector. And with our R&D centers in Vienna, Austria; Winterthur, Switzerland; and Chennai, India, we today have to our account more than 125 IP rights, internally developed and internally used. With our business strategy to focus more on technology projects, both to drive better margins and be in the cream of water treatment business, we have been, over the past few years, securing orders mainly focused in desalination, tertiary treatment and industrial segments.

Even this year, you would have seen that our 3 major projects have been either in desalination or industrial water treatment. Also, as informed in the last conference call, a few key projects where we are already a preferred bidder are also advanced technology projects. We have always emphasized on being a global leader, and you have seen that our business has been consistently 50% or more from international geographies. It is important for me to mention here about our focused regions in the international space. Europe will continue to remain our hub for incubating new technologies, which gives us an early-mover advantage in other geographies.

As we move more international, we have the opportunity to increase our EP share, engineering and procurement share of the business, which is in line with our business strategy of improving the bottom line and cash flow and thereby, a better valuation for all stakeholders.

EP orders always helps to reduce the construction risk whereby exercising better control over execution as compared to EPC projects. EP orders delivered better margin profile since the pass-through construction portion of the revenue is reduced and this trend of better margin is already reflecting in our performance. Let me now mention briefly a few key business updates.

Before I proceed into the business updates, as we have mentioned in our previous call as well, the ordering activities are moving swiftly, and we have already placed a few large bids, both in India and in MEA cluster. We are already a preferential bidder in few of our key orders we are targeting and expect that the awards will happen within this fiscal year.

On the other tenders, we have placed our bids and we are confident of converting a good part of them in all our order book, which has been consistently remained over INR 10,000 crores will further grow by the end of this year. Starting with India cluster, which comprises of India subcontinent and Southeast Asia, India cluster has been a backbone of the group, with Indian government's various initiatives in the water sector like Namami Gange, Jal Jeevan Mission, Swachh Bharat, AMRUT, India is poised to keep growing and contributing to Wabag group significantly.

Our AGCC project, we also call it SIBUR Project has been progressing swiftly. Despite the restriction imposed by the geopolitical situation, we have been able to make steady progress here. The 53 MLD Reliance desalination project in Jamnagar is also in the construction and procurement stage. Orders of long-lead items are completed, while the site activities have picked up in panel.

All other projects have generally been on track. Our current projects in the clusters span across wastewater treatment, recycle, reuse and desalination. Project in the cluster have been generally progressing well. Let's move on to the Middle East and Africa cluster. MEA cluster has a tremendous potential, and we expect to deploy our efforts to convert a good amount of these opportunities going forward.

MARAFIQ sewage treatment plant project in the Kingdom of Saudi Arabia and ASHGAL Doha project in Qatar are currently in final stages of completion. MARAFIQ is under performance guaranteed trial on stage, and we expect to complete the project within this fiscal year.

The 50 MLD Zarat desalination plant in Tunisia, North Africa being built for SONEDE funded by KFW Germany is also progressing well and heading swiftly towards mechanical completion.

At our 300 MLD independent sewage treatment plant at new Jeddah airport in Kingdom of Saudi Arabia, which is being built with the state-of-art NEREDA Technology, all suppliers have been completed and testing and commissioning is in progress. The 50 MLD desalination plant in Senegal funded by JICA Japan, which we received this year has started moving well on the engineering front and also the procurement activities are moving at a swift pace.

Let's move on to Europe cluster. Europe cluster continues to remain our technology hub incubating new patents and proprietary technologies, which help us to have an early-mover advantage in the developing economies, which is our focus market. The significant business of Europe will continue to come from Middle East and North Africa.

Lastly, on our capital projects. On our Namami Gange for Clean Mission and HAM projects, our 187 MLD KMDA STP project being built in Arupara, Bally and Baranagar is substantially complete. We are on track to start testing and commissioning in this fiscal year and complete this plant by H1 of next fiscal year. Our STP HAM project being built for BUIDCO at Kankarbagh and Digha, where we announced the effective debt in Q1 this year has been moving well with the engineering and procurement activities substantially complete and construction activities have commenced. On the 40 MLD, Ghaziabad Nagar Nigam tertiary treatment plant for this recycle and reuse, the project activities have commenced and we have progressed over 25% on the project activities. Lastly, on our service business.

We have always maintained our strategy to grow the O&M business, and this is evident from the order book of INR 3,200 crores coming from service business as of 9 months this year, which constitutes 37% of our order book. Large DBO, HAM and One City One Operator projects are enabling this growth in the backlog and we expect to witness growth in the revenues of the service business in the next few years as the EPC portion of the DBO and HAM project gets complete and long-term O&M revenues start flowing. With the consistent high-quality order book over INR 10,000 crores and a strong order pipeline, we are confident of continuing to generate value for our stakeholders in this growth story in the years to come.

