

June 03, 2022

National Stock Exchange of India Limited,
Exchange Plaza, Plot No. C/1, G Block,
Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051
NSE Symbol: **WABAG**

BSE Limited,
Floor 25, P J Towers,
Dalal Street,
Mumbai – 400 001
BSE Scrip Code: **533269**

Dear Sir/ Madam,

Sub: Transcript of Earnings Conference Call on Q4 FY22 Results as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Pursuant to Regulation 30(6) and 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcript of Earnings Conference Call on Q4 FY22 Results which was held on Monday, May 30, 2022.

The Transcript of Earnings Conference Call on Q4 FY22 Results is also available on the Company's website.

Kindly take the same on record.

Thank You,

For **VA TECH WABAG LIMITED**



R. Swaminathan

Company Secretary & Compliance Officer

Membership No. A17696



Sustainable solutions, for a better life



“VA TECH WABAG LIMITED Q4 FY22 Earnings Conference Call”

May 30, 2022



**MANAGEMENT: MR. RAJIV MITTAL – CHAIRMAN, MANAGING
DIRECTOR & GROUP CEO
MR. SKANDAPRASAD SEETHARAMAN – GROUP CFO
MR. SHAILESH KUMAR – CEO, INDIA CLUSTER
(DESIGNATE)**

Disclaimer:

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Moderator: Ladies and Gentlemen, good day and welcome to the VA TECH WABAG LIMITED Q4 FY22 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rajiv Mittal, Chairman cum Managing Director and Group CEO. Thank you and over to you sir.

Rajiv Mittal: Thank you. Dear Friends, Good Evening. Let me first welcome you all to the Earnings Call post announcement of Q4 FY22 Results of VA TECH WABAG LIMITED. Joining me today for this earnings call is Mr. Skandaprasad Seetharaman our group CFO. We hope you all had a chance to go through the results update. I’m also joined today on this call by Mr. Shailesh Kumar, our CEO India cluster, who has joined our leadership team at WABAG as a part of succession plan. Shailesh comes with an excellent experience in different sectors like power, oil and gas, fertilizers, cement and mining in both EPC and EPCL business in leadership positions. In his new role at WABAG, Shailesh will gradually take over the Indian cluster leadership from Pankaj by end of September 22.

On the key order intake for this quarter, it’s very heartening to note that with a concerted effort by our capital projects teams led by Mr. Varadarajan we have signed a concession agreement through our wholly owned subsidiary Ghaziabad Water Solutions Private Limited with Ghaziabad Nagar Nigam for design, build and 15 years of operation and maintenance of a 40 MLD recycle and reuse TTRO plant at Ghaziabad. The plant will use membrane technology both the ultrafiltration followed by reverse osmosis to further purify the treated sewage to an industrial usage quality. Sorry, the 40 MLD TTRO plant once commissioned shall be the largest TTRO plant under the HAMs scheme in India and expected to provide sustainable solutions for water need of the industries located in Sahibabad Industrial Area.

WABAG has been at the forefront of a water recycle and reuse initiatives globally. And this order is yet another milestone for WABAG towards

contributing to manufactured water for industries in Ghaziabad through advanced technologies. We used to call it earlier as alternate sources of water. We thought we are manufacturing water from wastewater, so, it's the appropriate word and that's the reason we are using manufactured water.

Coming to some key business updates, at our MARAFIQ project in Kingdom of Saudi Arabia to design and build a large scale sewage treatment plant with a capacity of 120 MLD for Jubail industrial city, engineering, equipment delivery and installations are complete. Pre commissioning and commissioning of the plant is underway which we expect to be completed by the end of H1 FY23.

At our 300 MLD independent sewage treatment plant at New Jeddah airport in Kingdom of Saudi Arabia, which has been built with the state of art technology "NEREDA", equipment delivery is currently underway, installation activity has commenced and the plant is expected to start pre commissioning activities towards the end of FY23. In our Zarat project seawater reverse osmosis plant of 50 MLD capacity expandable to 100 MLD being executed for SONEDE, Tunisia, major recommend deliveries are complete, mechanical and piping installations is currently underway, the project is progressing towards the start of pre-commissioning by end of Q3 FY23.

As you are aware, we secured an engineering and procurement order worth 165 million US Dollar which is about Rs.1200 crores from Amur Gas Chemical Complex LLC in Russia in H1 FY22.

AGCC is a joint venture of Sibur holding Russia and China Petroleum and Chemical Corporation which is also called as SINOPEC China. Owing to the current geopolitical uncertainty in the region, the Customer has communicated a suspension of further activities of the project in April 2022. We are in regular discussion with the customer to periodically evaluate the situation and await the resumption of work.

Ordering activities started assuming pace both in India and internationally. We will continue our focus on technology driven international orders and enhancing our presence in the industrial water treatment space. While

continuing our delivery of best in class municipal water solutions, we are confident that WABAG will continue to remain a front runner in the oil and gas segment, recycle and reuse of water and desalination solution with our marquee references across the world.

