August 16, 2024

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 the 'Q1 FY25 Results Conference Call'

Please find enclosed the Transcript of 'Q1 FY25 Results Conference Call' held on Friday, August, 09, 2024, post declaration of Unaudited Financial Results (both Standalone and Consolidated) for the quarter ended June 30, 2024. This intimation is filed pursuant to Regulation 30(6) and 46 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Transcript of 'Q1 FY25 Results Conference Call' is also available on the Company's website at www.wabag.com.

Kindly take the same on record.

Thanking You,

For **VA TECH WABAG LIMITED**

ANUP KUMAR SAMAL

Digitally signed by ANUP KUMAR SAMAL
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VA TECH WABAG LIMITED CHENNAI 600 117

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

Encl.: As above

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"VA Tech Wabag Limited

Q1 FY25 Results Conference Call"

August 09, 2024

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

Moderator: Good evening, and welcome everyone to this Earnings Call Post Announcement of Q1 FY25 Results of VA Tech Wabag Limited. On the call today from the management team, we have Mr. Rajiv Mittal, Chairman and Managing Director; and Mr. Skandaprasad Seetharaman, Group Chief Financial Officer.

Kindly note that during this call, the company may make certain forward-looking statements concerning the business prospect 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 the core offerings and analysis of the results for this 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 up for the interactive Q&A.

I now hand the conference over to Mr. Mittal to take you all through the key business highlights. Thank you, and over to you, sir.

Rajiv Mittal Thank you. Good evening, ladies and gentlemen. From our side, greetings comes from Vienna. Thank you for joining us. We extend a warm welcome to you all to the earnings call post announcement of Q1 FY25 results of VA Tech Wabag Limited. Joining me today on this earning call is Mr. Skandaprasad Seetharaman, our Group Chief Financial Officer.

We have started the centenary celebration as Wabag marks 100 years of presence. The first celebration will be held today in Vienna, Europe, where Wabag was originally founded. With our customers, Wabagites, Bankers, Board of Directors, Partners, Suppliers, Investors and all other stakeholders who have played a key role in this growth journey of Wabag.

We have also, in commemoration released our annual report with the centenary flavour. I hope you all have accessed this report of the centenary addition annual report on our website and enjoyed reading about our 100 years of preserving resources, protecting environment and powering economies across the world.

Over the last 100 years, our remarkable journey has seen us thrive and grow, amidst some of our most significant changes in the human history. In a landscape often dominated by uncertainties, Wabag has stood as a beacon of strategic innovation and resilience. Our journey is not merely about numbers on the balance sheet, it is a narrative of a strategic foresight and unwavering commitment to the technological advancement.

Wabag remains dedicated to create innovative solutions to ensure, sustainable water resources, aligning with our purpose, sustainable solutions for better life. The success of our strategy is validated by the numbers where it is demonstrated that profitable growth we have achieved over the last few years. We have started this year with another successful quarter, continuing our journey of profitable growth, and consistently improving our operating margins profile, underscoring our commitment to long-term growth in line with our strategy "Wriddhi"

Let me now take you through some key project highlights. Our prestigious 400 million liters per day Peru Desalination project in Chennai being built for client Chennai Metropolitan Water Supply and Sewerage Board and funded by multilateral agency, JICA is moving at a brisk pace and the engineering activities are at its peak and completion of ordering of linked items is done.

Civil activities have started and main structures are progressing well. Site is gearing up and ramping up of resources to increase the pace of construction for achieving a significant concreting over the next six months. Deliveries are planned to commence in the fourth quarter of this fiscal year onwards. And the peak deliveries will happen during the next fiscal year, when our marine activities will also be in full swing. In summary, the project is progressing well, and it's on time and within budget.

There has been a significant progress also, on our 200 MLD STP Pagla project in Bangladesh, and CIDCO water treatment plant in Maharashtra. Where procurement activities have picked up pace. Our SIBUR and Senegal projects have completed major supply activities and are now moving into installation and commissioning phase.

We have maintained a very high quality order book of around INR11,000 crores with a healthy mix of 55% EPC and 45% O&M. O&M business has been our focus as this helps us to bring in stability, generate better profit margins, give us better cash flow visibility. Today, we have a long-term visibility of O&M with a robust backlog, and we will continue to focus and develop on O&M business. The geographical diversity of our order pipeline spanning across India, Middle East, Africa, Southeast Asia, further underscores Wabag's global aspiration and leadership.

Now that the general elections in India are behind us and recent budget announced, gave emphasis on promoting water supply, sewage treatment, and solid waste management projects and services for 100 large cities through bankable projects in partnership with multilateral development banks. This will augment demand for freshwater and other water infrastructures. Thus, we expect Indian market to pick up further pace and few queue orders are expected to be announced very soon.

Our go-to-market teams continues its effort in developing more projects in Southeast Asia and also CIS emerging markets. We have already got some success in this market, but opportunities are plenty, and our team is well geared up to harness the same. As we have informed you in our conference calls earlier. While the Indian market had slowed down during the general election phase, we had reallocated our resources to focus on International market, especially the MEA region.

We have placed several large bids in the MEA region over the last few quarters, and we are happy to inform you that Wabag is a preferred bidder in some of these projects, which is of a value over INR6,000 crores internationally and in the domestic market as well. This gives us immense confidence on the future growth of Wabag, with complex projects ranging in desalination and wastewater both from municipal and industrial clients.