I would like to express my sincere thanks to our direct and indirect employees and all the stakeholders for their continued support. Before I move on to Skanda for him to take you through the financial and other business highlights, I would now request Mr. Pankaj Malhan to say a few words. Over to you, Pankaj.

**Pankaj Malhan:**

Thank you, Mr. Mittal, for this opportunity to speak to our stakeholders. Good evening, ladies and gentlemen. It is indeed a pleasure to welcome you all and to introduce myself as member of Wabag's senior leadership team. First of all, let me take this opportunity to thank Group management and the entire Board of Directors of Wabag for placing their trust in me to do this very important duty.

I think I had a wonderful couple of months and had an opportunity to get to know a few of our fellow Wabagites over the past couple of months. And I've been impressed by their dedication to pursue the mission of the organization, which is sustainable solutions for a better life. I'm glad to be a member of our remarkable community of individuals that are committed to improve the quality of life in this world.

The testimony of which comes from the very recent GWI report with sales, we are touching the life base of 88 million citizens across the globe. Let me speak something about myself. I have experience in working with a diverse leadership teams where I've been largely involved in terms of business growth and turnarounds in variety of industries, which include power, steel, polymer

and process automation. Prior to joining Wabag, I was part of JSW and have been blessed to work with companies like Vedanta Resources Limited and Tata Group.

I think the management of water and wastewater is a promising area for the entire human kind and is the necessity treatment kind along with the environmental concerns. Globally, if I was to say climate change expresses itself through water only, 9 of the 10 natural disasters are what related today. If we were to achieve climate and developmental goals, water must be at the core of adaptation strategies.

And lot to say and mention over here, Government of India is focusing on this happening sector strongly, which is evident from a number of policies and schemes introduced like AMRUT, National Water Mission, Namami Gange to name a few. I'm extremely delighted again to be part of this pure-play water technology company, which is among the leaders in manufactured water with presence in 25 countries across 4 continents and blends seamlessly sustainability with technology. Over years, Wabagites have demonstrated a strong yield towards technology and an excellent dedication towards making a sustainable contribution to environmental protection and improving quality of life.

My top responsibilities going forward would be to further strengthen the EHSS aspects and inculcate digitalization and world-class processes with the cutting-edge technologies into the business, thereby setting the highest standards of corporate governance and creating value maximization for the stakeholders. Looking forward to more successes and celebrations in Wabag. Thank you very much. Over to you, Mr. Mittal.

**Rajiv Mittal:**

Thank you, Pankaj. I'm sure you, along with the entire Wabag team will take the group to a greater height and successes. I wish you all the best once away. Now we can move into the financial highlights. I would request Skanda to take you through the same. Over to you, Skanda.

**Skandaprasad S:**

Thank you, Mr. Mittal. Good evening, friends. I trust you had an opportunity to look at the results, updated presentation as circulated and uploaded on our website and stock exchanges. Let me take you through the key financial highlights for the quarter and 9 months ended 31<sup>st</sup> December, 2022. Before I jump into the numbers and of the highlights, a few words about the recent Indian central government budget.

The budget has kept up the focus on water investments with higher allocation of INR 70,000 crores to the Jal Jeevan Mission. The last mile connectivity achieved through the Jal Jeevan Mission will provide the demand augmentation which will, in turn, increase the need for treated water in the future. The allocation for the Green Hydrogen Mission of almost INR 20,000 crores is also encouraging as this will indirectly increase the business landscape for the water sector. Effective infrastructure budget allocations of over INR 13 lakh crores is encouraging, and we expect this to gallop the economy forward, especially in these challenging times. In summary, the budget continues to keep the momentum generated in the water sector ongoing.

Also, we are confident that the general vision and direction of this first budget in the Amritkal is expected to keep the Indian economy growing much faster than all other major economies of the world. Before I move into the financial updates, a key event that happened during the quarter.

With the strategic funding tie-up, we established with Asian Development Bank, one of the world's top multilateral institutions. ADB will invest INR 200 crores over a 1-year period in Wabag, and this marks ADB's first private sector water investment in India. This is indeed a wonderful testament and validation to Wabag's global leadership in the water sector.

I'm also very happy to share with you all that Wabag's short-term credit rating has been upgraded one notch to A1+ which is the highest level of short-term rating, signifying our strong business and credit credentials. As a management team, we have been putting in our best efforts and you have been seeing that the credit rating indicators have been consistently improving at least over the past 8 quarters specifically.

Now moving on to the financial updates. Our consolidated revenues for the 9 months financial year '23 stood at INR 2,034 crores, and on a standalone basis, stood at INR 1,577 crores. Our consolidated revenues for Q3 stood at INR 652 crores and on a standalone basis, stood at INR 519 crores.