In our 187 MLD STP being built in Bally, Baranagar and Arupara at Kolkata for KMDA under the HAM model we are halfway in the project execution phase and the project is progressing well, basic detail engineering is complete and equipment deliveries have commenced.

Focusing on completion of projects has been our priority and in this line in Q4 FY22 we have:

- completed commissioning of 30 MLD desalination plant in Mangalore built for MRPL
- completed commissioning of Cuttack through STP in Odisha built for OWSSB,
- completed the Raw Water and RODM plant built for HMEL at Bathinda.
- In line with our safety focus across the group. I'm happy to inform you that in our EXIM funded Polgahawela project in Sri Lanka we have completed 5 million man hours, safe man hours. The project has also partially commissioned and we are expecting to finish the full project within this fiscal year.

ESG has been at the heart of our business and sustainability has been the theme. WABAG has been ensuring water security across the world both for municipal and industrial clients with our reference plants for recycle and reuse of water, which has been helping reduction of groundwater depletion. Our desalination plants which have provided water for potable and industrial use. Our total resource recovery model which ensured that no resource that comes into the plant is wasted and make sewage as a resource rather than a liability and green energy focus by using biogas generated in a plant to power the sewage treatment plant operation and also producing Bio CNG.

We have consistently demonstrated our commitment to sustainability and environment. At WABAG as we informed earlier we are progressing our ESG assessment and benchmarking process with the help of subject matter experts. WABAG with this commitment to technology and sustainability is well poised to continue growing profitably and enhancing the global leadership position.

While Skanda will take you through the financial highlights in detail. I would like to highlight the performance metrics of the core business for FY22. Core EBITDA for the year stood at 10.4% against the reported EBITDA of 8.3%. Our margins have improved year-over-year despite material price increase and cost headwinds. Core PAT for the year stood at 6% against reported PAT of 4.4%, return on capital employed of the core business stood at 21.5%. Net working capital days at the core business level stood at 56 days for the year. Our core business which is the water business remains intact and continues to grow profitably. I'm extremely happy to inform you that in line with our commitments, WABAG continued to remain cash positive, net cash positive and generated positive operational cash this year as well reflecting our focus on cash.

With a high quality of order book of over 10,000 crores and a strong order pipeline visibility, we are confident of continuing to generate value for our stakeholders in our 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 including the customers, suppliers, investors and bank for the continued support, especially during this pandemic times.

Before we move into the financial highlights, I would now request Shailesh to say a few words. Over to you Shailesh.

Shailesh Kumar: Thank you, Mr. Mittal for this opportunity to speak to our stakeholders. Good evening, ladies and gentlemen. It's indeed a pleasure to introduce myself to all of you, and be part of senior leadership at WABAG.

First of all, my sincere thanks to the group management and Board of Directors for having reposed faith in me to deliver this important responsibility. In the last couple of months at WABAG, I have had the opportunity to meet our

fellow WABAGites, and I have been infused by their determination and purpose in pursuing organization vision - sustainable solution for a better life. I'm extremely happy to be working with the high-octane team who are focused on making the world a better place to live. I've worked with Indian and Fortune 500 companies in EPC, EPCM and utility business space in diverse sectors like power, oil and gas, fertilizer, cement and mining for the last 29 years. In my earlier organizations, my span of control ranged across projects in India, Middle East, Sub Saharan African area and Southeast Asian regions.

Now, I'm extremely elated to be part of an Indian multinational organization focused on sustainability with technology with business operations spread over 25 countries across four continents. At WABAG, I see passion for technology, focus on water security and vision for future of water. My priorities for Indian cluster would be to take forward the successes already achieved and build greater operational excellence into our processes to deliver projects on time, within cost and at optimal quality. Last but not the least, I take this opportunity to thank Mr. Pankaj Sachdeva for having led the Indian cluster extremely well over last five years and for building an efficient and motivated team. This has set a wonderful platform for me to grow the cluster to greater heights and successes. I will be taking over the responsibility from him over the next few months. Looking forward to more successes and celebrations at WABAG.

Thank you all, over to you, Mr. Mittal.

Rajiv Mittal:

Thank you Shailesh, I'm sure you will take the India cluster and WABAG to a greater height and successes. At this moment I will also take the opportunity to express my sincere thanks and appreciation to Mr. Pankaj Sachdeva who has over the last five years provided stellar leadership to the cluster and delivered successful order intake and projects. I would now request Mr. Skandaprasad to take you through the financial highlights for the quarter and FY22. Over to you Skanda.

