



“VA TECH WABAG FY13 Earnings Conference Call”

May 24, 2013



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Moderator: Ladies and gentlemen, good day and welcome to the VA TECH WABAG FY13 Earnings Conference Call. As a reminder, for the duration of this conference, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Rajiv Mittal – Managing Director at VA TECH WABAG. Thank you. And over to you sir.

Rajiv Mittal: Thank you. Dear friends, good afternoon. Thank you for accepting our invitation and being with us for this concall. It is my pleasure in welcoming you all for this discussion on our annual results for financial year 2013. Along with me we have Mr. Varadarajan – our Executive Director, Finance and our investor relations advisors, strategic growth advisors. At this time we have with us Mr. Rajneesh Chopra -- Head of our Operation and Maintenance business to share his views on O&M business. I am sure you would have received the presentation circulated by SGA and had an opportunity to view the same. The presentation is also uploaded on our website.

Let us start with going through the key developments during the year. First, we are satisfied with the achievements of our guidance. We are very happy to inform you that this year also we have continued growth in revenues and order intake. We have registered revenue of 1,619 crores and order intake of Rs.2,489 crores during this financial year '13. We are very happy with this growth as we are able to achieve this during unprecedented and one of the most challenging times. After the IPO year, you would appreciate that we have had two financial years where our results are at par with our guidance.

Most importantly, I would like to highlight here that we are not growing at the **cost** of our profitability. This profitable growth for the past few years with consistent improvement in the profitability margin is achieved in spite of challenging times we are faced with.

You are already aware that our board meeting held yesterday has recommended a final dividend of Rs. 7 per equity share subject to shareholders' approval. This is 350% as compared to 300% of last year.

Next, we come to the Desalination business. To start with our Desalination business growth we believe that Desalination is an area with huge growth potential. Successful commissioning of 100 mld Nemmeli Desalination Plant has strengthened our position in the Desalination market. This is a prestigious project and an important reference point for all our future bids. It is a largest desalination project executed in India till date which will supply 100 mld of drinking water each day to the resident of South Chennai, taking care of about 10-12% of city's water requirement.



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I still recollect, there were a lot of apprehensions on our ability to execute this desalination project of this size when we won this project approximately 3 years back. But, we were very confident on our technological expertise and project management skills that we can execute this project in spite of all odds. I am very happy that despite various challenges we had to come across at times, I am proud of my team that we have successfully commissioned the plant without compromising on our margins in the project. We have also achieved a major breakthrough in the “Global Desalination Business with an Award of 191 Million Liters Per Day Desalination Plant in Oman.” This is a major achievement to WABAG as this is our first major project with Sumitomo, a relationship developed over a period of last two years. We are working with Sumitomo on few other large projects and expect to strengthen our relationship going forward.

As I have said before at WABAG we have identified desalination as a major thrust area and formed a dedicated business unit to give clear focus to this segment in order to catalyze our vision for Euro 1 billion company.

Recently, Tamil Nadu government announced 4 more desalination plants giving a major flip to this sector. While 150 mld plant will come up next to our existing plant at Nemeli another plant will be set up at Pattipulam near Chennai with a capacity of 200 million liters per day that can be increased in future to 400 million liters per day. The other two plants are coming up in other parts of Tamil Nadu. I am confident that our experience in delivering Nemeli Desalination Plant will enable us to be a strong contender for this new desalination project as and when they come up.

Many more projects across the coastal states of India are in the offering in the near future. Thanks to sustainable solutions that are demonstrated by the recently commissioned Nemeli plant. This sector is extremely attractive and it is up to us and our ability to harness the growth opportunity.

Next, we come to the international business. After experiencing Arab spring and halt of our large projects in Libya, we decided to diversify our exposure in international market. We have strategically created multi-domestic units, in short, we call them MDUs, focusing on new emerging markets such as Turkey, Saudi Arabia, Oman, Spain and Philippines. As water is a local subject, the objective is to ensure local teams developing and nurturing the relationship at the local government level to bring in the orders. This strategy also reduces the operational cost by developing leadership and teams at the local MDU levels, plus we are shifting from a centralized high cost operation to a decentralized low cost operation similar to the Indian business. This has already started yielding results which is very well reflected in the order intake of Rs.892 crores from the overseas market. Also, our revenues from the international business has grown significantly by 28% during the financial year '13. We believe that going forward operating leverage will play out and improve margins further with increase in revenue.



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The company is well poised to gain from increased spending in water infrastructure, sewage and wastewater management in the emerging markets.

Briefly, I will talk about the order book. Our order intake in FY13 we have seen a greater momentum in order intake. We have registered a highest ever order intake of Rs.2,489 crores in the history of the company. We are also at an advanced stage of discussion in few large orders which makes us very confident for the year as well.

Also an important point here to highlight is that average ticket size of orders is moving up consistently. The average order size of top ten orders is Rs.122 crores, increase of 52% compared to previous year. The number of projects of over Rs.100 crores are increasing in the order book.

