November 14, 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 'Q2-H1 FY25 Results Conference Call'**

Please find enclosed the Transcript of the 'Q2-H1 FY25 Results Conference Call' held on Friday, November 08, 2024, post declaration of Unaudited Financial Results (both standalone and consolidated) of the Company for the quarter and half year ended September 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 'Q2-H1 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
DN: c=IN, o=PERSONAL, title=2597, pseudonym=260fbf0cb1c444759b3176bd8afc609e, 2.5.4.20=2f08e2a4abd03cf834087d0169b8295db945b73a74bab7f34c29fd5496859827, postalCode=500048, st=Telangana, serialNumber=26a2e917225a7e97909c27b92ba3e356c8947696ef734eb423b8137492e67dee, cn=ANUP KUMAR SAMAL
Date: 2024.11.14 12:27:15 +05'30'

VA TECH WABAG LIMITED ★

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

Encl.: As above



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# "VA Tech Wabag Limited Q2 and H1 FY25 Earnings Conference Call"

**November 08, 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 Q2 and H1 FY 25 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 it over to Mr. Mittal to take you through the key "Business Highlights". Over to you, Mr. Mittal.

**Rajiv Mittal:** Thank you. Good evening, ladies and gentlemen. We extend a warm welcome to you all to the earnings call, post-announcement of Q2 & H1 FY 25 results of VA Tech Wabag Limited.

Joining me today for this earnings call is Mr. Skandaprasad Seetharaman, our Group CFO.

We closed another strong quarter of Earnings, continuing our growth trajectory. We stayed on course in our profitable growth journey while remaining steady fast through the cornerstones of our long-term strategy - advanced technology projects, emerging market focus, net cash positive position, and asset light approach.

This quarter marked a number of significant milestones from an order inflow perspective. Recently, we secured a prestigious 300 mega liters per day seawater desalination plant in Yanbu, Kingdom of Saudi Arabia, from Saudi Water Authority, worth Rs. 2,700 crores.

Saudi Water Authority, formerly known as Saline Water Conversion Corporation (SWCC), manages over 15 million cubic meters of water, mainly in 40 desalination plants, and also some ground and surface water purification stations. The plant will employ state-of-the-art technologies and will be engineered for exceptional water quality and power efficiency. Scheduled for completion within 30 months' period, this project commences our relationship as a reliable water partner for Saudi Water Authority.

Wabag has also secured a mega order value of Rs. 1,000 crores from Indosol Solar for 100 MLD seawater desalination plant, marking our entry into the solar PV sector. This project will provide water security for the 10 gigawatt integrated solar PV manufacturing facility of Indosol. The EP project, which is to be delivered over 38 months, will be followed by 15 years of operation and maintenance.

Further, reflecting our enduring client relationship, we secured a large repeat order from Reliance Industries to deliver water system for their Dahej and Nagothane facility, and also a repeat order from Chennai Metro Water Supply and Sewerage Board worth Rs. 415 crores to operate and maintain the Nemmeli desalination plant, which was built and commissioned by Wabag in 2013 for a further period of seven years, reaffirming the trust and confidence our client placed in Wabag's reliable performance and expertise.

Looking ahead, we are further enhancing our presence and efforts in the emerging markets like Middle East, Africa, Indian subcontinent, Southeast Asia and CIS countries. With promising order pipeline, we are confident in sustaining our growth momentum through the second half of the financial year and in line with our medium-term outlook.

Our focus business development efforts are yielding remarkable results as demonstrated by the order inflow of over Rs. 4,600 crores secured in H1 with 57% coming from international clients and 31% coming from industrial sector.

You would recall that we had informed our preferred bidder status in projects worth Rs. 6,000 crores and you can see that we have already converted more than 75% of the same. As we speak today, we are happy to inform you that we are preferred bidder in the orders worth over Rs. 3,500 crores, which we expect to convert through the next couple of months.

With over Rs. 8,000 crores order inflow outlook already in sight for this financial year, we are on track to reach an order book position of over Rs. 16,000 crores by the end of this fiscal year. Our order book position which stands today at over Rs. 14,500 crores as of H1 with a healthy mix of 59% EPC projects and 41% O&M projects provides a robust revenue and growth visibility.