Skandaprasad S:

Thank you, Mr. Mittal. Good Evening Friends. Trust you had an opportunity to look at the results update presentation as circulated and uploaded on our website. Let me take you through the key financial highlights for the quarter

and year ended 31st March 2022. Our consolidated total income stood at Rs.3012 crores up by 6% year-over-year, on Standalone basis total income was Rs.2171 crores up by 17% year-over-year. The Consolidated EBITDA for the period stood at Rs.248 crores, which was up by about 14% year-over-year and the Standalone EBITDA for the period stood at Rs.192 crore, which was up by about 13% year-over-year. We have delivered another year of profitable growth, which is our PAT growing faster than the top line. The profit after tax attributable to owners stands at Rs.132 crores on consolidated basis up by about 20% year-over-year. On a Standalone basis, the profit after tax stood at Rs.92 crores up by about 26% year-over-year.

As already highlighted by Mr. Mittal, on the core metrics

- Core EBITDA stood at 10.4% double digit EBITDA margins, as we have been indicating over our interactions earlier.
- Core PAT stood at 6% demonstrating our control over finance cost through constant cash and debt management focus.
- Core return on capital employed, that is ROCE was 21.5% in line with our asset light model and technology focused approach.
- Core net working capital days stood at 56 days as a result of effective and expedited project execution.

With our continued cash management focus, we exhibited a turnaround to net cash position in the last year, we are happy to inform that we continue this trend into FY22 as well with a net cash position of Rs.10 crores as at the end of this year. Also, our operational cash flow generation for the year ended 31st March 2022 stands at Rs.12 crore positive. Our investing activities have primarily been on funding the contributions of equity to our HAM SPV established for the KMDA Howrah project.

On the Balance Sheet side

- Our net working capital has improved from Rs.742 crores as at the end of FY21 to 713 crores as at the end of FY22 in absolute terms.

- While we have reduced the working capital base, we have also reduced the working capital days from 97 days as of March 2021 to 88 days as of March 2022.
- Our trade receivables have also reduced year-over-year, despite growth in top line, signifying better invoicing and collection turnover.
- Our trade payables days reduce year-over-year owing to deployment of resources to expedite project execution, which is reflecting in the margins and top line improvement in an environment of cost headwinds. Efficient execution, and deployment of resources have helped us improve and maintain our key business parameters this year as well. We express our heartfelt thanks to our bankers, vendors, investors, fellow WABAGites and all other Stakeholders for the continued support extended to us. With this, we open the floor for question-and-answers.

Moderator: Thank you. Ladies and Gentlemen we will now begin the question-and-answer session. Anyone who wishes to ask a question may enter “*” and “1”. If your questions have been answered and wish to withdraw from the queue, you may enter “*” and “2”. Participants are requested to use handsets while asking a question. Ladies and Gentlemen we will wait for a moment while the question queue assembles. We have the first question from the line of Priyankar Biswas from Nomura. Please go ahead.

Priyankar Biswas: Good Afternoon Sir. My first question is, like for the second half of this financial year, we have seen that our sales have declined Y-o-Y. Any reason, especially I’m seeing that the overseas sales are declining in particular. So, what are the issues or any particular headwinds that we are facing?

Rajiv Mittal: Thanks. Regarding this top line, we have seen some slowdown towards the second half, in some of the projects which we were executing. One we said was Russia, where we saw from February onwards because of this geopolitical things, the things have slowed down, but also some of the other projects in the Gulf region, we have seen some of them have slowed down in the progress because of not our issues, but on the client side. And we had too little ramp down our speed. So, first you have seen that we have grown on a year-on-year

basis. And we see that with the order backlog we have, we have growth is assured in the coming year also. And this is also in our direction where we want to reduce our dependence on Q4. Every year we have a huge Q4 so in fact, the first half we had put in a lot more effort to see that we achieve a substantial progress in the first half and not only depend on the Q4. That was also in the direction of our strategy to reduce our dependence on Q4.

Priyankar Biswas: Sir, following on that same question. So, now let's say for color into FY23. So, understood that Russia, we may be facing some issues as of today, but you were saying that there were some slowdown in the Gulf countries. So, are these behind us and at least excluding the Russian project, should we see an accelerated or a step up in execution, on a Y-o-Y basis let say 1H FY22 versus 1H FY23, can you give us a sense of that?

Rajiv Mittal: Of course, because these are all funded projects. And we will have to catch up, in fact our clients who are investing money will have to catch up to make sure that they meet the project schedule. So, one would expect that they will not only push us but push themselves to catch up the momentum which was lost in the Q3. So, we would expect that things will catch up and you will see this effect in the H1 of FY23.

Priyankar Biswas: Okay. Sir, adding on to that, so can you give us a status on some large scale ordering opportunities that are available. So, maybe like let's say on the Chennai Desal or any other big orders that you see. And if you can give us some sense of what sort of revenue or order inflow growth we can expect in FY23, a ballpark range would be okay.