A few large projects received during the last year FY13. (1) 191 mld desalination plant at Oman from Sumitomo. (2) Effluent treatment plant order from Reliance Industries of Rs.270 crores. (3) Wastewater Treatment Plant order from Bangalore Water Supply & Sewage Board of Rs.219 crores. (4) Wastewater Treatment Plant in Philippines for Rs.125 crores. (5) Wastewater Treatment Plant in Romania €7.5 million. (6) And upgrading the Sewage Treatment Plant facility for Surat Municipal Corporation of Rs.80 crores.

Lastly, I would also like to give you guidance for this year which is FY14. We have a closing order book of Rs.4,284 crores and Framework orders of about Rs.1,090 crores. We have a robust order pipeline and are confident of continuing this growth momentum in the coming years. The market is very optimistic and we look at it very bullish and the order traction is encouraging and our order pipeline is very robust. We expect to register revenue in the range of 1,850 crores to 1,950 crores for FY14 which is a growth of approximately 15-20%. We expect strong order inflow in the range of 2,600 to 2,700 crores which is a growth of 20% to 25%. With our expertise, dedication and hard work, we expect to achieve our target as we have done in the previous years.

With this I close my speech and now hand over to Rajneesh for his views on O&M business.

Rajneesh Chopra:

Thank you, Mr. Mittal. Good evening, friends. Operations business group has the vision to be the market leader in providing services to its value customers in India. And we are a significant player in Southeast Asia and Middle East Asia. We intend to achieve our vision while being the most preferred partner by our customers. We have demonstrated a significant growth in the last 3 years as a group as well as in India. We see a great opportunity of sustainable and profitable growth in this business group as demonstrated over the last 3 years. The standalone order intake has been encouraging to maintain the growth trajectory. The consolidated O&M revenue in '12-13 was 17% as compared to 14% in the previous year. And in India, the revenue grew from 64 crores to 100 crores in the O&M business.



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Going forward, one of the major spikes in the revenue is going to come from Nemmeli Desalination Plant O&M of Rs.70 crores per annum. Apart from major thrust provided by Nemmeli kind of design, build and operate jobs, we are also confident that we will be able to sustain the growth momentum in our strategic business unit. The major segment we are focusing to ensure the growth are Municipal O&M both for Sewage Treatment Plant and Water Treatment Plant. On the industrial front, focus is on heavy industries like refinery, steel and power plant. Going forward, we feel that one of the major growth areas to achieve the target will be rehabilitation, upgradation and automation of existing facilities in India.

I may mention that the water policy of the Government of India is favoring long-term private partnership in ownership and running the water treatment plants. This paves way for greater O&M business. Also, the new JNNURM has allocated significant amount for O&M of water assets. This is another step in a positive direction for the O&M business.

I am happy to share with you that we are the “Largest O&M Workforce in India Today” which gives us an edge over the competition and will be continuously churning out more skilled manpower by continuous training internally. Currently, we have an established track record of enhancing the performance of the plant, increasing the longevity at the same time optimizing the cost of operations for our clients. The business is well spread across municipal and industrial segments and the total client base is over 60. We operate more than 65 plants in different locations across various segments such as water and wastewater treatment facility for municipality, affluent treatment for industrial plant, etc. Operating the largest desalination plant in India, will make up a significant player to compete in the international arena for O&M in the next couple of years.

Should you have any further queries for O&M, I will be happy to take them in the Q&A session or please feel free to get in touch with our IR department. Thank you. And over to Mr. Varadarajan to take you through the financial highlights.

S Varadajaran:

Thank you Mr. Chopra. Good afternoon, everyone. Let me take you through the financial results for financial year 2013. Our consolidated revenue for the financial year 2013 stood at Rs.1619 crores which was 12 % higher as compared to the previous year. The EBITDA stood at INR155 crores which is 19% growth compared to the previous year. The EBITDA margin has also improved from 9% to 9.6% in financial year 2013. The net profit stood at Rs.90 crores which is 22.5% growth compared to the previous year. The net profit margin has also improved from 5.1% to 5.6% in financial year 2013.

As we have always maintained that we would like to have a profitable growth. This year is no exemption. This year also we have achieved higher net profit growth than the revenue growth which is what we meant by profitable growth.

Our international business has registered a stellar growth of 28% which is about 562 crores. This year we have achieved a breakeven in terms of net profit from the international business.



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We are witnessing a good growth in order intake from various multi-domestic units. The profit centers in the international business we call it as multi-domestic units. This year the order intake in international business is Rs.892 crores, including the Framework Contract of Rs.220 crores.

Based on the existing order backlog of Rs.1,404 crores, we expect our revenue growth to continue in this year as well. Going forward, we expect operating leverage will help improve margins further with increase in revenues. The working capital has improved to 132 days in FY2013 from 141 days in financial year 2012. Excluding cash working capital stands at 66 days in financial year 2013. The net cash balance after adjusting the borrowings have increased from Rs.274 crores in financial year 2012 to Rs.303 crores in financial year 2013. More important in FY2013 we have registered a positive consolidated operating cash flow of around 82 crores. The company took many steps towards improving the cash collection. We set weekly goals and publish daily tracker to all concerned. Personally, I participated in every weekly cash review. And we sensitize the company and cash flow by repeated communication. We have identified some more steps of following and I am confident that our efforts will yield better results on cash flow in the following periods to come, notwithstanding the challenging liquidity situation in the market.