I would also like to share some updates on our key projects. Our prestigious 400 MLD Perur desalination project in Chennai funded by JICA is on track with peak engineering activities under way, civil works progressing well, marine intake and outfall pipe material are received at site and equipment deliveries will commence from H2 this year.

Our 200 MLD sewage treatment plant in Pagla, Bangladesh where we had a couple of months of temporary disruption is largely back on track with construction activities resuming swiftly, procurement activities are also progressing well. Projects like SIBUR and Senegal where deliveries are largely complete have entered the installation and commissioning phase and are on target.

I am also happy to inform that Kolkata HAM project, our first HAM contract with NMCG has achieved COD, Commercial Operation Date has started.

As we advance our mission to shape the future of sustainable water solutions, we are also taking a moment to honor the journey that has brought us here. This year, Wabag reached its Centenary Year and we commenced the celebration of this landmark milestone with a grand event in Vienna in August honoring a century of innovation, leadership and sustainability in water sector.

Continuing this centennial festivities, we hosted our key customers, business partners, bankers and other stakeholders across the Middle East with a vibrant celebration in September in Riyadh, Kingdom of Saudi Arabia.

As we look into the future, Wabag remains committed to building on this 100-year legacy combining innovative technology with resilience strategy to drive growth across emerging markets.

Thank you once again for your continued support and confidence in Wabag. Now I will hand it over to Skanda to take us through the financial highlights. Over to you, Skanda.

**Skandaprasad S:** Thank you, Mr. Mittal. Good evening, everyone. I hope you have had a chance to review our result update presentation, which has been shared on our website and with the stock exchanges.

Let me walk you through our performance highlights for the half year and quarter ended 30th September 2024. Before I move into the numbers, I am pleased to note that we continue our profitable growth journey into this half year as well with our EBITDA and PAT growing at a rate faster than the top line as envisaged in our long-term strategy.

With the strong order book position as of H1 and a robust pipeline visibility, we are confident of revenue and profit expansion to continue along with a net cash positive position as we step into the second half of this fiscal year.

Now let me take you through the key financial highlights. Our consolidated H1 revenue, which stood at Rs. 1,327 crores, grew 11% year-over-year compared on like-to-like basis excluding divested European entities. The strong order book position provides us a good visibility of revenue expansion. Our standalone revenue for H1 stood at Rs. 1,159 crores. For the quarter, revenue on consolidated and standalone basis stood at Rs. 700 crores and Rs. 613 crores respectively.

Our consolidated EBITDA for H1 which stood at Rs. 184 crores grew by around 19% year-over-year compared on like-to-like basis excluding divested European entities. We continue to maintain EBITDA margin in line with our medium-term outlook. These strong margins reflect our focus on efficient execution, a good mix of EP, industrial and international projects, as well as a growing share of revenues from O&M.

Standalone EBITDA for H1 stood at Rs. 171 crores. For the quarter, EBITDA on consolidated and standalone basis stood at Rs. 103 crores and Rs. 92 crores respectively. Our consolidated PAT for H1 which stood at Rs. 126 crores with a PAT margin of 9.5% grew by around 31% year-over-year compared on like-to-like basis excluding divested European entities. Standalone PAT for H1 stood at Rs. 108 crores for the quarter. PAT on consolidated and standalone basis stood at Rs. 71 crores and Rs. 58 crores respectively.

As you would know, we have been a net cash positive group for the last four years consecutively. Notably, this quarter marks the seventh consecutive quarter that we have maintained a net cash positive position driven by disciplined cash and debt management.

As of H1, our net cash position stands at Rs. 222 crores. Excluding debt on HAM entities, which is transitory in nature, considering our asset light strategy, our net cash position stood at Rs. 338 crores. We closed H1 with a gross cash position of Rs. 645 crores, which consisted of Rs. 294 crores in cash and bank balances and Rs. 351 crores in term deposits.

We are well placed on the cash front to infuse funds into projects to expedite necessary progress, and also we are in the process of enhancing our bank lines both from Indian and international banks to be ready with the non-fund limits to support the next wave of order book growth.

We remain steadfast to our asset-light model, delivering a return on capital employed (ROCE) of around 18%. We continue to create long-term shareholder value, generating a return on equity (ROE) of over 14.5%.