Rajiv Mittal: We definitely see a growth year in the coming year with the kind of order backlog we have, and also the order pipeline we have, we are definitely seeing a good order intake for FY23 also, this will be mainly international driven, which is in-line with our strategy and also towards the industrial sector. We are already well placed in few of the orders, we expect in the next few weeks or month we should be able to announce a few orders already. And this will give us an enough order backlog to churn a good growth in the top line also. Now, most of these orders are in Middle East and in the CIS countries, we see a big

opportunity in CIS countries, especially in the sanctions and all a lot of US companies and Europe companies will not like to go there. And this is a big opportunity for us to increase our market share. And our focus will remain obviously on the recycle and desal where we have a technology edge.

Priyankar Biswas: Sir, can you give us a sense of the Chennai Desal, so what's the status now?

Rajiv Mittal: I think it's very close to submitting the bids. We have got a couple of extensions, I believe the last extension came a week, 10 days back. This is definitely will get submitted next month, in a couple of weeks. And after that we have to wait for the evaluation to be completed. I think this is definitely will be decided in FY23.

Priyankar Biswas: Ok that's all from my side. If any questions, I will rejoin.

Rajiv Mittal: Thank you.

Moderator: Thank you. We have the next question from the line of Kaushik Poddar from K B Capital Markets. Please go ahead.

Kaushik Poddar: Can you give a sense of the growth you are expecting, of course, you are saying that there will be growth, but can you give a number as to what the growth will be?

Rajiv Mittal: If you see our past we have always grown in the double digit and going forward also we assume we will continue to grow in that with a good order intake and responding top line growth, and you always see we call it profitable growth, where our profits are higher than the top line growth. So, this is something which we will continue for the years to come. That's the direction that the team has, and everybody is working towards that.

Kaushik Poddar: Okay. And just now you said that we are going for contracts in the CIS countries and all those things. Will that be will that come in the way of sanction and all those things, or is it only for the Russian contract?

Rajiv Mittal: Not at all, even on Russian contracts only some sectors are under sanction. And this water sector is not under sanction.

Kaushik Poddar: Even in Russia, even if you get a contract in Russia, that's not under sanction right, that's what you're saying?

Rajiv Mittal: Right. But there are some European and US Companies. They have a view that they will not work in Russia. But that is not under the sanction list.

Kaushik Poddar: Okay, that's more for ethical reason or whatever.

Rajiv Mittal: Correct.

Kaushik Poddar: Okay, and what about the raw materials and all these things, recently we see some softening in the prices. Does that help you in ratcheting up your margin?

Rajiv Mittal: When the prices were going up for last one year not up, normally up we have still been able to grow the margins, if the raw material prices have started coming down definitely it will help the margin improvements.

Kaushik Poddar: And is it part of the contract, the raw material price at least to some extent say 50%, 60% or 60%, 70%?

Rajiv Mittal: Yes, we have most of our Indian contracts. We have an escalation formula, as you rightly said at least 60%, 70% of the cost is covered by this, but the balance we have to take the hit.

Kaushik Poddar: And what about international contract, does it have this raw material contract pass on, raw materials rights price pass on it?

Rajiv Mittal: No, we don't. But we are lucky with the exchange rate being very favorable towards Indian rupee so this has helped, because now you must have noticed we don't go for EPC jobs. We try to consciously reduce the construction portion, we focus on our technology, engineering and procurement of key components. So, this is also helping to improve the cash flow and margins.

Kaushik Poddar: Doesn't the procurement part has some material part element?

Rajiv Mittal: Yes, definitely it has, but because it's a specialized procurement material. So, it does not have a direct impact if the steel goes up by 30% our material price

goes up by 5%, 7%. Because steel in that component is much less rest is all about technology, fabrication, labor component, which is not going up in the same way.

Kaushik Poddar: Ok. Thank you.

Moderator: Thank you. We have the next question from the line of Yogesh Patel from Suyog Power Private Limited. Please go ahead.

Yogesh Patel: From 2018 you have stopped dividend so what is the reason behind it as the Company is doing it and we have good profit so why are you not thinking for the investors to give some dividend, some Rs.1, Rs.2 if you can't give Rs.4. All the good Companies give dividends. So, what is the reason behind this and when will you start it again?

Rajiv Mittal: I will answer you. End of the day our work is to increase your value, value increases by lot of factors. One as you said is by dividend and another the Company share value increases by Company valuation. You might have seen that we have started to participate in HAM projects from 2018, the Namami Gange - Clean Ganga programme for cleaning the River Ganga and we started working on it. We have to invest some money in such projects as the Government gives 40% and rest we have to take debt and some equity. We always want Company to be asset light and this time also we are asset light and we have kept our equity and asset minimum, we brought in partner and we took debt from companies like IFC and TATA Cleantech. So, the money which is yours either we can give you dividend or we can invest in such projects wherein your value will increase because in future till 15 years you will get annual/ annuity income and every month we will get income from it once we make it. So, for that you might have thought since last three years we have stopped dividend but this is your money which we have invested in Namami Gange programme, we would request you to wait for two years and once these projects start you will get good income from it every year. So, this is your Company and we take decisions what is good for you all.