The consolidated EBITDA for the 9 months stood at INR 201 crores, up 14% year-over-year, and the standalone EBITDA for 9 months stood at INR 172 crores, up 33% year-over-year. The consolidated EBITDA for the quarter stood at INR 75 crores and standalone stood at INR 64 crores.

The profit after tax attributable to owners stood at INR 124 crores on a consolidated basis for the 9-month period, up by about 45% year-over-year. On a standalone basis, the profit after tax stood at INR 97 crores, up by about 61% year-over-year.

For the quarter, the profit after tax on a consolidated basis stood at INR 47 crores and on a standalone basis stood at INR 37 crores.

A look at our key business metrics for the quarter.

Core EBITDA stood at 13.5%, double-digit EBITDA margins as we retain our focus on technology, international, industrial and EP projects.

Core PAT at 8.8%, driven by operating margin improvements and control over finance cost through efficient banking lines management, both volume and cost front.

Our return on capital employed, that is ROCE stood at 21.4% in line with our asset-light model and technology-focused approach.

Working capital on an absolute basis has continued the trend of reduction year-over-year, and the core working capital date stood at 90 days, driven by a focus on working capital and cash management being the priority of the management.

Gross debt stood at INR 297 crores, a reduction of 41% year-over-year for Q3.

Improved performance on cash flows year-over-year with net debt at INR 30 crores, and we are on track to continue remaining net cash positive by the end of the year.



In line with our strategy to remain an international group 48% of our revenues were delivered from rest of the world and 52% was from India. Our order backlog stands at over INR 10,000 crores with more than half of it coming from overseas geographies and projects. The quality of order book is enhanced with a majority mix of multilateral and federal government-funded projects, industrial jobs backed by adequate payment securities, largely in desalination and wastewater treatment, including recycle, reuse and industrial water treatment space.

The consistent level of order book over INR 10,000 crores in the past few quarters and the confidence from orders where we are preferentially placed already gives us a good confidence about revenue visibility and growth. We express our heartfelt thanks to our bankers, investors, fellow Wabagites and all other stakeholders for the continued support extended to us. With this, we now open the floor for Q&A.

**Moderator:** We have a first question from the line of Mohit Kumar from DAM Capital Advisors.

**Mohit Kumar:** Before I start, I would like to congratulate Pankaj and wish you best of luck and thanks for the opportunity to ask questions. I have 2 questions, primarily first is on the revenue. Our revenues have been kind of stagnant compared to 9 months FY '22. And the numbers are similar, while order book has improved materially over the last 3, 4 years. Can we expect some more momentum in the revenues in going forward?

**Rajiv Mittal:** Yes, Mohit, I think we have been communicating in each of our interactions that a couple of years back, we have made a strategy document, which is going to be implemented over the next 4, 5 years. And we have clearly mentioned that we want to remain as a technology player and focusing on what we are good at in EP, engineering and procurement and executing projects using our proprietary technology, advanced technology in the emerging markets.

Earlier, we used to focus also on EPC projects, where we had mentioned many times to you that the C part is almost like a pass-through because we don't do the construction. We always outsource and which, yes, it gives us a top line, but also reduces our bottom line. That directional change we had done about 6 to 7 quarters back, and you can see the results very clearly that today, our bottom line is substantially growing, which was planned. Also, our debt levels have come down. Our cash flows have gone up, and you can see the interest costs and the bank charges have come down.

So this is what we believe we are creating value for all our stakeholders. And this is what the direction we want to go in addition to also focusing on our service business which is, again, our annuity business with more and more DBO contracts coming and the HAM contracts, which gives us a long-term operation and maintenance. Our focus will remain on margin improvement and cash improvement.

**Mohit Kumar:** So how should we think about the growth in the next, let's say, FY '24, given the order book?

**Rajiv Mittal:** We will have no choice but to grow because we had mentioned to you in the last con call and today also that our order pipeline looks really solid. And already, there are a few very large projects where we are already a preferential bidder. So we expect in next 6 to 7 weeks, we should be having all these contracts signed and coming into an execution phase. And this will definitely

give us an improvement in our revenues. But again, I want to just remind our focus will remain on margin improvement and cash improvement.

**Mohit Kumar:** Good to hear that sir. My second question is on the order opportunity. How does the domestic order opportunity is looking like at this point of time? And when you say that your large orders where you are preferred bidder, can you just let us know the quantum of this order?

**Rajiv Mittal:** Yes. As these orders are not in public domain, but we know there are 3 extremely large orders. We had also mentioned this in our con call speech last time and also during the interaction in the Q&A that we see at least about INR 5,000 crores where we are like a preferential bidder and we should be able to close this in the next 6 to 7 weeks.

And this is what we are hoping will give us a good momentum to start the next fiscal year, which you said FY '24. And also these orders are all funded by multilaterals, like the JICA, World Bank of the time, and hence, our cash flow should also substantially improve. This, we have said before, this is going to be in the space of desalination, wastewater and recycled reuse, which are all technology-based orders. So it should also have better margins.