Coming to the “Order Book” front, our international business remained robust with 54% of H1 revenue delivered by overseas projects and international projects constituting 39% of our order backlog. We continue to build our O&M business with 41% of our order backlog coming from long-term O&M projects. Our order book remains robust at over Rs. 14,500 crores as of H1, with a healthy mix of EP, EPC and O&M projects, backed by adequate payment securities.

We will continue our emerging market focus on advanced technology projects, particularly in desalination, recycled and reuse, and effluent treatment.

We have also identified future growth opportunities in Ultra-Pure Water for Semiconductor Manufacturing, Solar PV and Green Hydrogen and also generating Clean Fuel from Biogas which will propel the group through its next growth wave. Business development efforts are being invested on these opportunities and already the first success is witnessed to the

Desalination Order for Indosol Solar. These opportunities are perfectly in our sweet spot of contributing to creating a greener, cleaner and bluer planet.

We are deeply grateful for the trust and support reposed in us by our bankers, investors, Wabagites and all stakeholders who continue to champion our vision.

With this, we'll be pleased to open the floor for "Questions." Thank you.

**Moderator:** We will now begin the question-and-answer session. The first question is from the line of Nidhi Shah from ICICI Securities. Please go ahead.

**Nidhi Shah:** I had a couple of questions on the new projects that we have won. Firstly, the Indosol plant. This 100 MLDs for the entire 10 GW line that we're putting, or is it only partial and we can expect more orders from this plant?

**Rajiv Mittal:** So, this is for the complete line. This will be implemented in about four or five phases as they keep on investing towards that and that's the reason the timeframe we mentioned will be over 38 months. And after we have built this plant for the full 100 MLD, then our O&M period of 15 years starts.

**Nidhi Shah:** On the Saudi Arabia order that we received recently, what is the timeline for execution of that order?

**Rajiv Mittal:** As I mentioned in my speech earlier, it's about 30 months.

**Nidhi Shah:** Do we see that there will be execution in equal parts in 6 or 10 month blocks, or do we see that execution to be heavier towards the second half?

**Rajiv Mittal:** It's never, projects of this magnitude and if you have been following the company over the years, the first part which is 15% - 20% of the time, it's normally for engineering it and during that time, the numbers, you see the invoicing, you see will not be proportionate, then the phase comes up of about 50% - 60% of the project time where things pick up, the construction, the supplies and everything, and then again towards the end, 15% - 20% of the time it's the installation and commissioning phase, again, it will slow down. So, it is like slow start, picking up and again slow end.

**Moderator:** We'll move to the next question, which is from the line of Maharesh M, an individual investor. Please go ahead.

**Maharesh M:** Congratulations on the order won in this quarter and the visibility of the great order-book that we have in FY25. I have noticed that we have been winning orders. The order book has always been multi-fold. It was around Rs. 9,000 crores in FY22; it has crossed Rs. 15,000 crores now. But the execution has remained the same close to a bit less than Rs. 3,000 crores every year. So, I just wanted to know the reason why the execution pace hasn't increased the same as the order book and what are we doing to increase the execution pace and what could be the revenues in the coming years?

**Rajiv Mittal:** Very good question and this is for all our listeners here, I'm sure the question you have is very valid for many of our other friends. See, as I said to the earlier participant that whenever we get an order, as it is a design, construct and operation and maintenance. Almost half of our order book is because of operation and maintenance, which can only start generating revenues after we finish the construction and commissioning of the plant. Generally, it takes anything between 3 - 3.5 years to complete the construction and commissioning of the plant. So, now we talk about the rest of the half of the order book or new orders we get. The first 20% odd of the time, as I said will take to set up the project, do the site investigation, to do the design, get the designs approved, then start ordering and then start doing the civil construction physically at site. So, that is the reason you will see a little lag in the initial phases for any order to pick up, but post that initial 20% - 25% of the time it picks up exponentially, and that goes on for the 50% to 60% of the time when construction is happening, equipment are getting delivered, and then again towards the last 20% odd when installation and commissioning happening, again, the revenues will come down. So, this is the nature of the business we are in and you will see that some of the large projects which we got almost a year back, have finished that initial 20% period. And now it is picking up because the construction, as I said in my speech was in full swing, say in Perur, in Chennai, the ordering has started, the orders will start getting delivered in the H2. So, naturally, we'll see the revenues picking up from the orders which we booked over the last one year. And the orders which we have booked in this quarter, maybe it will take another two quarters to start generating appreciable revenues.