Yogesh Patel: That is true but as per your EPS your share price should be Rs.600, Rs.700 but it's around Rs.200, Rs. 250, Rs.300 so why it's not increasing. There is entry

of big investors like Mr. Rakesh Jhunjunwala for 10% stake. You allotted to him shares at around Rs.165 per share even when the market price was around Rs. 300 per share.

Rajiv Mittal: No, it's not like that. We have issued only on the basis of SEBI formula, and nobody can pay less than that. I think even you must be aware of same, and even if you want to invest, you can as per SEBI formula. As per SEBI average price is taken, so the price is neither decided by us nor you, it's the SEBI who decides.

Yogesh Patel: I understand that, but the market price is Rs.300 and you gave Mr. Rakesh at Rs.165 so you should have given to investor as well who is already having shares, so they would have also felt nice that they got at lower price.

Rajiv Mittal: You will also get that chance in future, why not, you are also welcomed, but at the time when the deal happened the price was such and after such issue the price increased so it's not Company's fault, it could have even reduced, but our issue price was fixed.

Yogesh Patel: I would say that you should do something by which investor value should increase. Currently the EPS is 21, how much is it of whole year?

Rajiv Mittal: Yes, it is 21.

Yogesh Patel: So, as per 21 the price should be Rs.600, Rs.700.

Rajiv Mittal: Is it in your hands, you can do it.

Yogesh Patel: Yes. But, we are very small investors.

Rajiv Mittal: If you trust the Company and if you are talking to us in the same way other investors also trust us so be patient we are in the right direction.

Yogesh Patel: The Russia issue has been resolved?

Rajiv Mittal: It's in progress but we will definitely give you an update in our next call.

- Yogesh Patel:** Ok. Thank you.
- Rajiv Mittal:** Thank you.
- Moderator:** Thank you. We will move to the next question from the line of the Dhananjay Mishra from Sunidhi Securities. Please go ahead.
- Dhananjay Mishra:** I hope next year cash flow will also reflect in better cash flow. Just wanted to know the status for GENCO in terms of what kind of provision we have done in this year related to GENCO project and also what is the actual money received from APGENCO if at all we have received any money from APGENCO?
- Rajiv Mittal:** Yes, towards the end of the year in the H2 they have given us a limited notice to restart the project. And we have restarted the project, so about 25- 30 crores of invoicing we are done 15 - 20 crores of money we have received in the last few months and the work is progressing. The first part which they have given us a clearance in next three months we will complete that and they are paying us regularly for whatever work we are doing. And regarding your question on provision you know as a Company we have an ECL policy where we provide for delay and the default we have provided 60 crores of delay and default on APGENCO.
- Dhananjay Mishra:** APGENCO plus TSGENCO put together?
- Rajiv Mittal:** Put together exactly correct.
- Dhananjay Mishra:** Okay. And with respect to the Russia project, in which currency we are billing?
- Rajiv Mittal:** US dollar, but it would have been good if he would be billing in rubles because today ruble is the strongest currency in this world.
- Dhananjay Mishra:** And since when it is on hold, this project?
- Rajiv Mittal:** April.

Dhananjay Mishra: And before that whatever billing we have done we have received the money or?

Rajiv Mittal: Yes, 100% not a single rupee is outstanding.

Dhananjay Mishra: Okay. And second question with respect to if you can give some color on key states from here we can expect good orders like UP, MP in next year?

Rajiv Mittal: You know and we have discussed this every time, our focus in on multilaterally funded projects or central government funded projects in India. So, we are not so much focused on state, we focus on projects which have a very firm funding commitment and for that we do multilaterally funded projects and central government funded projects like Namami Gange, and our Swachh Bharat Mission and all this project and that is the reason we are very focused on desalination, reuse recycle, river rejuvenation and Namami Gange these are the areas which we will remain focus for the years to come.

Dhananjay Mishra: Ok. And in terms of HAM equity contribution what is the total commitment of equity contribution we have and what is the amount already invested and are we expecting any equity partner as well in this HAM projects?

Skandaprasad S: So, Dhananjay right now we have one HAM project which is effective and running, which is what Mr. Mittal mentioned during his speech, the KMDA Howrah project and we have a partner there which is Kathari water and this is a wholly owned subsidiary of Green Growth Equity Fund, which is a sovereign fund of the Indian Government and the UK government, it is funded by debt from IFC Washington and TATA Cleantech. So, the equity partner is Kathari Water and we have invested 18 crores as of date which is our equity commitment for this project, when the next project starts accordingly we will commit equity to those projects.

Dhananjay Mishra: And what is their equity commitment in next project, second project?

Skandaprasad S: The second project would be somewhere around 7 to 10 crores range.