**Mohit Kumar:** Understood and thank you. All the Best.

**Moderator:** We have a next question from the line of Bharat from Moneybee Investment Advisors.

**Bharat:** So I just had a question regarding the 5,000 order intake that you said that you're the preferential bidder. So where you expect the results for that particular order that you just said?

**Rajiv Mittal:** As I said, we should be closing in this fiscal year. So you can say in next 6 to 7 weeks.

**Bharat:** Okay. So you won't be able to give any details regarding the order right, the bids that you were...

**Rajiv Mittal:** It should not because this information is not in the public domain. More than that, we cannot give you, but let's solve keep passing us crossed and very soon, we'll be able to make a public announcement.

**Bharat:** And my second question was I know that now you only take EP contracts. The construction contracts you have not been taking. So I just wanted to know, looking at the margins, so what would be the sustainable EBITDA margin going forward? So would you need it to give me a guidance on that?

**Rajiv Mittal:** Bharat, you are right, but I just want to make a small correction. It's not that we are not taking EPC orders. EPC orders are not our preference, EP is what. So there will be always clients who would like to see a single point responsibility. So we will be taking some EPC orders, but our focus will be on EP. The margin will depend on the percentage of EP orders in the total order book. So this will be fluctuating, but our aim would be to move more and more towards EP and technology orders is what we want to move and also international and industrial segment is where we want to move.

**Bharat:** Okay. Sir. And would you be able to just guide on sustainable margins that you would be able to achieve?

**Rajiv Mittal:** As I said that this margin will depend upon the mix between the EPC, EP and our service business. Definitely, going forward, as you have already seen in the last few quarters, there will be a margin expansion.

**Moderator:** We have a next question from the line of Kaushik Poddar from KB Capital Markets.

**Kaushik Poddar:** Yes. A new Managing Director or a potential new Managing Director is here. I mean what is the rationale for bringing in some new person at such senior level who is going to take over as the Managing Director? And what is the mandate given to him?

**Rajiv Mittal:** Very simple, my friend. Every organization has to have a succession planning in place. The simple rationale is we need to bring in people who can take over, over a period of time from the existing management.

So that is the succession planning and Pankaj is a result of that. We are very happy to have him with a lot of his experience and working in large organizations with system, processes and governance. So we are very happy to have Pankaj as a part of the management team. And the mandate given to him is very clear from the title he holds, Deputy Managing Director and a Group CEO, which clearly shows that we start with his straight into the operations and trying to see how to improve Wabag's position and also meet the strategic goals which we have taken on ourselves 2 years back.

**Kaushik Poddar:** And secondly, I mean you have -- you emphasized the role of the European operation for the technology part. Now when in India, the technical manpower is much cheaper. Is there any reason rationale for keeping the technology part in Austria?

**Rajiv Mittal:** Yes, absolutely, Kaushik, it is because we are talking about technology, and technology is depreciated and in demand in the developed world. Like today, Switzerland is the capital of environment and water. The technologies which are demanded by the client in that country are not even spoken in the emerging world. So when we develop some technologies based on the market need and perfect it in the advanced world or the developed world, when we need this technology in the emerging world, we already have it ready.

We have a reference plant. We have an experience and that is the reason we have the technology centers in Vienna and in Switzerland. And also we are doing adaptation and -- of these technologies for the emerging world, and we are doing a lot of work in Chennai with the help of some research scholars and universities in Chennai.

**Kaushik Poddar:** And what is your annual R&D spend? And how many people are there purely focused on technology?

**Rajiv Mittal:** Our all R&D work is applied work. Some of the work we do along with the client. But if you say exclusively for this, maybe about 25, 30 guys are only working on this kind of thing, and our spend is close to 1% of our top line.

**Kaushik Poddar:** I mean is it a standard thing over the past years? I mean, is it increasing?

**Rajiv Mittal:** No, no, it's standard over this. And all the group companies are contributing to R&D budget, and this technology is what we develop at the group level is available to all the entities across the globe.

**Kaushik Poddar:** Okay. And as I see, I mean, your EC part -- your EP part of your business is growing much, much more. And also you're emphasizing on service, so does it mean that the turnover may not be going up and you will be more focused on service part of the business? And this is the way to go. So top line is not the one we should be looking at more at the bottom line is the way forward?

**Rajiv Mittal:** I think you are right. Just a small correction. As we are talking about our order book swelling by end of this fiscal year, we will have no choice but to have an increase in top line. But you are right in terms of top line is not the way to look at this company, bottom line and more specifically cash flow.

**Kaushik Poddar:** Okay. And my last question, with the kind of increased cash flow you are having, I mean, throwing up more free cash. Can we see you coming back to the dividend list for this financial year?