**Maharesh M:** So, what kind of revenue visibility do we see in the next two years considering the backlog of the orders we have already or we are going to execute in the next few quarters and then we start the maintenance for the same?

**Rajiv Mittal:** This we have discussed with all of you, when we had a physical meeting in Mumbai after our annual results in the month of May and earlier this year. And we had given a clear medium-term outlook and that we said that we are very, very bullish on not only our order intake but also the revenue growth and we had given a number of 15% to 20% CAGR for a medium-term which is three to five years. This is the number we expect the top line to grow.

**Moderator:** The next question is from the line of Aejas Lakhani from Unifi Capital. Please go ahead.

**Aejas Lakhani:** I had two queries. First one being that if I take your revenue guidance of 15% to 20% for the year, that effectively means the delivery of about Rs. 2,000 crores in the second half, so could you specifically talk about your projects? You had mentioned in the last quarter, for example of two projects were coming on-stream, where you were executing, similarly, could you just sort of call out which projects are coming on-stream, revenues of which you will book in the second half?

**Rajiv Mittal:** Yes, I think earlier I said and just before you the participant, I mentioned that, like the biggest project we have today in our order book is Chennai Desal Project. That will start now peaking. For the next 4 quarters, you would see this project really peaking because that is where next four to six quarters you will see lot of construction happening. Luckily, the monsoon is out of our way, peaking will start, the marine work where we have to go offshore, that should start early next year, our equipment will start getting delivered from next quarter onwards. So, lot of this will happen. Same will happen with our Pagla project in Bangladesh. It would have started a few months earlier because of the reasons known to all of us. A couple of months, there was disturbance and the work has to slow down, but luckily everything is settled, we are back on the track, our people are back on site, work is happening. Reliance projects which we recently won, Reliance projects are always and always on fast track. We will see good revenues coming in. Indosol, at least the first phase, we have a very challenging timeline to do the first phase and give them some water. So, that will start peaking, at least a part of that project. So, this we are very hopeful and very rightly said that we expect in H2 close to Rs. 2,000 crores of revenues.

**Aejas Lakhani:** Sir, we had three HAM projects and congratulations on COD of one of the Kolkata project. Now, we had debt against all the three HAM projects. So, the Kolkata project, debt that we had invested, have we plowed it back? That's point number 1. And what is the stage of the other two HAM projects and when do you expect COD and when do you expect the release of our funds there?

**Skandaprasad S:** Aejas, I think first to clarify, of the three HAM projects, two have been already divested, there is no HAM debt on our books. Number 2, the way that the concession agreement works here is that we can plough our cash out only at COD plus three years. So, we have already invested only a small amount. We have explained it earlier also. Our strategy is that we take minority economic interest and we are there only to put our skin in the game. Maybe 3% - 4% of the project value is the maximum we invest. And this amount is also ploughed back at COD plus three years. Let's say, our remit in the project or our interest in this project is only because we get the EPC and O&M. We are a technical partner and there is a financial partner who holds majority. So, even in this case, we have reached COD and the financial partner has an option to buy us out at COD plus three. This is the same case for the other two HAM projects. Now, out of the three projects, two are divested, there is no HAM debt. The third project also, we will look to divest very soon. The first project has achieved COD, Kolkata. The second project, Digha Kankarbagh and the third project is Ghaziabad. Ghaziabad is largely complete in terms of the project activities. Digha also is in a very, very advanced stage of completion. So, we would expect also to complete these projects more expected in H2. So, our interest would be that all these projects are completed within this year so that then we have three years of stabilization, and we will plough back our capital.

**Aejas Lakhani:** Just a follow up. So, the Rs. 117 crores of debt today is against Kolkata or all the three?

**Skandaprasad S:** Only Ghaziabad is consolidated today and that also once divested will go out and that is why I mentioned in my speech that the debt if excluded, since it is transitory in nature our core business has close to a Rs. 340 crores net cash position.