- Rajiv Mittal:** We will remain asset light so our commitment will never be more we will always scout for equity partners who will invest majority equity and we will remain a minority equity partner.
- Dhananjay Mishra:** Yes, therefore, I hope next year cash flow is a much better, that's what my assumption is.
- Rajiv Mittal:** We will keep our fingers crossed.
- Moderator:** Thank you. We have the next question from the line of Hiten Boricha from Joindre Capital. Please go ahead.
- Hiten Boricha:** Thank you for the opportunity. My most of the questions have been answered. I just missed one of your opening remarks, you just gave the revenue growth guidance. So, can you please repeat it sir?
- Rajiv Mittal:** Sorry, it was not a guidance, somebody was asking what is it you can give, I said in the past we have always grown in kind of double digit growth as you have seen, we will definitely expect to grow in that range in the future also, unless there is some mishap happens like COVID or other things, but this company has always aim to get into a double digit growth and we will continue to endeavor towards that.
- Hiten Boricha:** Okay. With similar 8% kind of margin right sir?
- Rajiv Mittal:** I think aim will be to improve the margin as we said, because of industrial business, international business and recently we have gone first ET business rather than EPC business, this should all see improvement in margins going forward.
- Hiten Boricha:** Thank you so much. That's all from my side.
- Moderator:** Thank you. We have the next question from the line of Aditya Yadav from Transient Capital. Please go ahead.
- Aditya Yadav:** Good afternoon to the Management team. Sir, if you could give us broad qualitative insights what we need to do as a company to improve our margins,

return ratios and eventually cash flows. What's like your two, three year vision to improve our company's performance on these parameters?

Rajiv Mittal: It's looks like a strategy rundown, we'll have to give you.

Aditya Yadav: Briefly would suffice.

Rajiv Mittal: We will do that, I have no problem. In fact, we I've been telling it not only in this call, but in the previous calls also, we had in November 2020 a strategy workshop and we came up with a strategy which was approved by our Board. And the strategy consisted of that we have to improve the margin, we have to improve the valuation of the company. And for that we decided to go for technology based jobs rather than clear, run up the mill, EPC jobs. We said we should go more for industrial jobs, more for service, O&M jobs, more for international projects, and EP projects. So, these are the ones which we decided that we should go for and Board was very clear that it's okay if we miss out on a few projects, but we will not compromise on payment security from where it got derived that we will have to go for multilaterally funded projects and central government funded projects or internationally projects which are backed up by letters of credit that has been our way forward for last one and a half years. It's working well if you see the quality of our order book today, it will more or less meet all this what I've told you Aditya and this will help us to grow whatever you said EBITDA, margins, cash flow and the valuation.

Aditya Yadav: And sir what do you see so like the projects we are participating you said now you have further streamlined your the kind of projects we are participating in like you said centrally funded and backed in a proper way where when you have a clear cut technology advantage and those things like you mentioned. What do you feel about the pricing scenario, is that improving, is that bad or how do you see the pricing scenario for our company?

Rajiv Mittal: Is bad as it was always. I don't see it improving, it's getting only worse. That is the reason we don't compete in projects, which are run of the mill projects. We compete in higher end technology, where the competition is limited and only few companies who have the technology will compete. So, it's fine with us if we cannot grow the top line, but we have to grow the bottom line.

- Aditya Yadav:** Understood sir. Thank you.
- Moderator:** Thank you. We have the next question from the line of Omkar an Investor. Please go ahead.
- Omkar:** Good Evening sir and congratulations for good Q4 results. I have two question, quick update on TSGENCO and Tecpro because regarding Tech Pro projects, the company and TSGENCO have challenged the same in the Supreme Court. So, what is the current status for that 138 crores and what is the status on Tecpro where you are expecting to recovery view though NCLT. So, what is your status on these two projects, TSGENCO and Tecpro ?
- Skandaprasad S:** Omkar we have been disclosing this in our notes to the results and I will just elaborate on it. As TSGENCO is concerned, we have completed the job in all respects the commissioning is done, the plant is generating power, the PGTR is complete. So, we have to just receive the money. And this is what is under a single person arbitration appointed by Supreme Court. And we are expecting that this arbitration should get over, you know the legal timelines it should get over whatever as soon as possible in six months, one year and we will be able to receive the money and we are confident that our case is strong here. And at the end of arbitration we should be able to receive the money. The second is about 69 crores which is receivable from Tecpro, which is in the nature of bailey money that is tax deducted by Tecpro not either remitted to the government, neither did they pay it to us. So, this is in the nature of statutory dues which has to come to us. Here we challenged the NCLT's resolution in NCLAT which has been referred back to NCLT. And currently, this is under hearing and at any point in time, we expect maybe next couple of hearings, we expect a favorable judgment here. So, in both these cases, we are confident of recovering the money and it is subject to legal timelines.
- Omkar:** Understood sir, thanks for the update. And second question regarding JICA project as sir said this JICA project may awarded or announced by end of this financial year. So, are we expecting this order in H1 as to when the project reward an announcement will take place for the JICA project?
- Rajiv Mittal:** You are taking about the JICA project?