As part of our strategy to continue reducing our exposure in European region, we have completed divestment of our Romanian subsidiary. This has further enabled us to channelize our focus and resources to the emerging economies, which remain our core market, requiring significant investments towards water infrastructure.

To conclude, we have achieved remarkable success over the past century, and we are optimistic that we will compress the growth achieved over a century in the next few years. More than doubling the revenues at an attractive margin within this decade. We will continue to remain a truly Indian multinational, pure play water technology company, with our asset-light approach positioning to deliver superior value to stakeholders while contributing to cleaner, greener and bluer planet.

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. Trust you had an opportunity to look at the results update presentation as circulated and uploaded on our website and stock exchanges. Let me quickly take you through the key highlights for the quarter ended 30th June 2024. Our consolidated revenue from operations increased by over 13% year-over-year to INR627 crores and standalone revenues increased by 7% year-over-year to INR546 crores. Driven by, new and large projects moving at a swift pace and in advanced stages of completion.

Consolidated EBITDA increased by 23% year-over-year to INR81 crores and standalone EBITDA increased by 21% year-over-year to INR79 crores. We have successfully maintained an operating margin of 13% at consolidated level on the EBITDA front. The PAT stood at INR55 crores on consolidated basis, up by 31% year-over-year. Another quarter of profitable growth. Where our profits grew at a pace higher than sales growth. This is adjusted for the onetime gain from divestment on subsidiaries.

In summary, we are a global leader in the high technology water treatment business, and we will continue to move ahead in our stated strategic direction. We have demonstrated consistent upward growth and have a strong revenue visibility from a quality order book of INR11,000 crores. And being a preferred bidder in projects valued over INR6,000 crores.

On this joyous occasion of our centenary celebrations, we would like to express our heart filled thanks, to our customers, vendors, partners, shareholders, bankers, investors, fellow Wabagites and all other stakeholders for their unwavering support extended to us over the last century. We trust that our cooperation would continue for many more years to come, to continue adding value to all our stakeholders.

With this, we can open the floor now for the question and answer session.

Moderator: Thank you very much, sir. We will now begin the question and answer session. The first question is from the line of Dhiraj Ram from Ashika Stock Broking, please go ahead.

Dhiraj Ram: Congratulations for the great set of numbers. So my first question...

Moderator: I'm sorry to interrupt, sir. Your voice is breaking. Your audio is not clear. May I request you to use your handset, please?

Dhiraj Ram: Sure, I'll come back.

Moderator: Okay, sir. Please rejoin the queue. Thank you. We'll take the next question from the line of Rahul Jain from JM Financial PMS. Please go ahead.

Rahul Jain: Yes. Sir thank you for the opportunity. My first question is with regards to execution, India's revenue declined 22% for you. So despite Chennai contributing to the execution, Also the margins were weak at 11.6% on EBIT level basis. So what happened here? If you could help us understand the lower execution and margin during the quarter for the domestic business?

Rajiv Mittal: When you are giving these numbers to which quarter you are comparing this revenues and margin?

Rahul Jain: I'm comparing Q1 to Q1.

Rajiv Mittal: Q1 to Q1, our growth if you say on a consolidated basis, it's about 13%, on standalone basis it's 7.2% and margin is 13% EBITDA versus 11.9%. All the numbers are up and PAT is almost 31%. So I don't know where you are reading these numbers, if it's Q1 to Q1. Rahul please check your numbers.

Rahul Jain: Sir, I think your India business, which is $2.6 billion, declined 22% against last year at $3.4 billion. I'm comparing those numbers.

Rajiv Mittal: I don't know where you're picking these numbers, Rahul. None of your numbers are correct.

Rahul Jain: Let me get back on this.

Rajiv Mittal: Fell free Rahul to get back. Thank you, Rahul.

Rahul Jain: My second question will be, I see you have a pipeline of around INR6,000 crore in India and MEA region, right? So what are these orders related to? And when can we expect this to come in our order book?

Rajiv Mittal: See, when we say that we are confident and we use the word preferred contractor. That means this is a question where we are already a lowest bidder declared. Some places evaluations have been done. Some places still evaluation is going on and post that there is a process at the client's end to go through all the internal approvals. Then we will get into contract discussion. And it should happen within this fiscal year. Normally it takes anything between one, two, four, five months. So we think even in this calendar year, we should see these orders progressively. Some of it will start in next one or two months, some of it in three to four months, and some of it in four to five months.

Rahul Jain: Yes Sir, got it.

Rajiv Mittal: This is a firm pipeline. It's not a normal pipeline. This is all we have bid, we are preferred bidder, we are lowest bidder. All that is a very concrete pipeline.

Rahul Jain: Got it. My next question is, in the budget it was noted that government will be promoting water supply, sewage treatment and solid waste treatment projects and services in 100 large cities. So how are you looking at this opportunity and can you highlight, how can be the competitive intensity in such place? Because there are several other EPC players which are going for the water projects wherein they have highlighted significant opportunity in India as well as globally. How is the competition scaling up on the business side?

Rajiv Mittal: See Rahul, its very clear. Where there is opportunity, competition is most welcome. We have never worried about competition because we understand our strengths, we understand our technology superiority. We understand our offerings, what we give it to our customer and how do we add value.