**Moderator:** The next question is from the line of Mihir Dhami from Sharekhan. Please go ahead.

**Mihir Dhami:** I had a few questions on financial lines. The employee expenses have increased this quarter from the previous quarter and the other expenses has gone down. So, particularly what was the reason for this?

**Rajiv Mittal:** I think the reason as we have informed to the stock exchange few months back, this is our centenary year, and the board had approved a ESOP scheme for our employees for motivating and retaining them. So, a part of this increase, what you're seeing is because of the provision as per the rules, we have to provide for the ESOPs which we have granted to our employees. And also I think some of the other expenses which you are seeing is reduced is also because of the three European subsidiaries which we have divested, so some of the cost of those subsidiaries you are not seeing in this quarter.

**Mihir Dhami:** On the working capital side, the payables were reduced this quarter because of some payments which are made. Do you see payables days continuing with this number? And also if you can give some guidance on the receivables days as well, would there remain at a similar number going forward?

**Skandaprasad S:** Mihir, usually H1 versus H2 if you see, H2 is the stronger quarter, H1 is more in terms of putting in cash into the projects, expediting it, because you have the monsoon, you're just off the budget. So, there is a requirement of working capital investment and in any case our payables have remained on track. We have been very timely in paying our vendors because we know that's going to expedite the progress, number 1. Number 2, you would see that this will also pay off into the H2 when monsoons are done, deliveries of some of the projects which Mr. Mittal also mentioned will start, construction can run at good pace. So, this is a cycle. H1 versus H2, 40:60, 35:65 is the usual mix of revenues, and we have more pumping of cash in H1 and more recovery of cash in H2. I think what you should also see here is despite this trend, we have even in H1 maintained a net cash position. We had about Rs. 340 crores if you see in March, excluding HAM and in September also we have a similar number. So, we have also managed our cash well, we have also improved the collection cycle, you will also see that the trade receivables have come down by 5% despite our revenues growing by 10%. So, the cash cycle is improving, the vendors are being funded for expedited progress and you would see that H2 revenue expansion will also start as a result of this.

**Moderator:** The next question is from the line of Chirag Khashgiwala from Neo Asset Management. Please go ahead.

**Chirag Khashgiwala:** As you just explained regarding the working capital positioning, so if we look at your operating cash flow, that has continued to remain in negative territory. Given all the working capital investment that you are talking about, is there any roadmap to bring this operating cash flow in the positive territory or will it continue to remain in negative?

**Skandaprasad S:** I think history is testament of what we deliver. You have seen in the last years, we have generated free cash… last three, four years, you can check even the recent history, we have generated free cash, we have generated operating cash and I have explained H1 versus H2 usually this is the case. Look at it at a full year basis, you will surely see that we will generate cash, number 1. Number 2, as I said, the vector trade receivables reduction, you are seeing cycles improving. In H1, you have to invest cash. This is the nature of business that contractors have to be fed to keep the project ongoing, and we've also still kept a net cash position. That means on an overall basis, we are doing well from the working capital front considering the context. But, yes, you should see it on an annual basis, you should also compare how historically we have done, we have generated free cash and we will continue to generate because that is the core of our business.

**Chirag Khashgiwala:** For execution of the future projects, are you sufficiently funded, or will you be required to go for fundraising?

**Skandaprasad S:** We have Rs. 600 plus crores of cash, Chirag and we have liquid cash in our bank which will fund the projects, we have long term deposits of Rs. 350 crores, I mentioned this in my speech which we will use at appropriate time, we have Rs. 4,000 crores of bank lines, we have already applied for another Rs. 1,000 crores, we came to the shareholders for enhancement of this in AGM and we have an enhanced limit of up to Rs. 6,000 crores. So, there is enough and sufficient buffer for all the order book growth that we are envisaging. We don't need to raise any cash.

**Chirag Khashgiwala:** As you have been guiding that your revenue could grow by around 15% - 20% CAGR over the next three to five years. But on a quarterly basis if I look this last quarter the revenue growth has been just mid-single digit. So, this quarterly I mean variation will be there or is it something one-off?

**Rajiv Mittal:** I think we have explained enough this thing. We are not into a consumer business as a quarter-on-quarter Company. That is the reason we have not even given an annual guidance. We have given medium-term guidance for three to five years. So, if you track the Company that way, and as we said that you will see the growth over the next two quarters and H2, you will see that we achieve this 15% - 20% number which we have given and we expressed our confidence, yes, we know we have to achieve Rs. 2,000 crores revenue in the next two quarters and we're confident of it.