As pointed out by Mr. Mittal earlier, we are very happy that our company was able to deliver stellar performance in all areas, namely revenue, profitability and order intake during such turbulent times of financial year 2012-13. In spite of the slowdown we have managed to get our share of the pie and are positive about the future opportunity in the market. Our order pipeline is good and we are well positioned to tap the market and expand our footprint further.

With this we now open the floor for question-and-answer. Thank you very much.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from Ankush Mahajan of KR Choksey. Please go ahead.

Ankush Mahajan: Just a couple of questions. Could you tell us what is the breakup for the revenue from the overseas market and for the domestic market in the next year and the same with the breakup for the order inflow, domestic as well as overseas market?

S. Varadarajan: The significant part, the revenue growth is going to come from the Indian business because you saw that the order intake has been good and the Indian book is showing up. So, last year we had a good order intake also from the overseas segment, almost about €95 to €100 million of fresh order intake which they have. So I would expect that for whatever sales over the previous year they would do somewhere about 10, 15% growth at least over the previous year and ratio could look somewhere in the region of 70% delivered by India and 30% from the overseas.

Ankush Mahajan: Order inflow?



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- S. Varadarajan:** Order inflow will be close to say about 1700, 1800 crores may come from India and the balance will come from the overseas.
- Ankush Mahajan:** In the Q4 results, the standalone entities, there is a margin improvement of 230 basis points. Any specific reason for that?
- S. Varadarajan:** We have answered this question in the previous calls also, it is not that we want to take credit or we do not want to take credit of it. The point is every quarter the permutations and combinations of the project which actually contribute to the revenue for that quarter will change. Each project has a different margin. And if you see this Q4, export international business did more than the previous quarter. And some of the international jobs what we execute have better margins and these kinds of variations are there quarter-on-quarter. So we generally try to stick to the annual kind of guidance and not on the quarter-on-quarter, we always look at it year-on-year.
- Ankush Mahajan:** So how would we see the trend in margins in future?
- S. Varadarajan:** We are always emphasizing on a profitable growth. What it means is that if we grow X percentage on the top line, we want to grow a little more percentage on the bottom line.
- Rajiv Mittal:** I think it is important that in this challenging times in the market that our sales team is very focused and disciplined because we have a clear direction to them that at no point we are picking up orders compromising our margins. And that is what you have seen over the past few years that with growth our profitability as percentage also has grown not only in absolute numbers but as percentage it has grown. So we want to continue this trend going forward but we have profitable growth.
- Ankush Mahajan:** Another question is from the standalone balance sheet side. There is an increase of short-term loans and advances from 75 crores to 91 crores and other current assets from 23 crores to 61 crores. Could you give us a breakup?
- S. Varadarajan:** The short term loans and advances, it is largely due to increase in advances to suppliers and that is about 30 crores or something that is there. There are some reductions also in other areas but overall it is largely due to advances to suppliers. Some of the advance Tier-III classification things like that are also seen here but I would say it is largely due to advances to suppliers.
- Ankush Mahajan:** So increase in other current assets, 23 crores to 61 crores?
- S. Varadarajan:** That is largely an increase in the receivables for this various statutory payouts like service tax and things like that. And there is also a duty drawback receivable which we have, you would have some other income which is largely duty drawbacks and that is the receivables we have. We also have some accrued interest for the bank which is about Rs.8 crores



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- Moderator:** Thank you. The next question is from Pranab Gokhale from Religare Mutual Fund. Please go ahead.
- Pranab Gokhale:** Just a question on the actual execution in the standalone entity for the fourth quarter. I mean despite having a significant amount of order backlog, we have not been able to actually grow YoY maybe in this quarter. Are you seeing some kind of slowdown from the customers' end which has actually kind of led this to say year-on-year decline in the top line on the standalone entity?
- Rajiv Mittal:** No, none of our projects are seeing a slowdown from the customer side. There may be some small consignment for some technical reasons but there is no stoppage or suspension of any of our contracts. You must realize that the last year, the fourth quarter, we had a major contribution coming from the Sri Lanka project Dambulla. And this project you know we have said to you all along last year in all the quarterly calls that we were in a phase of establishing a loan agreement between the Indian government and the Sri Lankan government. So we could not bill anything in the first three quarters and 100% of billing on Dambulla which single project approximately it was about 200 crores was billed in the last quarter. So I do not see that it is a slowdown, it is just as Mr. Varadarajan says quarter-on-quarter like Dambulla single project 200 crores in last quarter gave us that boost. But even without Dambulla, having a steady business, we still could manage a fourth quarter and you see our second and third quarters were much better than the last years second and third quarters. So we are also trying to see that we do not have so much dependence on the last quarter, we also want, to the extent possible, phase it out so that we have more or less equal revenues in each quarter at least not have a very high revenue in the fourth quarter.
- S. Varadarajan:** The 2, 3 percentages at least the year-on-year we would like to push it backwards so that the last quarter is not very lumpy.
- Pranab Gokhale:** Quarterly aberration is not so much of a concern, but the point is there is nothing, because which you have purposefully slowed down your growth or execution in any way or are there delays from advances or money we receive from customers end or something like that?
- Rajiv Mittal:** No, I think that is the plus, in fact, I would say. Sometimes, yes, in today's market liquidity is a concern but again we are favorably placed with having cash with us on the balance sheet, sometimes we go to an extent of even financing some of our contractors and suppliers to ensuring that the projects are executed on time even if we do not get timely payments from the customers. For example, Nemmeli, we have completed it. We have a huge outstanding but we do not slow down our work because one, by slowing down, we are also increasing our cost which we do not want to and second, we also do not want to get into LDs with the customers for a delay in construction completion.
- Pranab Gokhale:** The second is just a book-keeping question. On the segmental reporting in the standalone, the rest of the world bifurcation which you give for revenue, one has seen EBIT margin going up