One thing is very clear, that we select our projects very carefully. Where we see, that we have a good chance, the payment security is there, cash flow is there and we have an opportunity to use our technology superiority, we select a few projects, and projects we target, generally, we are both technically and commercially very attractive. So competition? Yes, will be there. Has to be there. But that does not put us in any concern. We are happy to fight the competition and win our quota of projects.

Rahul Jain: Sure, sir. Next question is, are there any semiconductor or CBG or green hydrogen projects in pipeline in the next two years? If you can highlight that also?

Rajiv Mittal: This is definitely, if you've seen our presentation, we put it on our website for investors and the analyst. I think, is clearly saying that we are into this new field. You've mentioned the two, which is semiconductor which needs ultra-pure water. Compressed biogas, which is a new initiative of the government, for clean and green environment. We have been in this business already for 30 years. Now it's only question of converting that into a specification which we can directly pump into the fuel stations or the pipeline.

We have to do a little bit of more cleaning up, which we are already announced a few months back. We have signed with Peak Ventures to develop it together. And we are willing to take these projects forward. And we are planning at least 100 projects to do it over the next few years.

Same thing is with semiconductor. We have ultra-pure technologies. We have our references. We are talking to few other global leaders where we will be the technology champions in that and we will then be going after the projects. Same thing we are doing for hydrogen and same thing for digitization and AI, to be included in our project. These are the four initiatives we will work over the next few years and make sure they all get integrated in our business.

Rahul Jain: Yes, sir. That's it from my side.

Moderator: The next question is from the line of Nidhi Shah from ICICI Securities. Please go ahead.

Nidhi Shah: Hi. Thank you so much for taking my question. So my first question would be on the segmented results that you've declared on a consolidated basis. For India we can see that this quarter YoY there was a decline of 22% in revenues. Could you give some colour as to, firstly, why the India business is down? Number one. And number two is that, we can see that the export revenue has more than doubled. So, again, is there a focus shift in the company? What is going on? That's my first question.

Skandaprasad S: The mix of revenues between India and ROW is usually how the projects are progressing. You've seen in the last few years with the strategy shift, we have focused more on the International business. Also, over the last six to nine months in the general election phase, there has also been a lull in terms of the Indian business. The main contributors for revenue are the SIBUR project and Senegal project, as Mr. Mittal mentioned in his opening remarks. Which are completing their supply phase and moving into the installation commissioning phase.

So deliveries have been happening over the last H2 as well as into Q1, and will get largely completed by Q2. So these are the revenues, which are getting a bigger share, and that's why you see that, verus first quarter of last year, in the segment results, the international revenue is better. While the Indian revenue on the other side, it's a mix of projects. You will see over this year, this will slowly change because the newer projects in India, specifically the 400 MLD desalination plant, will start picking up the deliveries starting Q4. So the manufacturing will happen over the next few quarters and the next year you will have lot of deliveries here.

Of course, this mix will keep dynamic because the INR6,000 crores worth of projects where we said we are preferred bidders has a very good mix of International, large complex projects. So when they also come in, the mix is likely to swing, but I would allude you to look at us over, say, three-four year kind of period, which is what we presented during the year end. And you saw we were about 40% or more on the international business, about 30% on industrial and EP was about one-third of the EPC. So you'll have to see us over a longer period rather than merely a quarter-over-quarter because the mix of projects may change.

Nidhi Shah: Got it. Also, last quarter you mentioned that the order pipeline target for this year is about INR16,000 crore. Are we still maintaining on that number? Or would we like to revise that number?

Skandaprasad S: We are expecting with the robust order pipeline and also the orders that where we have told you that we are preferred bidder, we are confident that we will be on track on this. In that range is what we are expecting it to be.

Rajiv Mittal: See, I just want to correct. It's not the order intake. INR16,000 crores was the order-book

Nidhi Shah: Yes, my bad. The another question that I had is, that so far in Q2, have you seen any further developments on this order booking side? Have you booked anything concretely in the order booking in Q2 so far?

Rajiv Mittal: This is what we told you. And INR6,000 crores which is visible to us. A concrete order pipeline which should materialize over the next few months progressively.

Nidhi Shah: No, I was asking in the last one, one and a half odd month have you booked anything? I understand that you're a preferred bidder in INR6,000 crore odd projects. But have you booked anything in the last one and a half month?

Rajiv Mittal: So generally if we book anything, we'll make an announcement, Nidhi.

Nidhi Shah: Okay. All right. Thank you so much.

Moderator: Thank you. We'll take the next question from the line of Aashish Upganlawar, from InvesQ PMS. Please go ahead.

Aashish Upganlawar: Yes. Sir, wanted to understand, since the balance sheet is not published for Q1, so is there any change in the working capital cycle for us? If you could spell out how the constituents would have moved for us? Number of days, maybe?

Rajiv Mittal: See, I think we'll take this question, but generally, I think the business is as usual and it's the first quarter. Whatever deliveries and the work we do in the last quarter, we are in the collection phase in the first and second quarter, and you see this when we publish in a month and a half. But I can tell you our Net Cash position remains positive. Which is good, which is, after many years, in the first quarter itself, we have a positive cash flow. And exact numbers you can ask us. Join one on one call and we'll give you. Otherwise in about, when we close the second quarter, we'll give you anyway the full balance sheet.