**Rajiv Mittal:** I do not know what the dividend list. I think together with all of you, we will have to make a call because as you know, we are investing in a small way, keeping our asset-light model intact into our HAM projects, which are also giving us an annuity revenue and good margins. So it's a question of how much you pay dividend and how much you work on increasing the valuation of the company by investing a small amount into this HAM projects. So this is a judgment call we will all have to make together, what is more beneficial to our stakeholders.

**Moderator:** We have our next question from the line of Darshika Khemka from AV Fincorp.

**Darshika Khemka:** Hello Sir. Thank you. And firstly, congratulations on a good set of number. I had a question relating -- am I audible, firstly?

**Rajiv Mittal:** Yes. A little bit louder will be better.

**Darshika Khemka:** Okay. So am I audible now? Any better?

**Rajiv Mittal:** Please carry on, we'll manage. Don't worry.

**Darshika Khemka:** Okay. So I see that the receivable that the company had stood at around INR 2,000 crore number. It would be great, I think, on -- it stood at around INR 1,400 crores. Could you help me with the breakdown into TSGENCO and APGENCO, is extremely helpful? And also, if the company has provided for any number in the last 9 months, I asked this question because in Q1 con call, you had mentioned that you usually provide for INR 60 crores to INR 65 crores on an annual basis.

**Skandaprasad S:** Darshika this is one point which we mentioned as part of our notes to the results. You can see Note 4 to our results, which gives the receivables from TSGENCO and APGENCO and also from TECPRO. So we basically divide it into the 3 brackets in which we gave this, number one. Number 2, yes, we said in our Q4 as well as earlier calls that we consistently provide. There is

a board-mandated ECL policy, which we use for the purpose of assessing provisions and providing. And here, we are also providing on the same lines this year as well consistently. And you can see in Note 4, the total of these 3 numbers is INR 350 crores in total, and this is net of all the provisions that we have made to 31<sup>st</sup> of December.

**Darshika Khemka:** Could you at least quantify the number that you provided in the last segment?

**Rajiv Mittal:** Maybe INR 20 crores, INR 25 crore.

**Moderator:** We have a next question from the line of Nikhil Abhyankar from DAM Capital.

**Nikhil Abhyankar:** Thanks for the opportunity sir. So can you give some update as to what has happened with the Chennai desal plan? We were 1 of the 4 bidders.

**Rajiv Mittal:** Yes. We had mentioned this earlier, maybe you missed out. Even in the last con call we've given, out of the 4 bidders, only 3 bidders had submitted the bid, technically it was evaluated and it was approved for price bid opening, and that's the reason we mentioned. This is one of the projects where we are preferred bidder, and we expect in the next 6 to 7 weeks the award.

**Nikhil Abhyankar:** Understood. And any other specific desal orders that are coming up?

**Rajiv Mittal:** Yes, a number of them. I think, as we mentioned, going forward, we see manufactured water. And for the sake of clarity to all of you, we call manufactured water because this is manufactured by us. It's not God-given water as it is in a question of rain water or surface water, which we get from the lakes or river. This is manufactured water because in its original form, this water is not usable. So as a company, we manufactured this water from a non-usable form to a usable form, whether it is recycled reuse. We do offer used water, already it is used. We are not throwing it away. We are treating it and recycling it for non-potable purpose, agriculture and also indirect potable purpose.

Second, it's again seawater in its normal form, it's not usable, we're desalinating it and making it as a potable water. And there's a great market for manufactured water going forward, and you will see a lot of our orders coming going forward will be from these 2 segments.

**Nikhil Abhyankar:** Understood, sir. Sir, and just a final question regarding ZLD. So one of the OMCs that come out with a \$4 billion -- INR 4 billion project. So are there any more projects coming up? And are we participating in that?

**Rajiv Mittal:** Sorry, what you mentioned about 4 million?

**Nikhil Abhyankar:** INR 4 billion, INR 400 crores of project had come up for ZLD, Zero Liquid Discharge, from one of the OMCs, so are there any such projects in line?

**Rajiv Mittal:** Today, the pollution control boards are tightening their norms. You cannot discharge effluent or wastewater, which is not meeting the discharge standard. So there's more and more demand going forward is going towards ZLD. We have just completed 1 project in India, and we are executing 1 more project in abroad. So this ZLD is going to be a way forward going forward.

And also, they are going to become more and more affordable as we have an expansion of capacities. So yes, it is going to be also a technology of future.

**Nikhil Abhyankar:** Sure, sir. And just a final bookkeeping question. Can you give us the number for inventories, trade receivables, trade payables and advances to and from the customers?

**Skandaprasad S:** Nikhil, I suggest we take this offline. I mean you can contact the Investor Relations people, and they will give you this number. Otherwise, it'll just be a number-reading session. Is it fine ?