**Skandaprasad S:** And just to supplement, Mr. Mittal, Chirag, you would have seen our investor presentation, you've seen in the last four years our PAT has grown at a CAGR of 45%. We concentrate on profitable growth. Sales is the consequence, but profitable growth, cash growth is what we focus on and that is what is our strategy to deliver.

**Rajiv Mittal:** And also, we had mentioned earlier that our strategy is to move away from EPC to EP. So, we may see a little subdued top line. In spite of that, we have still given an outlook of 15% to 20% growth, because what we are as a technology company, we excel in advanced technology where we hold the patents and trademarks for more than 125 products and processes. This is what we want to leverage and improve our margin and working capital and we have demonstrated that in the last few years.

**Moderator:** Thank you. The next question is from the line of Jainam Jain from ICICI Securities. Please go ahead.

**Jainam Jain:** Can we expect the margins to touch 15% in FY25?

**Skandaprasad S:** Jainam, we have guided a 13% to 15% EBITDA margin, and this is for the 3-to-5-year period. And we are confident and comfortable that we will be in this range.

**Jainam Jain:** How is the Middle East market looking like in terms of orders?

**Skandaprasad S:** Can you complain about this market? There is enough and more, it is so abundant that we are lucky to choose projects which are in our sweet spot.

**Rajiv Mittal:** And this we had also mentioned, we were also lucky, as India was going through general election, we expected a slowdown in India for 2 to 3 quarters. And we could shift some of our resources to this market. And you can see the results, the resources which we shifted timely to the Middle East market is giving the necessary results what we expected to give. So, I think, of course, we were smart to shift it, but we were also thankful that the country was going through a general election.

**Jainam Jain:** And so how does the margin profile looks like in the new order that we received during this quarter that's pertaining to 300 MLD plant in Saudi?

**Skandaprasad S:** We don't do a project wise margin guidance. I think if you've been in the previous calls, we have always said that we pick projects only which meet our threshold margin requirements. We are in no desperation to pick projects for the sake of topline. We want advanced technology projects, we want good cash flow projects, we want projects to be in the emerging markets and with adequate payment securities, either backed by multilaterals, backed by bilateral funding, sovereign fund, or letters of credit. These are our criteria. And any project that we pick will meet a certain internal threshold margin. And you have seen in the past years how our contribution margin and EBITDAs have grown. This project will be no different.

**Moderator:** Thank you. The next question is from the line of Dheeraj Ram from Ashika Institutional Equities. Please go ahead.

**Dheeraj Ram:** Just wanted to know what is the amount of client retention money that is expected to be released in H2 FY25?

**Skandaprasad S:** See, this is a cycle, Dheeraj, at least 2-3 projects where we see retentions are there, should get liquidated. I mean, if it's okay, you can connect with the team to understand it a little better. I don't have a number of the cuff now, but our team can help you on this.

**Dheeraj Ram:** And one last question. Sir, are we facing any receivable delays from this particular Senegal project?

**Rajiv Mittal:** Not at all. This is again a multilaterally funded project and this project as soon as the work is certified by our client, our bills are sent to JICA Tokyo, and the payments are received directly from JICA Tokyo.

**Moderator:** Thank you. The next question is from the line of Harshal Parekh from Equitas Capital. Please go ahead.

**Harshal Parekh:** My question was mainly related to our domestic execution. So, if I see this quarter, we de-grew by some 7%. Is it related to election related execution issues or is there anything specific that we would like to disclose?

**Rajiv Mittal:** Also, you have seen a trend. Our order intake has also moved more international. Naturally, the revenues will also come more international. This is obvious. So, there's no delay in India and we have not seen delay because of election because there was adequate budget available. So, whatever we have executed, we are getting paid as per our expectations.

**Harshal Parekh:** My question was that the domestic revenues have de-grown by some 7% in Q2. So, I understand the international mix going up because of higher growth in international but my specific question was on the domestic revenues being de-grown?