Aashish Upganlawar: Okay. Sir, in the opening remarks, I think you mentioned. The aim is to double revenues and better the margins. So what the time period are we alluding to here?

Rajiv Mittal: No, I said the same thing, that we would do it within this decade. So in next four or five years we should achieve it. And with this kind of order backlog and order book which we have given you, I don't think it's difficult or impossible. Very much possible. And that is the reason I have made this statement.

Aashish Upganlawar: Okay. If I may ask one more. Sir, our business is pretty global. So, risk management becomes most important in terms of receivables, in terms of execution of the work and stuff. So how are things shaping up because globally we are seeing lot of disturbances, plus we are very very spread over across the globe. So any comments on that will be helpful. Any risk that you see now, or is it all smooth?

Rajiv Mittal: We have told you before and we continue to evaluate our payment security very, very clearly before we decide to bid for the project. As we have told you, if you can see our order book, most of them have a Central Government or Federal Government guarantees. It's their projects. Like Namami Gange, Swach Bharat. AMRUT, the money is from the central government.

Some other projects. Like we talk about Chennai Desal, we talked about Bangladesh, we talked about our projects in Senegal. All these are multilaterally funded. Organizations like World Bank, Asian Development Bank. JICA from Japan, KFW from Germany. These are all multilateral because we are in a social sector. These are government funds, which fund these projects which are directly impacting the social sector. So we always focus on those projects which give us this payment security.

Some of the other clients in, say, Middle East and all, they are all government organization. They are 100% owned by their local government. And some of the other projects where we see that there is LC requirement, we go to our clients and ensure that we have a LC completely backing up our payments and then only we start our project. So from a payment security, we are fully secured.

Aashish Upganlawar: Okay. Thank you.

Moderator: Thank you. We'll take the next question from the line of Harshal Parikh, from Equitas Capital. Please go ahead.

Harshal Parikh: Hi. Thanks for the opportunity. Sir, our gross margins have improved substantially this quarter on a QoQ basis as well as on a YoY basis. So what are the key reasons for the same? And is this gross margin sustainable?

Skandaprasad S: See, we have given already a medium term outlook of 13% to 15% in terms of our EBITDA margins. And we are in that band. This will obviously move between quarters and between years, depending on the mix of projects. But this is the band we expect to stay and with the quality of projects that we have, we are confident about this.

Harshal Parikh: So the improvement in gross margin this quarter can be linked to the higher international revenues in this quarter. Is my assumption correct?

Skandaprasad S: See the EP project mix, International project mix. So all of these are dynamic? Yes, it would be right to attribute it to a higher international mix.

Harshal Parikh: Sir, and any update on the One City One Operator scheme? Like when will be more order or more cities will be awarded in this scheme?

Rajiv Mittal: I think we can say, that now we have completed almost 4.5 years of these pilot projects of Agra, Ghaziabad. There's definitely a believe that this is a way forward for most of the local bodies. We see some new projects are getting conceived which we will bid during this fiscal year. We also have recently participated in fairly large One City One Operator projects in the Middle East market. So, yes, this is some contract type. This is something which we see are getting popular not only in India but also internationally.

Harshal Parikh: That's helpful, sir. So sir, as you said you are a preferred bidder for INR6,000 crores worth of projects, does that include any awards under this One City One Operator kind of scheme?

Rajiv Mittal: Not yet, but definitely includes some of our O&M. But some of the One City One Operator we have not put under this category because this is a large project. Let's wait for further progress before we fancy our chances.

Harshal Parikh: Sir, I have one more question, if you allow?

Rajiv Mittal: I think you can join the queue. I think you have already taken many more than two. So give others chance and come back.

Moderator: Mr. Parikh, I would request you to kindly rejoin for follow-up. Thank you. The next question is from the line of Aejas Lakhani from Unifi Capital. Please go ahead.

Aejas Lakhani: Firstly, Mr. Mittal, credit to you and the team for reallocating the resources in what would have been an otherwise slow quarter in India to the International market, so that we've seen good revenue uptake. So it's credit to you and the team. Sir, my first question is that, could you just speak about how the pace of execution and revenue booking for India looks for the rest of the nine months? And also, could you quantify what has been the EP mix in revenues this quarter versus the same, maybe?

Rajiv Mittal: Let me answer the first one and I'll leave it to my colleagues Skanda, to answer the second one. See now is the time to pick up pace. As we said, general elections are behind us. Budget is behind us. Very soon the monsoon will be behind us. This is the best period for execution. From September till March, best period. So naturally, we always see that the pace of execution in the second half is always far, far better than in the first half.

So with all these orders with us. Order pipeline is also pretty full. Engineering on some of the projects is more or less complete. So now we are in the phase of ordering, delivery and site work. And we definitely assume, that the pace will be far better than what we have seen till now.

Aejas Lakhani: Sure sir. And sir, on the second question. The EP mix this quarter versus last quarter, same time?

Skandaprasad S: See, it's not a quarter-over-quarter to track, but we are well in line with our strategy. We said at least one-third of our EPC, revenues would come out of EP. And in this quarter we are much better than that because the main contributors have been the SIBUR Project, which is an EP, the Senegal Project, which is also an EP.

Skandaprasad S: Okay. And Skanda, follow-up on that. The SIBUR and Senegal, you said the commissioning and installation will take place in the second quarter, so we should see good revenue uptick from those specific projects in second quarter and onwards, right?