**Moderator:** We have a next question from the line of Hemant Soni, an Individual Investor.

**Hemant Soni:** Sir, thank you for providing this opportunity. I have one question. So I understand that we are focusing on the EP part and not on the construction part and the margin, and we are posing more on margins basically. But as per your earlier calls, you had diluted H2 revenues will be better than H1. Now currently, we are seeing that Q3 revenue is down as compared to Q2. Can you throw some light on that, sir?

**Rajiv Mittal:** Yes. I think you know, project business is very lumpy business. If we would have got a few projects what we planned in Q3, we would have got that. Some of the projects for decision-making, it gets postponed by a month or 2, and it happens. But generally, what you're saying is always a trend.

Always, H2 will be always better than H1, and I still believe that going forward, we still have a chance in this Q4 to be good, and already, we had done quite a bit in H1. And we definitely, going forward, some of the projects will get converted, will show some revenues, at least in the engineering front in the next 2, 3 months, we will see in Q4 a good result.

But overall, this kind of EP projects, large technology projects will continue to give us good margin and good cash flow. So even if some revenue may be slightly lower than we all would have expected, but margins are intact, cash flows are intact. You can see even our margins have expanded almost 40%, 50% compared to the last year and 9 months. So there has been a very decent growth in terms of margin and cash flow.

**Hemant Soni:** Yes. I understand, sir. So can we expect that some of the revenues to be spilled over in Q4?

**Rajiv Mittal:** As I said, it all depends whether we get this -- some of the orders in the next 1 or 2 weeks or 6, 7 weeks. If we get it in 1 or 2 weeks, obviously, there will be revenue flowing from those orders. But if we get towards the second half of March, then there will not be much revenue flowing in this Q4.

**Hemant Soni:** Okay. And sir, can we expect to close this year, it is FY '23 it's INR 15,000 crores of order book but currently, we have INR 10,000 crores, and we have a preferential bidder for INR 5,000 crores of order. So can we expect the order book to be INR 15,000 crores by end of FY '23?

**Rajiv Mittal:** As they say in Arabic, if Allah wills it, why not? I think we all are playing and wishing for it. So let's hope that next time when we meet, we can celebrate INR 15,000 crores.

**Hemant Soni:** And sir, this order book, if we leave it at INR 15,000 crores, it is executable over a period of how many years?

**Rajiv Mittal:** Generally, it is about 3 years, but you can take it about maybe 3.5 years because there's always some reason of delay or something. It had 6 months, so say about 3.5 years.

**Moderator:** We have a next question from the line of Omkar, an Individual Investor.

**Omkar:** First of all, congratulations for a good set of numbers in respect of net profit and very good operating profit margin at 11.5%. I'm very much audible, right, sir?

**Rajiv Mittal:** Go on.

**Omkar:** Great, sir. So after Q2 results of the Wabag, I have gone through the interview of Rajneesh Chopra, who is the global head for Wabag. He's saying we are having more opportunities in Russia to win more projects. He further said that as Western world sanctions are there in Russia, global competitors of Wabag are not active in Russia. Therefore, Wabag is actively and strategically targeting Russian market, and active bidding is happening from Wabag. And before March 2023, 3, 4 which will get submitted in Russia. And he further said Wabag is confident, not only they will get the orders but also they will get good margins.

So my first question is, do you think -- is it a safe way to get orders from Russia where geopolitical risks still involve in Russia? And why are we taking risk to win orders in Russia as Russia-Ukraine war still going on? We have learned already a lot of things from the APGENCO project where our money got stuck. But as we are getting a good margin, so that is the only reason we are bidding more in Russia or some specific reason for that? Over to you, sir.

**Rajiv Mittal:** Thank you. I think all your questions are in the answer what you said. Rajneesh had mentioned in his interview. Russia was always a spot market for us, and we are considering whether it should be a target market. And you said that as some of our technology-led competitors are moving out or have moved out already, a lot of their projects remain incomplete. And clients have no option but to choose somebody who has a technology know-how to complete these projects. So we consider this as a great opportunity for Wabag, again to demonstrate that technological superiority.

Regarding your risk and very valid question, today, you know the Indian government is opening up doors for Russia and even talking about rupee being a tradable currency because there's so much of money which India has to pay to Russia. So you would have read in the news that the rupee is going to be a tradable currency between the 2 countries. Second, we don't take any international orders, especially in countries like Russia, where we do not have a confirmed irrevocable letter of credit before we start our execution. And that's the reason we call some of these orders like framework orders still we get a letter of credit.

Like in SIBUR, which we are executing, we have \$100 million of executable LC, and that's how we restarted the project. So as far as the risk is concerned, we do not see as a risk as soon as we dispatch our goods, we have our letter of credit to draw the money from the banks where we have got the LC assigned to them.