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to 54% for the quarter and even for the full year as compared to last year the EBIT margin has moved up to 600 basis points. Are we doing more design in engineering in India now, which has led to these higher margins or overall?

S. Varadarajan: It is not like that. On a quarterly basis this aberration will be seen. You asked in an earlier question in India, we had some better quarter, it is the same in fact on the consol also that some of the export business or international business which we executed in the last quarter has had better margin. And so you just see that kind of shifting in the quarterly numbers, but annual you will find more or less alright.

Pranab Gokhale: So the annual numbers, the segmental has moved up from 30% to 36%?

S. Varadarajan: Yeah.

Pranab Gokhale: EBIT margins for the rest of the world. So my question was more towards annual, what have we done, is it more to do with despite lower revenues for the full year?

S. Varadarajan: It is just a question of the profitability of the project which we actually had to execute and this rest of the world includes some of the projects which were executed out of India but they are international geographies. So you see that the contribution is better and there is an Indian cost to that and things like that.

Pranab Gokhale: That is what I was trying to ask. Whether there is more of a design and engineering element which is moving forward towards India now? And this will be more or less

S. Varadarajan: These projects are actually bid out of India itself, and they are actually executed also from India, like for example, if it is Sri Lanka, neighboring countries, Southeast Asian countries, Middle East countries like Oman or Qatar, these kinds of countries are covered from the Indian region. and of course, what you are saying is also something which we are working on where we have a good amount of integration in the last few years after the acquisition of the international subsidiary that enough cooperation is happening, that Indian engineers are working on some of the international projects and it is not only one sided, there are also enough technology experts coming from the other side who are working in the other geographies also. So it is a thing where there is a center of competence kind of establishment what we are working for. And if that happens to be say for example, Desal business, if it is happens to be from India, you will see that this happens like that, support will come from here.

Moderator: Thank you. The next question is from Madan Gopal of Sundaram Mutual Fund. Please go ahead.

Madan Gopal: Need some clarity; you said you are working with Sumitomo for some more projects. What status they are in, still in the construction stage?



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- Rajiv Mittal:** There are a few projects where we have jointly prequalified and during this year we expect to bid. There are a few projects which are in the development phase where we are submitting our expression of interest and we expect to get qualified so that we can bid. There are a few projects we are still discussing whether it is of interest to both the partners. There are various stages. So there are 3 or 4 projects which we are working with them on at the moment.
- Madan Gopal:** You are saying 3 projects right now in the bidding stage and the remaining are in the discussion stage?
- Rajiv Mittal:** Not really bidding, 1 is in the bidding stage, other one we are just submitting our expression of interest.
- Madan Gopal:** These are Desal plants or are these STP plants?
- Rajiv Mittal:** One Desal plant and there is one Drinking Water plant.
- Madan Gopal:** The sizes are similar to what we got in Oman or very different?
- Rajiv Mittal:** The one which we are discussing at the moment is similar to that. There is one which is drinking water is smaller.
- Madan Gopal:** Second, you were recently talking about the Desal plants in Tamil Nadu. They are still in the announcement stage, right? Is there likelihood of tenders coming out in the immediate?
- Rajiv Mittal:** Yes, one, which is at Nemmeli where we just finished a project is just an expansion on adjusted area which was earmarked for this expansion. So, this can be announced pretty fast and tendered out pretty fast because it is going to be a similar plant just a mirror image we have to build a plant. The other one which is a 200 mld at Chennai, expandable to 400 mld where the consultants are already appointed, they are making a DPR and a tendered document which we expect maybe in the fourth quarter we will bid for this project. That is the expectation.
- Madan Gopal:** The other thing is you have an O&M order book right now. Can you explain how the execution in O&M and execution in the EPC would be? If I look at your O&M order book it is roughly 1500 crores. So how will the execution be in this? How can I say putting in numbers, say it can be assumed it will be done over 5 years?
- S. Varadarajan:** You can say that roughly 4.5, 5 years. Maybe Mr. Chopra will add to that.
- Rajneesh Chopra:** The total order book you see, out of that one of the major contributors is Nemeli which is in excess of 500 crores to be executed over the next 7 years. Then we have sizeable (DBO) (Design, Built and Operate) job where even this order book what you see range from anywhere between 7 years to 10 years.