Skandaprasad S: Aejas, this is an EP project, Senegal, as well as SIBUR, where our work is engineering, procurement and we only supervise the installation commissioning. So majority of the deliveries will be completed in Q2. And after that, it is the client's work in terms of completing civils, giving us funds for supervising. So that is a small part, but large part of the revenues on these projects will be done by Q2.

Aejas Lakhani: Got it. Thanks. The third one is. Could you speak a little bit about the HAM project. Anything on that front?

Rajiv Mittal: I think. The status quo, that projects are moving well. The Kolkata one is commissioned. We are just working with the client for the COD. Will start any moment, maybe next month onwards the CODs are expected. The Patna one, the DK**,** same should happen by end of this year. And same is the thing for GNN, which also should happen by end of this year.

Aejas Lakhani: Got it. Mr. Mittal, you spoke last quarter about a $1 billion in Gulf. And the bid pipeline that we had bid with those mega projects of $200 million odd and at the opening you mentioned INR6000 crore is the pipeline that we are seeing for India and International. So could you help me explain, what is the difference?

Rajiv Mittal: Yes, I think what I told you a quarter back. I'm giving a update of that, saying what we have bid we are likely to convert at least half of it. We can see very clearly as a concrete pipeline. To me, I'm very happy about the way my team has converted the $1 billion to at least a concrete pipeline of half a billion and more is yet to come, which it will take maybe another quarter to see the status of others.

So I think as one of our friends said. I'm pretty satisfied that the strategy we adopted to shift some of our resources while India was slowing down for six months pre-election and post-election in the budget. I think it has fetched rich dividends to us for the strategy we took in shifting our resources from India to the Middle East market.

Moderator: Thank you. The next question is from the line of Dhiraj Ram from Ashika Stock Broking. Please go ahead.

Dhiraj Ram: Sir, recently, Welspun Enterprises has secured wastewater treatment plant in Bhandup of 2000 MLD. So just wanted to know, did Wabag bid for this project or what was the reason for not be able to securing this project?

Rajiv Mittal: No. As we said, we have certain criteria to select our project. So this project did not fit into our criteria. There were seven plants in BMC. This is only one you are mentioning. There are seven plants, and we did not bid for any of them because it did not fit into our criteria for order intake.

Dhiraj Ram: Got it, sir. And one last question. We have recently secured a project in Bangladesh. So how are we seeing the execution process in it? Are we seeing any hamper in the execution already?

Rajiv Mittal: No, it should not be. As they call it, Sonar Bangla. I believe that it will remain a Sonar Bangla. These are normal things in a developing economies, this to happen. But I'm very happy the way it has been controlled and navigated through. Yes, for the safety, we have evacuated our Indian team from the project site. But our local team is very much there to supervise and continue the work. And as soon as the situation, we feel is safe and also clearance from our Embassy, we will move back our team. So I don't see this is going to be a major setback. Yes, for a month or so, our team will not be there, but again, we have a local team who can continue the work.

Dhiraj Ram: Got it, sir. Thank you, sir.

Moderator: Thank you. We'll take the next question from the line of Kaushik Poddar, from KB Capital Markets Private Limited. Please go ahead.

Kaushik Poddar: Yes. See, your stated aim is to grow around 15% to 20%. What kind of employee strength growth do you see for achieving such kind of revenue growth?

Rajiv Mittal: Yes, I think this is a very good question. And we always talk about this internally. See, we don't believe that our top line numbers should be directly proportional to our employees growth. We want to grow in our efficiencies, we want to grow in our productivity, we want to go into more digitization. All these will give us growth, without really the need of growing the employees proportionally. Yes, some growth will be required, especially when we are going to the new markets, new geographies, new businesses.

But it will be far, far lower than the growth on the top number because our efficiencies are growing. We are seeing, we are taking bigger projects. Ticket size of the projects are growing, which does not need the same number of people as 10 of small projects would need. So when we are growing in ticket size, we are growing in our systems, we are growing in digitization. I think we expect, the growth of employee will be far, far lower than the proportionate growth anybody else would expect.

Kaushik Poddar: Thanks. And secondly, this thrust area of pure water for hydrogen, CBG and all those things. Do you have the technology for such kind of pure water and all those stuff?

Rajiv Mittal: If Wabag as a pure play advanced technology company doesn't have, I don't know who has.

Kaushik Poddar: No, but you also said that you are trying to build up some tie up with some other biggies in this field or something, if I heard you correctly.

Rajiv Mittal: We have no ego. I think Kaushik. I just want to be humble and say, yes. It was not our focus area of semiconductor. We have built a plant a few years back in Qatar, for semiconductor. Ultra-pure water. So we have a reference. But in the meantime, if somebody has something better. Why not get the best in the market and offer it to the client. But that doesn't mean we don't have it. We are always open to learn and adopt if somebody has something better.

But we have our own technologies and we have put up plants which are in operation. And same is with hydrogen. What it needs? It needs more desalination. It needs to remove salts, which can scale the electrodes. We are already doing desalination. The Asia's largest project we are doing in Chennai. Now maybe we have to do one more step of polishing it to further reduce the TDS, which is lower than the drinking water TDS. And those technologies are simple. Just we have to add one more step.