**Rajiv Mittal:** Domestic revenues can only grow if our order backlog will also grow. Here our order backlog has not grown to the same extent as the international order backlog. So, naturally, you will see the international revenue growth will be higher and maybe the Indian de-growth will happen. And as my colleague Skanda mentioned that this second quarter is always a little difficult quarter from two points of view. One, the construction activity slows down because the country is going through monsoon where the construction gets slow down. Second, also the budgets are getting approved towards April and May and finally they get implemented. So, the speed of that execution because of budget is also a little bit slower. Always in the second quarter you will see this happening.

**Skandaprasad S:** And Harshal, just to supplement Mr. Mittal, he also kind of explained earlier, it is also the stage that the project is in. And we are not a quarter over quarter company. We could have projects in procurement phase in the last year, there may be in the installation and commissioning phase this year. So, it depends on the mix of projects and the phase in which the projects are. So, one is the international project mix, and second is also you have to see us more on an annuated basis. Look at us more in a 1-to-3-year range at least, instead of just looking at it quarter-quarter segmented so much.

**Moderator:** Thank you. The next question is from the line of Omkar Chitnis from Trade Brains Private Limited. Please go ahead.

**Omkar Chitnis:** Sir, my first question is with operations spanning across multiple countries you have, how are you managing geopolitical risk that might impact project executions and profitability in the coming future and what are the regulatory challenges you are facing in different countries as of now?

**Rajiv Mittal:** As you know, Wabag has been a multinational company and for decades we have been doing this business. Somehow we have mastered this art of managing this geopolitical risk. Simple rather than giving too much detail into our business USPs like we do. Simple is we take the payment security like Skanda mentioned earlier, we take contracts where the payment guarantees are there, like multilaterals as I told is some of this, it goes to Tokyo and JICA is paying directly, it is not coming to local governments. So, that is number one. Second, we take sovereign guarantees like Saudi Arabia. It's directly government of Saudi Arabia, who's placing these orders on us, and they will pay us directly. Thirdly, where we don't have both this available, we go for letters of credit plus we always try to split the contracts to the extent possible between offshore and onshore. We try to take a local currency for onshore activities and we take in US dollar for offshore activities. So, that also protects us against currency risk, payment risk and we have seen over the years that this strategy has fully worked for us and protected us against that. And where we find that there is some risk, the Indian government provides us with ECGC coverage for the projects, which provides us again both the commercial risk and the political risk. So, these are some of the instruments we use to mitigate this risk.

**Omkar Chitnis:** And my second question is, are we expecting any projects in energy generations like thermal or nuclear from PSU companies in India for the upcoming financial years?

**Skandaprasad S:** Are you asking us whether we would get into this?

**Omkar Chitnis:** Are you expecting any projects from PSU companies?

**Skandaprasad S:** From PSU companies.

**Omkar Chitnis:** For thermal and nuclear waste water management.

**Rajiv Mittal:** Yes, if you're talking about the PSU companies, yes, I think we see some traction starting on, again thermal, okay? And thermal plants need a tremendous amount of water and there is a clear guideline from government of India and NITI Aayog that all these plants will have to use recycle water for their power plants from a sewage treatment plant which is in a radius of I think 25 or 50 kilometers. So, if they are going for expansion, they are not going to get fresh water. They are going to depend on recycled water. So, naturally, these are all going to give us a tremendous business to provide them water, which is the core of our technology, recycle of water. So, this is what we have done. And if you see other oil and gas sector, companies like IOCL, companies like MRPL, they are investing in the growth. As we speak, we are working for a few projects in IOCL where they are putting up the additional capacities and additional lines. Same is with MRPL, they have gone for desalination plant to have a water security. So, yes, we do work with PSUs and have successfully executed these jobs.

**Moderator:** Thank you. The next question is from the line of Dhruv Joshi from Nuvama Wealth and Investments. Please go ahead.

**Dhruv Joshi:** I just had one query on the future prospects of the business that we're getting into. So, primarily we had tied up with peak sustainability ventures where we are planning to establish about 100 CBG plants. Just wanted to understand when and how much can this contribute to our business?