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And also, when we have a standalone order book, where the execution happen maybe in maximum 2 years only by exception we have a few contracts which will be to the tune of 4 to 5 years. So the last year our standalone order intake was around 160 crores, in the previous year we were at around 100 crores standalone, so all this 260 crores and all, this is executable over 2 to 3 years.

- Madan Gopal:** On the EPC, what will be the execution period typically?
- Rajiv Mittal:** Typically, contractually about 18 months to 2 years, but with the Indian conditions it takes about 6 months extra, you can take about 2 years to 30 months.
- Moderator:** Thank you. The next question is from Nitin Bhasin of Ambit Capital. Please go ahead.
- Nitin Bhasin:** Can we get some sense on exactly what was the CAPEX done this year and what was the exact cash flow generation this year?
- S. Varadarajan:** See CAPEX was 6.92crores. If I were to take capital work-in progress which we are building our own office complex were we are spending about 34, 35 crores. So the actual capitalized figure is about 6.92 crores.
- Nitin Bhasin:** How much of the money spent in the office this year, 30 crores or 25 crores?
- S. Varadarajan:** Cumulative number is about 34 or 35 crores.
- Nitin Bhasin:** What were the exact CFO closer to 100 crores?
- S. Varadarajan:** No, it is 82 crores which I mentioned in my statement.
- Nitin Bhasin:** You mentioned early on in the presentation that you are expecting something like next year 15-20% kind of growth and then a split between 70/30 for the top line between India and Overseas. I was doing some quick calculations; does it imply that you are expecting international operations to be nearly flat or the low growth like a single-digit number?
- Rajiv Mittal:** I think growth we are expecting in the international revenues is about 15% and balance growth will come from India business which is very robust order book and that is the reason we say that it may be close to 32/68, but in that range 70/30.
- Nitin Bhasin:** Why I was asking this is because it was also mentioned that last year the inflows were very good. So if you look at this year inflows are very good In India. And inflows were possibly flat to slightly lower in the international market. So doesn't it mean that international market may not grow this year meaningfully?
- Rajiv Mittal:** I think you are right in what you are seeing in the last year. But we also have the advantage of seeing this year and the order pipeline. Even some of these orders we are very well placed to



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announce even in the first quarter both in India and in international market. There are some of the geographies which are opening up bigger opportunities. We keep our fingers crossed as this happens and we keep that into focus when we say that this is happening but today even based on the backlog and a concrete pipeline of the order intake we feel that we can get about 12-15% growth in the international revenues.

Nitin Bhasin:

So just talking about this growth in 12-15%, this year the company grew at about 25-27% in the international market, my percentages may not exactly be correct, but your margins did not recover there, they are possibly flat at about 3% or so in terms of EBITDA level. What happened here? Because with the kind of expansion in revenues, operating leverage play out which you would have expected early on, so how should we look at it next year that when you grow at 12-15%, will the margins remain the same?

Rajiv Mittal:

What I said in my speech is we are moving from high cost centralized operation to low cost decentralized operation. This is the Multi Domestic Units we talk about. Now, if I am reducing my operations in countries like Austria and moving over to countries like Turkey, Romania, Czech and Philippines, obviously, my costs are reducing, but you can appreciate that these changes which I am doing, the steps are taken last year will not see the results last year. This year and next year you will see the results, it takes time for restructuring the organization, building the new organization and obviously, the margins growth will happen, and that is the reason we are moving to low economies which are not as expensive to run as in advanced European economies. And even our business model is only for emerging markets. So we are right in the market where the business is rather than flying in and flying out from a high cost operation. But obviously, this is restructuring and you will not see the results in the same year in which we are making certain changes, it will be the earliest this year and part of it we will also see next year because this is continuing. Second thing, when we reduce something, we do not see the results in the same year, but when we add something we immediately see the cost in the same year. So naturally our cost of operation of starting new MDUs will have effect on the cost of operation of the group. But over a period of time, we will see that the reduction is higher than increase and this increase will increase our revenues and bottom line. I am very, very definite. Even if we get 15%, 20% growth in our revenues I will expect a better margin growth in our international subsidiaries.

Nitin Bhasin:

So is it fair to assume that the kind of margins you made in India, they are here to stay, like average 13% or the quarter end 15% because the last two quarters you have been surprising in terms of margins in India? So should one take the next year a consolidated margin of 10% as one as a benchmark to look at or should we look at materially higher because international goes up 3% to let us say 6% and India remains at 12.5, 13%, you get a significant jump in margin.

Rajiv Mittal:

I think we are very confident as we had said in the previous years also that slowly we are moving to double-digit margins and we have already demonstrated by going from 9 to 9.6% and I am very sure that next year we will be in double-digit.