So, I don't think any of this, like you said, CBG. We already are for four decades producing biogas. So far, we have been burning in the engines, generating electricity. Now we have to pump into pipeline to get a higher value of that product. For that, there is an add-on step of further cleaning up the biogas before you inject into a pipeline. That extra step we will do. But it's nothing that we don't have, and we have it for decades now. In Wabag Group.

Kaushik Poddar: Okay, thanks. All the best for your new endeavours. Thank you.

Moderator: The next question is from the line of Manish from Equity at Work Family Office. Please go ahead. Please proceed, sir.

Manish: Sir our guidance for current fiscal, which is about 15% to 20%. Our guidance still there, right. You maintain that?

Rajiv Mittal: Yes. Whatever we have given guidance in the last quarter, we maintain that.

Manish: And sir what is the update on Chennai project? What is the revenue recognition so far and what is the completion timeline for Chennai project?

Rajiv Mittal: As I said, I don't know when I was talking, you were present or not. I clearly mentioned that it's progressing well. It's on time, within budget. We have talked about it. We have said that engineering, we have peaked. We have started concreting. We have started ordering the long lead items. The deliveries will start from the end of this quarter. Will peak in next fiscal year. We will also start marine work in the next fiscal year. All that I had mentioned in my speech.

Manish: Sir, what is the net debt as on 30th June 2024?

Rajiv Mittal: Maybe couple of INR100 crores. We don't have a huge debt. We have told you before. We don't have and our intention is not to have any long term debt. If there's some debt, it's just to cover some mismatch in cash flow. So we don't have a very high debt.

Manish: And working capital also quite smooth, right?

Rajiv Mittal: Yes, it is. It's always after the fourth quarter, it takes maybe three to four months to collect the money. As I told to one of our friends just before you. That you will see all what we are talking in the next balance sheet when we publish in September.

Manish: Sir last question.

Moderator: We'll take the next question from the line of Dhimant Shah from ITI Mutual Fund. Please go ahead.

Dhimant Shah: Yes. Hi, Mr. Mittal. Good to be on the call again. Just two questions sir, One is, in terms of PQ and capability globally, we rank 5th. Now, if you compare ourselves with the top four as per GW Certification. Any critical gaps yet to be covered in terms of acquiring capability and know-how for addressing a particular subset like the semiconductor which you just mentioned. And this can happen as and when the opportunity arises, so if you can help me with that. Please.

Rajiv Mittal: Yes, Dhimant, first I like to clarify, when you say we are fifth. We are fifth in desalination. But if you see the total water sector, especially serving all the human beings and being of help to the society. Serving almost 88 million people across the globe. We are number three. Okay. Now, coming to the technologies, whether it is Desal or Total Water Management, and we are proud to be the only Asian company in this top three and top five. Whether top three in Total Water Management, top five in desalination.

Just two companies are above us. One is Veolia, The French. Another is the Chinese, The Beijing Water. Now in a short span, we have reached this position. Naturally we are second to none in terms of technology. Just that today whether we are third or fifth in desalination. Like you mentioned very clearly. It depends on the opportunities. Like desalination was never an opportunity for India. It's only of late recently, we started getting some opportunities and we have excelled in that. We are a leader in the Indian market. And now we are penetrating in the MEA market, which is Africa. Just now, we commissioned a plant in Tunisia, which we were honoured, that the President of the country comes personally to inaugurate that plant.

Our Chennai project, our Saudi projects. All these are testament to our capability in terms of technology. And if you ask technology, there's no gap. If you talk about the pre-qualification, there is no gap. So it's only that probably we are late entrant to this sector, or this vertical. Hence we have some catch up to do, which we are catching up pretty fast.

Same thing in the water side. If you talk about technology, we are second to none. Our balance sheet over the years, have also become very strong. So I don't see that we find any barriers for pre-qualifying for any project in India or internationally.

Dhimant Shah: Super. And in terms of the next two to three years in particular, because that would also mean that you achieve closer to your stated goal of 15% to 16% EBITDA margin sustainable with certain top line growth trajectory. Now, if one scans the opportunity size. Do you think the Middle East geography, the Indian geography or the rest of the world offers you a better landscape as far as this. So how would you spread, because you have limited man material resources to address the total size that you can handle with them. So how would you go about allocating your resources?

Rajiv Mittal: See, we have no target geography wise. We have given you the 15% to 20% top line growth we are looking at. 13% to 15% EBITDA we are looking at. And for next year, we are looking at INR15,000 to INR16,000 crores of order book. And just now we said that INR6000 crores we already are preferred bidder. So these are the statements which should give enough confidence to investors like you that what we commit, we will deliver. And that's the reason we continuously give you an update on quarter-on-quarter at least, so that you can also monitor our progress compared to the guidance we have given.

Dhimant Shah: But despite that, certain geographies, like last time you had mentioned. That the Middle East gives you a better flavour as far as the O&M goals as a part of the overall mix. So you could be tilting towards that side. So any colour on that, if you can.

Rajiv Mittal: See, that is, again, one of the stated goals, Dhimant. We want to be, at least 50% International of our total revenue. Which I think we are very confident we'll be better than that. We will be more and with the markets opening up, an ease of business for us where we meet all the pre-qualification, client likes our company. We think we have a great opportunity internationally also in addition to India. In those times, we'll have to judge which one gives a better revenue, better profitability, better cash flow, lower risk. Those are the projects we are going to choose and bid for it and win those projects. But this is stated goal that internationally will be at least 50% and India will be the balance 50%.