**Rajiv Mittal:** It's not about again a topline. It is more about our commitment to sustainability, our commitment to climate change. This CBG plants are not which are going to give you a huge topline. Because what we are trying to do, this is the value adder for such plants is getting this power or fuel which is green, clean and sustainable rather than going for conventional thermal fuels. So, to reduce the greenhouse gases, to have a cleaner environment that no smoke is there, so that is where we are coming in as a sustainability company. And I think these plants, we have started educating the clients to see that it is also win-win for them. There is in it something for them also, not only for us. So, I think that is working very well. There are at least four projects which have moved well. I hope in the next few quarters, we will be able to announce a few orders based on this CBG technology what we have.

**Dhruv Joshi:** All right, so that's basically what I wanted to know.

**Moderator:** Thank you. The next question is from the line of Samarth Khandelwal from ICICI Securities. Please go ahead.

**Samarth Khandelwal:** So, most of my questions have already been answered and you have answered them very patiently. Sir, I wanted to understand how ultra-pure water would be different from the kind of desalination water that we are supplying?

**Rajiv Mittal:** The ultra-pure water is an ultra-pure water. Now, obviously, there are industries which need ultra-pure water is growing. Take an example of semiconductor is growing at a brisk pace. Take an example of PV that is growing at a brisk pace. The new line of business, which is green hydrogen, which is again growing swiftly and very soon it will be economically viable. All this needs ultra-pure water. What is ultra-pure water? Ultra-pure water is like a distilled water where you do not have salts, inorganic salts in the water. You remove those salts so that it does not result in scaling, scaling of your cells, scaling of your electrodes so that the life and efficiency of your plant goes up and that is what is our business-like desalination. We have 40,000-50,000 of salt in a seawater, we bring it down to 200-300 and now ultra-pure water, we'll have to bring that 200-300 down to what is required by client, some may insist for 5, 10, 20, that is what we say is ultra-pure water. We see a huge transaction in ultra-pure water, UPW as we call it short form. And you will see in the next few years, this business will really pick up globally.

**Moderator:** Thank you. The next question is from the line of Kaushik Poddar from KB Capital Markets. Please go ahead.

**Kaushik Poddar:** This year going by the figures you have supplied; it looks like you will be getting Rs. 8,000 crores plus worth of orders. Can we have similar run rates for next few years?

**Rajiv Mittal:** Why not? As we are now in Middle East, we say, Insha Allah, God willing. Why not?

**Kaushik Poddar:** Yeah, in that case, you guided the level of 3x your turnover being order book, it will be exceeded by a substantial measure.

**Rajiv Mittal:** I think that's good, that we over deliver than what we commit.

**Kaushik Poddar:** So, can we take it that whatever the table you have given at the end of your presentation, these are the medium term goals? That is the minimum we can expect.

**Rajiv Mittal:** I think we are not saying that, but I'm sure you are smart enough to make your judgments.

**Moderator:** Thank you. The next question is from the line of Basant Bansal, an individual investor. Please go ahead.

**Basant Bansal:** When I see your segment result, I see that the margin on the rest of the world is increasing, whereas on the India operation it is coming down. So, last year, that is September 2023, the margin was around 24%, which now stands at around 14%. So, can you give some color on it?

**Rajiv Mittal:** See, India is a mother company. There are a lot of corporate expenditures which are booked in India. And because we don't break up so much on India and international because we are submitting, we have consolidated results. And if the revenues of India are coming down, our overheads will not come down proportionally because some of the overheads are fixed. So, that should not be at all a concern area because those overheads will remain that doesn't necessarily mean the project margins are coming down.

**Basant Bansal:** And the second question is your billing in the rest of the world is all into US dollar or they are into different currencies?

**Rajiv Mittal:** Some of them or most of them is US dollar, but some of the subsidiaries where we have in the central and western Europe like Austria and others, they do billing in Euro.

**Basant Bansal:** And how do you gauge your receivables? I mean, from foreign currency fluctuation point of view, how do you gauge your foreign currency receivables?

**Skandaprasad S:** We do a lot of imports also, and also we borrow in foreign currency, packing credit foreign currency. So, there is a natural hedge that is created, and hence we don't have too much that is left unhedged. I mean, it's a natural hedge. You don't need to typically hedge your receivables.

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

**Rajiv Mittal:** Thank you friends for your active interaction. And I thank you once again for your participation in our Q2 & H1 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, our Investor Relations Advisor based in Mumbai, or you can also get in touch with us directly. Thank you, bye for now.

**Moderator:** Thank you. 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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