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Nitin Bhasin: If we look at India this year, inflows are mainly from the Industrial sector. Now, when you give a guidance of 20, 25% kind of order inflow growth, is again Industrial the real backbone of this guidance confidence or do you see something happening on the Municipal as well?

Rajiv Mittal: I think the concrete pipeline which we are looking at and if we are lucky even in this quarter we can announce some of them, these are majority municipal orders and these are all funded by multilateral agencies and some of them are even with JNNURM which are funded and the first quarter orders mainly are going to be Municipal order. So I would say that we do not select that this year we will go for Industrial or we will focus on Municipal. Wherever we see the opportunity, and good payment conditions, and backup of financing, we concentrate on those orders, because of our capability to flip the sources from Industrial to Municipal, we are very flexible to move geographies as well as sectors and like last year you correctly mentioned that we saw more opportunities, better margins in industries, we went and booked orders there. But this year we are seeing that Municipal orders least in the first and second quarters are looking very good at the moment.

Nitin Bhasin: Would the margin quality be different then because you have taken Industrial orders and possibly you have gone to 13% and next year you did Municipal and competitive L1. So you go lower in India?

Rajiv Mittal: That has never been our strategy and I think you know it. We never, never go for only L1 because that is the reason we focus on multilateral agencies, where there are international consultants where the technologies are specified which enables us to put barriers for the low cost competitors where we really have to dip our margins. All our jobs, even the Bangalore, which was the Municipal job we have not taken at low margins, Delhi jobs, we have not taken at low margins. All these are JICA funded, ADB funded, where we have international consultant, appreciate the advanced technologies and that is how we can limit competition rather than really going for low margin, we never will dip our margins for getting the orders.

Nitin Bhasin: It is about the market also because the market possibly in the Industrial is negotiated sometimes, the clients like you and in the municipal supply sometimes clients can just say we want to go with the L1 and somebody just take the natural level of threshold margin only lower. So there is a competitive risk over there. So you think that is not the case there?

Rajiv Mittal: Naturally, we would not go for such orders where the client would say that I will keep the technology open and conventional and we will go L1. Unless we see a competitive edge and a differentiation for us and keep the competition out in the prequalification by putting some barriers, I do not think we go for such target projects. We always prefer the projects which are multilaterally funded, I repeat, which are having international consultants. If you see most of our order books in Municipal side, will have this character and that is the reason we have made good money in Municipal sector compared to some of our other competitors.



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- Nitin Bhasin:** Any slow moving orders? In the entire order book, are any orders there which are not at all moving or pretty much you are unhappy with the way they are progressing in terms of pace, like especially we hear a lot about Indian power sector.
- Rajiv Mittal:** We have been fortunate that none of our order book contracts are slow or client has suspended the orders or they have asked us to slow down, we have none of these orders except one, which we have said in our previous concall also because of the land acquisition issue which is the Ulhasnagar which has not moved, that is the single order in our order book which has not moved, all other orders are moving at a normal pace.
- Nitin Bhasin:** But there is one Libya order also in the order book or is it not in the order book, have you taken it out?
- Rajiv Mittal:** You are right, you caught me. There is one, definitely, I missed that, was one Libya order which is a €28 million in the book which we have not got the LC for and that is also not moving. So not only that, in addition to that there are certain incomplete orders in Libya which are order of magnitude of about I think 400 or 300 crores, these are yet to take off because we had to suspend all these orders when the Arab spring came. So all complete Libya order book is at the moment on hold.
- Nitin Bhasin:** Can we say that about Rs.300 to 350 crores of orders from Libya are in the order book, in the EPC and you are not executing?
- Rajiv Mittal:** Yes, that is right.
- Moderator:** Thank you. The next question is from Charanjit Singh of Axis Capital. Please go ahead.
- Charanjit Singh:** If you could please explain, in the jobs which we are planning to pick up with Sumitomo, what will be the scope of work which VA TECH WABAG will do?
- Rajiv Mittal:** We had said the partnership itself is based on that, we are there technical partner, they bring in the project management expertise, the local market network, financing, we do the EPC contract.
- Charanjit Singh:** And in the order pipeline which you have mentioned, you are saying that it will be mainly driven by Municipal in the first half. So how will the second half look like? We are expecting some major jobs to come from the Industrial sector or what could be the larger orders which we can think of which we are tracking right now?
- Rajiv Mittal:** That is right. Industry will remain a big focus area for us and we have said in the past that there are three sectors which we look at, oil & gas, power and steel. Now, of course, slowly the fertilizer sector is emerging. So we will also make sure that shift of focus is also on fertilizer



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because the power sector is really slow and steel is also more or less getting done. So that is how the oil & gas will definitely remain our priority number one.

Charanjit Singh: Within the oil & gas sector, are these the refineries, maybe IOCL, who are the larger order players right now which we see?

Rajneesh Chopra: There are both investments in our country as well as abroad that we are seeing, and we are focusing on some of the large orders in India which various clients are investing money. Of course, one, you have said, IOCL, ONGC, Reliance etc. And internationally also, there are certain oil & gas and EPC contractors where we are in discussions with for large EPC contracts.