- Omkar:** JICA, 400 MLD project as of now still?
- Rajiv Mittal:** Yes Omkar, this as I said next month, the bids will be submitted. And then we will have to wait for three to six months of evaluation. And I still expect that in this financial year FY23, this project will be awarded.
- Omkar:** Understood, so the award for this project may take place in H2 of this financial year right sir?
- Rajiv Mittal:** Yes.
- Omkar:** Thanks for the update. Thank you very much.
- Rajiv Mittal:** Welcome.
- Moderator:** Thank you. Ladies and gentlemen to ask a question you may enter “*” and “1”. We have the next question from the line of Sonali an Investor. Please go ahead.
- Sonali:** Hi Good Evening Sir.
- Rajiv Mittal:** Good Evening
- Sonali:** I was having a look at the companies in the lower run like around 100 to 300 crores company and one thing I noticed that their EBITDA margin are to the tune of around 12%, 15%. At the same time when we look at our company it has been usually around 8% so can you throw some light on this despite being an industry leader why the margins are lower?
- Skandaprasad S:** Sonali, this is where we wanted to properly contextualize the EBITDA margins, because we have a core business, which is purely the water business. And here you would have seen over the last few years, we have been in the closer to the double digit. And this year, we have as promised, delivered a 10.5% EBITDA. Number two, we have EP projects, we have EPC projects and as you know because of our asset light approach and value additive approach, we are focused on the technology part. So, the construction part is basically a pass through. So, we have it in the top line, we have it in the cost, there is no margin built on that. So, the percentage margin that you see as EBITDA is not

a real reflection of where we deliver the value and on and this is because of the nature of the business where it has to be a lump sum turnkey kind of contract in few regions that we have today. And this is where we moved our strategy to more focus on technology focused orders, international orders, industrial orders and EP segment to have better margins reflected, better cash flows reflected. And that is what over the last two, three years, you would have seen. Our margins have been reflective of this we have been consistently on a net cash positive and we have also been generating positive operational cash flow.

Sonali: Okay, thank you so much sir. Just one last thing, so is there any target margin that you foresee in coming two, three years?

Skandaprasad S: See, we have always promised a double-digit EBITDA margin, and that is what we are working on. And this double digit EBITDA will keep improving as we move up and you very well know the economics of scale will kick in as we keep growing and our endeavor will be to be on double EBITDA margin. And cost headwinds will also reduce as we move forward, and that will also help improving the margins.

Moderator: Thank you. The next question is from the line of Punit Agrawal an Investor. Please go ahead.

Punit Agrawal: Sir my question is like, are you impacted in any way by situation in Sri Lanka as well if there any financial risk involved or the chances of bad debt increasing?

Rajiv Mittal: No, it's not at all, because that's the reason whole, this project is under buyers credit, where our money comes from EXIM Bank of India, the work done is only certified by the local authorities and the bill is sent to EXIM Bank of India in Mumbai. And we receive our direct US dollar payments from EXIM Bank of India.

Punit Agrawal: Okay. And how did the Russia project, did you have any bank guarantees or anything invested or it was just on paper, so have you started the project execution or no?

Rajiv Mittal: No, we have executed we were exhibiting it for last nine months and we have received a good amount of money.

Punit Agrawal: So, you have received all the receivables on time and you expect that?

Rajiv Mittal: Yes, they have been very good paymasters, excellent paymasters I must say.

Punit Agrawal: Thank you so much.

Moderator: Thank you. To ask a question you may enter “*” and “1”, we have the next question from the line of Ashit Kothi a Retailer. Please go ahead.

Ashit Kothi: Good Evening Sir. What I would just want to understand sir, is the time WABAG took over the parent, the journey so far with all its ups and downs do we see the prime coming very fast or it’s still a long way off?

Rajiv Mittal: I think Water industry is always a sunrise industry that’s how we treat this in our company. The growth of water industry will go for decades to come. If you’re talking about a prime time for it, every year will be better than the previous year. So, I think still the peak of water industry at least for decades to come we’ll see it coming all the time. So, I would say there’s a long way to go, the prime time is yet to come and growth is going to be continuous, as we go along. Water is a precious resource, let’s understand especially countries like us which are developing countries, we have not given enough importance to water, we still do not consider this as an economic resource. Once we start considering this as an economic resource, where the things have started, and people have started using this, you will see a tremendous investment going into the water sector. So, short answer is, that prime time is yet to come.

Ashit Kothi: And the purpose with which the parent was acquired that has already been achieved?