So we do not see the risk and you can be rest assured, we will not -- we know how to manage this. We have worked in the Arabic world. We have worked in the African world and all this, we work either with ECGC cover from Government of India or with letters of credit. We will not take any financial risk, and that is the reason most of our orders are, again, multilaterally funded or central government guarantee back up. So you can be rest assured, no financial risk will be taken by this company.

**Omkar:** Great, sir and thanks for the update. And a quick question regard to Russia project only. As the management say, in Russia project will contribute substantially in H2 in Wabag revenue. At INR 1,000 crores order still to be executed on this order, how much Russia AMUR project contributed in Q3 and how much it will contribute in Q4? I'm not expecting exact figure for quarter 4, but how much it has contributed in quarter 3, that AGCC project?

**Rajiv Mittal:** See, AGCC project, you know it only got revised in Q2. So Q3 was more on engineering and some of the change of vendors from the sanctioned countries to the non-sanctioned countries. So the contribution was not that great, maybe 10% of the total revenue, right ? But going forward, in Q4, we are expecting this to go up to 15%, 20% of the Q4 revenues. And next year is where we will supply the goods and it will contribute substantially in FY '24.

**Omkar:** Okay. Got it, sir. And a quick question on that 400 MLD JICA project. And we are talking about this project since February '21. In last conference call, also, you said pre-qualifications were over technical were submitted. The revaluation are completed and now you were waiting for the price bid to be open. So whether the price bid has already opened or not?

**Rajiv Mittal:** Yes.

**Omkar:** It is already open. And when the government will announce the report? I understood through your answer in next 4 to 6 weeks the final outcome should come. But any specific time line or deadline is there for this project or it still can get postponed for 3 months or so?

**Rajiv Mittal:** Normally, it will not. As I said, we cannot hold government to any time lines, but the planned time line is within this fiscal year, because this is, again, our financial bids are open. The evaluations are almost going to be completed. The state government because of the size of project will have to approve it, then we have to send it to JICA for their approval and after the approval, they can give us a letter of award.

**Moderator:** We have a next question from the line of Sheen George from Geojit Financial Services.

**Sheen George:** Can you please give us the order intake for like FY '24 and FY '25?

**Rajiv Mittal:** I can only tell you, and you have seen water is a preferred sector in India. A lot of money is getting allocated in the water sector. The aim is that in Middle East with the oil prices at an all-time high, there's a lot of affordability for the Middle East clients to invest in water projects and in general, infrastructure.

So I would say the complete environment is very positive, and we are bullish about it. And with Wabag's global position and standing, we would have definitely our share of orders. So you can



always be feeling good that we will have a good year next few years also. But with our order backlog being at all-time high by end of this fiscal year, there's nothing to worry about the growth of the execution, what we will have to do in the next few years. We have enough to queue in the next few years.

- Sheen George:** What is the expectation percentage you are expecting for the next 2 years appropriate?
- Rajiv Mittal:** I don't think I should guess certain things. But I think the markets you have seen -- we have seen our position over the last few years you can only feel that we will not be desperate in going for orders. We will select the orders based on the merit and the defined guidelines we have internally. And we would still have enough orders to give a good growth in top and bottom line -- more focused on bottom line and cash flows.
- Moderator:** We have a next question from the line of Arun Chakravarthy, an individual investor.
- Arun Chakravarthy:** Congratulations. This is a really more of a beautiful quarter.
- Rajiv Mittal:** We have been waiting for a few quarters already.
- Arun Chakravarthy:** Yes. It was a very good result, I'm very much pleased, but all of my queries have been answered.
- Rajiv Mittal:** But still, we are happy to hear your voice.
- Moderator:** We will take the next question from the line of Manish Shah, an individual investor.
- Manish Shah:** Congratulations on a very good set of numbers. Sir, out of this INR 5,000 crores of orders, which you are expecting till the end of March, how much is this Chennai order, sir?
- Rajiv Mittal:** At the moment, it will not be fair for us to disclose these numbers as of now. But as a ballpark number, we have given you some 3 orders, which will at least contribute INR 5,000 crores or more. That's all I would like to say at this stage because the information is not public, and I don't want to jump to them and give numbers which are not in the public domain.
- Manish Shah:** But it should not be more than 40%?
- Rajiv Mittal:** No, no, it will be far more than that.
- Manish Shah:** So that means we are very much dependent on the single orders?
- Rajiv Mittal:** No. When we say INR 5,000 crores, that doesn't mean these 3 orders is equal to INR 5,000 crores. It will be equal to much more than that.
- Manish Shah:** Okay. Sir, and out of these orders which you are expecting to the end of March, how much is the contribution from rest of the world, and how much is contributed from India, sir, approximately?
- Rajiv Mittal:** See, it will be because of this large order in Chennai, predominantly, it will be from India in Q4. But there will be a substantial portion also coming from rest of the world.