Charanjit Singh: In the Fertilizer space like who would be the key clients that you are talking about?

Rajneesh Chopra: Again, all the fertilizer companies which have got their clearances to put up a new fertilizer or build up new capacities, these are the companies which are going for expansion and they will need lots of water both for the process water and cooling water, and that is where we will be coming in to offer our services.

Moderator: Thank you. The next question is from Jonas Bhutta of Bank of America. Please go ahead.

Jonas Bhutta: Two questions; firstly, you mentioned in the international subsidiaries this year, there has been a fair bit of cost booked but revenues not recognized, because most of these will only flow in from FY14. But could you just explain where these costs have been booked because if I see your SG&A cost, they have in fact declined 35, which is typically so your gross margins are in fact shrunk by 300 basis points there and most of your cost savings have come from this lower SG&A. So what is really happening if you can explain that?

S. Varadarajan: Largely, if you see it is in the personnel cost. We have deployed people in different places. And that is a kind of investment what we are talking about in different geographies like Russia or Saudi even Libya for that matter, we do not have the clearances yet but then there is a senior gentleman sitting there and working towards a lot of jobs. And when the market opens that could perhaps be our opportunity. And we are working in Spain, we have mentioned about Turkey, etc. So largely they will be in the form of personnel cost. And of course, in the SG&A segment as you rightly pointed out there are some savings what we could get in the existing geographies, the subsidiaries, like for example, Austria or Swiss, but we did incur some cost on SG&A also in the locations where I mentioned about.

Jonas Bhutta: My second question was somewhat related to an earlier question also. If we see the margin profile of your standalone business which is about 12.5, 12.6% this year, would you first sort of say that this is more or less the peak margins for this business?



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Rajiv Mittal: Not at all, because as we have told you before, and Rajneesh also mentioned, slowly our operation and maintenance business is growing and taking a bigger percentage of the total revenue. If this trend continues, definitely, our margins will further swell and that is what we are working towards where our O&M margins are always higher than our EPC margins and naturally when the revenues of O&M is higher in that overall revenue of standalone we will see better margins.

Jonas Bhutta: Basically, there are still levers left, in that sense for your standalone margins to inch up whereas obviously, the margins in international subsidiaries will go up as and when these MDU start making money. So would you be content with just a 10% margin as there is this threshold which you set out that you first want to reach double-digit that is about 10% and what would be the optimal sales mix that you would like to have EPC versus O&M and what is the margin range, the trajectory that you can break beyond 10%?

Rajiv Mittal: I think let us not look too far ahead. As we said about a couple of years back that we would move towards 10% and that was our immediate goal and this 10% is clearly visible to us in this year and we are working towards it and we are confident that we will make it. I think obviously, we would like to go further and we would like to see these margins further swell. As you rightly said, the Indian business we still have more levers left as we are getting into this kind of Sumitomo contracts where we will continue to remain asset-light but get EPC and maybe some of the contracts with O&M obviously, our margins will improve and we have also identified some other partners to work with some other markets. If those contracts also goes through our investments will not go up, we will continue to remain asset-light debt-free, but our EPC and O&M business will even have better margins, this is a one more lever. Going international, as we said, we are moving to the low cost economies, like Turkey, Czech, Romania, their costs are similar to India and if we can do a India model repeat there, we will also see their margins over a period of time going to double-digits and with that obviously our consolidated margins over a period of time will definitely grow, we do not see that at the moment, we have peaked, there are still a lot of opportunity left.

Jonas Bhutta: I understand this Philippines job will be part of your international subsidiaries. This is the first time I guess you won an order from that territory. A) what are the kind of opportunities there, is it largely municipal, utility-driven business and b) what are the kind of margin profiles that you see given that it is also one of the southeast countries, so is the margin profile there more or less comparable to India, and if it is going to be done out from the international subsidiaries, would that imply lower margins given that it if would have been done out of India?

Rajiv Mittal: The first thing, if you remember, this is not our first order from Philippines, this is our fourth order from Philippines. We have already executed two sewage treatment plants, completed that and they are in a process of hand over. The third one is under execution. And this is the fourth one. But this is the largest one. You are right that we are already executing projects from Philippines and this project will also be executed from Philippines and the revenues will be part of our international subsidiary revenue and it will not be part of Indian revenue. You are



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also right that this is similar to India's geographies where the contribution margins will be in the range of 15 to 20% and we expect to make a similar kind of a 10% EBITDA on such projects to start with because this is just a subsidiary which is starting which has a cost and once it reaches a minimum critical mark we would expect in future also to make around 12% EBITDA from this market.