Dhimant Shah: Perfect. And just a small clarification. In terms of our capability, do we also address ETP, STP both? If you can just clarify on that.

Rajiv Mittal: Dhimant, in water, there's nothing we don't do. We are a total water management company. Complete gamut put on the municipal side as well as the industrial side we do everything. So there is no gap in our offering.

Dhimant Shah: Perfect. So now, last question, if you just see Desal, ETP and STP as separate buckets. In the ensuing future, would you want to kind of spell out where the size of opportunity is bigger for you?

Rajiv Mittal: For us it's very clear Dhimant. We are into advanced technology. We have more than 125 IP rights, trademarks. So naturally our tilt will be more which are technologically challenging projects. And our technology challenging projects are more going into desal and water reuse. Or we call it manufactured water. Naturally, our tilt, being a technology company, will be more towards desal and water reuse.

Dhimant Shah: Perfect. Thank you so much, sir, and all the very best.

Moderator: The next question is from the line of Khushbu Gandhi from Share India Securities. Please go ahead.

Khushbu Gandhi: Yes. Thank you, sir, for giving me the opportunity. Just one question from my side. Basically now, since we are focusing more on the European side of the projects and MEA side of countries. So are we looking over there more of EP and O&M side, are we focusing that going forward our EP, which is a ratio of one-third of EPC, would be increasing to half of EPC in next two to three years?

Skandaprasad S: See Khushbu, just to clarify. We are not focusing on the Europe geography; we have defocused today close to zero is our European exposure. So just to clarify, our focus will remain on our core markets, emerging economies, India, Middle East, Africa, Southeast Asia and CIS countries. That is where we will stay focused.

Yes, you are right. When we go internationally, there is an opportunity to have EP projects more, but that will not be the only focus of determining whether or not to take a project. While we will be happy to take out the construction portion, if the rest of the parameters are met an EPC project is also something that we will do. Of course, we will have construction partnerships.

We have given you a guidance of at least one-third of the EPC coming from EP. Yes, in certain quarters, the propensity may be higher on EP versus EPC. Like, for example, this quarter we had much more than one-third there. There may be a quarter where EPC may be higher. But we will at least like to keep it at one-third. And of course, we'll always be happy and open to increasing this part, which is also part of our strategy.

Khushbu Gandhi: So my second question is on the O&M front. Right now we have a good O&M order book. But are we getting repetitive orders for the O&M? Or are we bagging any new orders only for the O&M because our focus is to increase our shares of O&M going forward. So, what's your view there?

Rajiv Mittal: Obviously, as a 100-year-old company celebrating this centenary year, we can't be only looking for new orders. We have to retain our existing customers. That means we are getting a lot of repeat orders, both on EPC and on O&M. At the same time, we are increasing our customer base. That's how we are growing. We are also increasing our geographical base. But existing clients are of tremendous value to us. And we try our best endeavours to retain them.

Moderator: Ms. Gandhi. Does that answer your question, ma'am?

Khushbu Gandhi: Yes. Thank you.

Moderator: Thank you. The next question is from the line of Suyash Bhave, from Wealth Guardian, please go ahead.

Suyash Bhave: Thank you for the opportunity. My question is with respect to the consolidated P&L FY24. In that, our warranty expenses and our liquidated damages, taken together are close to INR100 crores or so, and they are substantially higher than the total expense over the past four to five years. So just wanted guidance on how should we read or understand this number? Thank you.

Skandaprasad S: See, Suyash, the warranty will vary between years because this is dependent on project completion. When a project comes to an end, especially large projects when they come to an end and an enter defects liability period, we will create warranty provisions. You have seen over the last few years, that slowly our older projects are coming to a close, so these projects will require warranty to go through the defects liability period. But this is a very project specific term, and there are some projects where we will completely be done. We may not need so much of warranty. There may be back to back warranties with our vendors. In some cases, there'd be some punch list points, for which we'll have to make warranty. So it is project specific. But as project gets completed, there may be years where the warranty expenses should be higher.

Suyash Bhave: Okay, sir, I understand that for warranty, for the liquidated damages also, would it be a similar case.

Skandaprasad S: See, LDs are specific project cases. And when we say LD, this is typically debits from the customer, that would come. So in case there are costs which are incurred and debited to us. There may be short certification of invoices towards the end of closure of the project. From an accounting perspective, it is booked there, but it is typically not, let's say, a failure from our side, so it should not be seen that way. Take that as part of overall direct cost. And we have taken all of this into consideration when we have guided our 13% to 15% margin range.

Suyash Bhave: Okay, sir. Thank you. That makes it clear. Thank you.

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

Sharan: Thank you for the opportunity and congratulations on 100 years. My first question is, tentatively from when do you see orders coming from semiconductor and hydrogen sector? Tentatively from which quarter? Or which month?

Rajiv Mittal: See, I think Sharan, these are two areas which are under development. Semiconductor is little faster because there are a lot of manufacturing investment happening. So one can expect that end of this year, early next year, you can see something coming from semiconductor.