- Manish Shah:** At least 60-40, India. 60% India and 40% out of the world -- rest of the world.
- Rajiv Mittal:** India will be much more in this case.
- Moderator:** We have a next question from the line of Sriharsha, an Individual Investor.
- Sriharsha:** Good Afternoon everybody and congratulations for the good set of numbers. Like can you tell me, is there the other prospects for order like the Chennai desalination order, which is as big as this order, which is available in India?
- Rajiv Mittal:** Generally, over the years, we have seen that the ticket size of orders are going up year-on-year. But you have something comparable to Chennai, it will take some time. But there are orders may not be they are comparable to Chennai, but they are not very much smaller compared to Chennai. Today, average size is going around INR 1,000 crores. So that's the kind of orders which are in the pipeline, there are plenty of them. So I think nothing to worry. Today, the company, Wabag is focused on large, complex, advanced technology orders. So we will continue to focus on large and complex orders.
- Sriharsha:** Okay. Another question. Like I want to know the opportunities in the Zero Liquid Discharge front as for more companies or they are actually concerned about the environmental issues?
- Rajiv Mittal:** Yes, absolutely. As the regulator and authorities are tightening the implementation, so I think a lot of industries are getting notices and ensuring that they meet the discharge standard, including the multiple authorities also. So I think there has to be a way of balancing between economics and the environment, and that's what government is trying to do is trying to see how to balance between this because Zero Liquid Discharge is not one of the cheapest technology, and they have to ensure that the industries can afford it and still they will be able to meet the discharge standard.
- So I think this is what most of the work is going on. A lot of brainstorming is happening between the water managers to see how to meet both the ends. And -- but one thing is very clear. Going forward, it's only a matter of time Zero Liquid Discharge will become a state-of-art technology.
- Sriharsha:** Do we have any patent or trade mark registered in zero discharge liquid front in the name of companies?
- Rajiv Mittal:** I don't think it's a technology which needs any trademark or a patent. It's more about your engineering skills how we use your experience and know-how and put the scheme together and tailor make it for the customers' use. There is no standard technology, which can be just used. It can be membrane-based technologies. It can be thermal-based technologies to have a combination of both to ensure that we meet the required results. So it's not a technology, it's about your engineering and experienced capability to put the scheme together, which will meet the required demand and also be economical.
- Moderator:** We have our next question from the line of Manish Shah, an individual investor.

- Manish Shah:** Sir, what is the probability of getting these orders, which is INR 5,000 crores which you told until March?
- Rajiv Mittal:** See, our probability of getting this order, as I told you, we are preferred bidder, is very high. Now March is the target of the government and the funding agency to give this order in this fiscal year. So I would say that generally, the probability is very high.
- Manish Shah:** And sir, another question about this other income, which is less in this quarter because the contribution from rest of the world is less, right?
- Rajiv Mittal:** Sorry, which other income you're talking about?
- Manish Shah:** Sir, other income in this current quarter is down in -- compared to the second quarter because the contribution from the rest of the world is down. So we are not able to get any incentive or a dollar-dollar income. So in the fourth quarter, it will correct itself?
- Rajiv Mittal:** I think you have to see. I think this was a question even in the first quarter. There is company's business is international. We do some business in the geographies where U.S. dollar is a currency. We also have a business where euro is a currency. So in the third quarter, U.S. dollar has appreciated, but also euro has depreciated. So it has a negative gross effect where there will be some Forex loss on euro and some U.S. dollar gain. And hence, you see this number to be very low compared to the earlier quarter.
- Manish Shah:** Sir, another last question, at least we should get INR 3,000 crores of orders till March, at least?
- Rajiv Mittal:** Why are you reducing our target? You should be increasing our target.
- Manish Shah:** No, no, sir, I be the happiest person if you get INR 5,000 crores.
- Rajiv Mittal:** Let's be optimist. Let's pray for us. Let's pray for your company that we do what we commit.
- Manish Shah:** Yes, best of luck.
- Rajiv Mittal:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I now hand over the call to management for closing comments. Over to you, sir.
- Rajiv Mittal:** Thank you. A few words before we close in summary. I think it has been, again, a profitable growth. Our order book is more than INR 10,000 crores. Order pipeline looks strong with a lot of orders where we are a preferred bidder. We will continue to focus on international geographies, EP orders, technology-based orders, which will help us to not only improve the margin, but also remain cash-positive by the end of the year. We will remain on track to continue to be a net-positive company by the end of this fiscal year. Our business is all about clean and green ensuring water security and sustainability. Future looks bright for water sector and Wabag is well placed to be the key global player in contributing to world's water sustainability and security.

Once again, thank you, everyone, for your participation in our 9 months and Q3 FY '23 earnings call. We have uploaded the analyst presentation in our website. In case you have any further queries, you may get in touch with Stellar, IR and Advisors, our investor relation adviser based in Mumbai, or feel free to get in touch with us directly. 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.