Rajiv Mittal: You cannot say achieved, I said this is something we are achieving and will continue to achieve, what we acquired parent for, we acquired parent for the geographies, we acquired parent for the patents, we acquired parents for the references, we acquired parent for the experience knowledgeable people, we

acquired parent for technology expertise of the people. So, this is not having any deadline, this will continue to fuel our growth. So, this is I would say have served our purpose till date and it will continue to serve the purpose in the years to come.

Ashit Kothi: When do you see the international business surpassing the Indian business?

Rajiv Mittal: Already. I'm just seeing the number that's my feeling. Rest of the world you see our results 65% of our top line comes from the rest of the world, 35% comes from India. You see our segmental revenues 1,116 crores comes from India and rest of the world comes 1,964 crores so it's already surpassed.

Ashit Kothi: And do we plan to kind of towards working capital be dependent on the outside capital or would raise capital?

Rajiv Mittal: No, not required. See, as you would know your company WABAG in which you are a shareholder. I'm sure you will see this company even from its inception in 96-97, then our listing in 2010 we have not gone to the market to raise capital whatever we have generated in our business we have plowed back is the only one time we raised capital was couple of years back where after Rakesh Jhunjhunwala and team brought in some 120 crores only. Even when we did IPO the company took only 120-125 crores because as per the SEBI we had to take a minimum, rest all we gave an exit to the private equity companies. But we have never raised capital and I don't think we have an intent to raise too much capital unless it is in the benefit of the shareholders. We don't want to dilute our shareholders and whatever we have earned that's the money we have plowed back into the business and grown the business over the last 25 years.

Ashit Kothi: Thank you sir.

Moderator: Thank you. We have the next question from the line of Manoj from Geometric. Please go ahead.

Manoj: Thank you for the good numbers in the challenging times.

- Rajiv Mittal:** Thanks Manoj.
- Manoj:** I have two questions, I am putting them together. Can you throw some light on the green hydrogen opportunities?
- Rajiv Mittal:** Fantastic. See, as a green company into sustainability we talked about ESG this is right in our domain area. We have started some work, but for it to mature and take some shape and we will have some information to share it will take maybe a few years. But, I can tell you your company is very much focused on it and we are keeping an eye on the development in the global market.
- Manoj:** Okay. Second, we know that water has a great longevity as a sector but we have some strict criteria in which areas we will bit the project with these criteria can we grow 20%, 25% over a period of time, or it will be around 10% to 15%?
- Rajiv Mittal:** As of now, if we grow, we are talking about top line, as I told one of our friends earlier on, I don't mind if I grow 10%, 12% on the top line, but I will definitely grow much more than in the bottom line. And that is what we are endeavoring to do. Our bottom line and cash flows are under focus, and that we will grow definitely.
- Manoj:** Thank you. Best of luck.
- Moderator:** Thank you. We have the next question from the line of Khadija Mantri from Sharekhan. Please go ahead.
- Khadija Mantri:** Sir, I may sound repetitive actually there was some problem with the network at my end. So, I just wanted to know if you have provided any guidance for order inflow for FY23?
- Rajiv Mittal:** As we are growing our top line is growing and we have a target of achieving at least a three times of our revenue in our order book and that we are sure we can maintain that or surpass that, but at least we should have a three times our revenue as our order book.
- Khadija Mantri:** Okay. So, in FY22 we had an order inflow of about 3600 crores. So, on a ballpark basis, we should be able to achieve that at least?

- Rajiv Mittal:** Yes, I'm sure your prediction is going to be better than my prediction.
- Khadija Mantri:** Okay. Sir, just wanted to understand more about this key framework contract. So, there are two contracts under this key framework contract that the way you have classified your order book. So, in key framework contracts these are the two orders from Libya right?
- Rajiv Mittal:** Correct.
- Khadija Mantri:** Yes, so I just wanted to know the status of these orders and the receivables from?
- Skandaprasad S:** So, Khadija this has been the way we report wherever we have signed contracts and where it is not yet effective because of LCs is not being opened especially in geographies like Libya, we work only on payment security, we classify them as framework contract. So, the contracts are signed, but they are not yet effective. Bomba is a recent contract which we signed, we are awaiting the LC to be open once that is opened this will move into the order intake and into execution. Libya, STP is a little older so that will happen after the Bomba intake is done, because it is a water plant. So, at this point in time, neither of these contracts have started execution. So, there are no receivables as such on this project.
- Khadija Mantri:** Ok I understand. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraints, that was the last question. I would like to hand the floor back to Mr. Mittal for closing comments. Please go ahead, sir.
- Rajiv Mittal:** Thank you, everyone for your participation in our Q4 FY22 Earnings Call. We have uploaded the analyst presentation in our website, in case you have any further queries, you can get in touch with Stellar IR Advisors, our Investor Relations advisor based in Mumbai, or you can feel free to get in touch with us directly. Thank you so much.

Moderator: Thank you members of the management. Ladies and gentlemen, on behalf of VA TECH WABAG LIMITED that concludes this conference call. Thank you for joining us and you may now disconnect your lines.