But hydrogen is still in the development phase. Still, it is not commercially viable. So any investment is happening, the governments are investing just to meet their carbon reduction numbers they have agreed globally. But we feel that with lot of investment going into this hydrogen manufacturing of electrodes, maybe in a year, year and a half, it will become more economically viable. And that time we will see more orders coming in.

Sharan: Sure, sir. Yes, that helps. And another question I have is the bio CNG. Do you execute bio CNG only from the waste water or any other waste also, your bio CNG system is capable to integrate or compatible?

Rajiv Mittal: See bio CNG you produce biologically. The bugs don't care, what is the waste as long as they see organic matter in it. Technically speaking, yes, we are open to get any waste which is rich in organics. But so far we have limited our offering to wastewater may be municipal, which you said sewage, or industrial waste water. We have limited our offering. But we are open to take any other raw material, which is available for biogas production.

Sharan: Okay. Sir, last request I have just wanted to check. Since you completed 100 years and in this celebration any plans to give back to shareholders in the form of bonus or buyback or split of the shares?

Rajiv Mittal: See, one thing is very clear. We are all here for enhancing the values of the shareholder. And in what form? How? I don't know. That Board has to decide. But one thing is clear, that the return on your investment in our company is our responsibility, and we are here to enhance your return on capital employed in Wabag.

Sharan: Thanks for opportunity once again. And wish you all the best. And the great success in the future.

Moderator: Thank you. The next question is from the line of Shriharsha KJ, an individual Investor. Please go ahead.

Sriharsha KJ: First of all, thank you for giving me an opportunity. And congratulations on reporting a good set of numbers. So my first question is with regard to the Arbitration Award that was granted for one project. Has that money been received by the company?

Rajiv Mittal: Not yet. An Indian system is little slow. Arbitration award came in. The opponent has their certain objection to the award, which is getting cleared up. We have to see how legal system, how quickly they can clear up. But once it is cleared up, we will receive our money. So it is still under removing the objection raised by the losing party.

Sriharsha KJ: Okay. Sir, I have another question. With regard to the sale of the VA Tech Wabag Romanian company. You have also received a dividend of EUR 8.46 million being accumulated, the net worth of the subsidiary company. So you said that the total inflow from the sale of the subsidiary come to a total of EUR15.66 million being the total of the dividend and the proceeds of the sale?

Skandaprasad S: See Mr. Sriharsha, about EUR8.5 million we have received as dividend from the Romanian subsidiary to its parent, VA Tech Wabag Austria. And over and above that, we've also received a EUR1.2 million, which is a sale consideration. So both of these are the result of the divestment that we have done. You are right.

Sriharsha KJ: Okay, sir. Thank you.

Moderator: Thank you. We'll take the next question from the line of Siddharth Purohit from InvesQ Investment Advisors Private Limited. Please go ahead.

Siddharth Purohit: Yes. So just one clarification. In the previous year, we had onetime income due to the divestment of the subsidiary. And this quarter also probably we had one income regarding that. So are there any more such subsidiaries? Or units which are likely to be divested or what is the strategy being there?

Rajiv Mittal: See, we are very clear. We have told you earlier also, and today also that we want to focus on the emerging markets. So there were five subsidies in Europe, which is a stagnant market and increasing cost and risk and less opportunity. So we have divested three in last one year. The other two left, use to be our parent company in Austria, which has all the history. So they are like a mother company. They will remain. There's no intention to diversify them. And the last one is Turkey in Istanbul. They are already a cost center because they are very good in providing engineering. So lot of engineering and support for proposal work is done in the Istanbul office. They would also remain supporting the group in our endeavour to take more projects. So no further divestment is planned, at least in foreseeable future.

Investing in new companies, opening up new branch offices, opening up new companies. With regard to growing in the emerging markets. So we are putting in extra resources for growth, what we have planned for the growth in the next few years.

Siddharth Purohit: Okay. And sir, since we might have little higher income from the rest of the world. What will be the normalized tax rate that we might see in the coming years?

Skandaprasad S: Are you saying normalized tax rate?

Siddharth Purohit: Yes.

Skandaprasad S: See. We will largely be around 25%. Even internationally, the tax rates are kind of converging to this level. Between India and the rest of the world, if you take Saudi Arabia, if you take African countries, where we may do through branches or subsidiaries. I think about 25% would be the broad MMR.

Siddharth Purohit: Okay, sir. That's all from my side. Thank you.

Moderator: The next question is from the line of Manish from Equity at Work Family Office. Please go ahead.

Manish: The profound question that I have. We are valued at some INR8,000 crores, right? Without naming it, our closest competitor is valued at INR10,000 crores. So what explains the dichotomy and valuation at this juncture?

Rajiv Mittal: This, you should answer, how we can decide that. You are the people who are valuing the company. You have your reasons, you have your metrics, you have your models. We are only watching what you guys are doing. We have no explanation to that.

Manish: Okay. Thank you.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Mittal for closing comments. Over to you, sir.

Rajiv Mittal: Thank you. Thank you guys for very active interaction. And thank you once again for your participation in our Q1 FY25 earnings call. We have uploaded the Analyst Presentation in our website. In case you have any further queries, you may get in touch directly with Adfactors IR Advisors. Our Investor Relation advisor based in Mumbai. Or you can also get in touch with us directly. Thank you. Bye bye.

Moderator: Thank you very much, sir. Thank you, members of the management. Ladies and gentlemen, on behalf of VA Tech Wabag, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.

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