- Moderator:** Thank you. Our next question is from Ankush Sharma of Phillip Capital. Please go ahead.
- Ankush Sharma:** Sir firstly there has been a sharp jump in your other operating income from about 3-odd crores to 9 crores this quarter. Is there a FOREX gain element or something that we should know about?
- S Varadarajan:** This is largely due to the duty draw back income, the whole of the year if you see it is about 10 crore and of course there is foreign exchange gain on about 5 crores of the total consolidated 16 crores of your fee there. And a significant part of the draw back came in the last quarter.
- Ankush Sharma:** And any number there, if you could give us?
- S Varadarajan:** You want a breakup of the last quarter alone?
- Ankush Sharma:** Because I know there was 6 crores of FOREX behind Q1 but if you could give us what was the duty draw back number there in Q4?
- S Varadarajan:** The duty draw back element out of that 8.91 crores what you see is about 6crores.
- Ankush Sharma:** Secondly, we have about 1,090crores in our frame work contract which obviously also includes Libya, so out of this can we expect at least the Madinaty and the Chennai Metro projects as also the Aurangabad project to come through this year? I mean at least **300**-odd crores could come through this year in FY-'14?
- Rajiv Mittal:** Definitely I think Madinaty, Chennai and Aurangabad definitely we are expecting and if we are lucky, even in the first quarter or towards the early second quarter.
- Ankush Sharma:** Okay so then this can be part of our firm order book there are?
- Rajiv Mittal:** Yes definitely.
- Ankush Sharma:** Sir just my last question, you have given this order flow guidance of about 2600-2700-odd crores of orders for FY-'14, are we in this order for guidance building in at least one order win from the Sumitomo JV as also may be one of the Chennai Desalination plants?
- Rajiv Mittal:** No. These orders are without Sumitomo JV and Chennai Desalination Plant. Those are orders we generally keep out because these are major orders we cannot base our guidance on such orders because they can always shift so this does not include this order, if we get those orders, this will be over and above this guidance number.



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- Ankush Sharma:** Okay, so those could actually add on in a very big way if you do manage to get those? So these are our base case order of about 25 to 26 billion and on top of that we could actually add on these okay great.
- Rajiv Mittal:** You are right.
- Moderator:** Thank you. Our next question is from Preeti Trivedi of Vantage Securities. Please go ahead.
- Preeti Trivedi:** In the earlier conversation you had mentioned that 9.2% is not the threshold margin and we are looking for a greater margin. So it would be great that if you help me to understand what is the margin we are targeting in terms of 3-4-years?
- Rajiv Mittal:** See we do not want to give you any guidance for the 3-4-years. In today's economic scenario it is too long a period. I think we struggle to give guidance even for 1-year so I am sure we are going to talk to you more often and as we go along we will give you guidance which is in near future rather than going to that far.
- Preeti Trivedi:** Second question is in the annual report of FY12 you mentioned that you have some inspirational target to grow by 5x, can you help me to give some numbers in terms of value in terms of revenue it would be great?
- Rajiv Mittal:** Yeah I think this is definitely we all need certain targets, certain goal to work to and as a vision of CEO, that is my vision to take this group to 1 billion target and we are all passionately working towards it and I think that is one of our biggest strength, the passion which the WABAGites carry. And I think these are the targets which are very motivational, very inspirational and I am sure in the years to come, okay 5-years is the target we have given. We are working towards it, our strategies are in place, bulk of this is going to come through organic part of it is going to come through inorganic. All that planning exercise we have done. Now we have to make sure that all the strategies are implemented and they have to give results, depending on how quickly we can convert this strategy into results will tell us whether we can do it in 4-years, 5-years, 6-years but definitely we will reach this target.
- Preeti Trivedi:** Lastly if you can help me to understand your competitive advantage as well as the market position in some of your key markets like India and overseas also?
- Rajiv Mittal:** We are a technology company and technology will remain our focus as I said before, some times we use this lever for pre-qualification reducing the competition. Second of our big competitive advantage is project execution with the kind of experience and track record we have of executing large complex projects within budget. This is again one of the biggest competitive advantages and third, we are present in the right markets and further some of the markets where we feel that we need to be present, we are investing money and establishing our presence. The presence in the large happening markets which are emerging markets, will also give us good results and that is where we are investing money. So these are some of our key advantages, and of course being asset light, we do not have a burden of



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debts which we have to service. Cash focus whenever we need cash to put into the business to convert that into results, that cash is available with us. These are all of course added advantages which the company has and that is the reason you have seen, even in the last few years, which were challenging time for many companies we have posted good results, we have shown growth and we are also predicting good and robust future.

Preeti Trivedi: Can you mention any global market size for the quarter business, which you service for?

Rajiv Mittal: Too tough for me but I think we do not need that big a size, water is a very fragmented business. If you see globally, we may not even have 1% of the global water business.

Preeti Trivedi: Yes sir, but in some of the earlier presentation you mentioned the market size project, wanted to confirm that whether the market size remains the same or is there any cut-off number?

Rajiv Mittal: The global market size, I do not have but the relevant market which we are in, it is growing and it is growing in a double digit number. So the emerging market where we are focusing, that market is growing like if you will say India, it is growing easily at 12 to 15%. And similarly if you take other emerging markets, they are growing at the similar rate.

Moderator: Our next question is from Vinay Rohit of ICICI Prudential Life Insurance. Please go ahead.

Vinay Rohit: Sir just wanted to know, is there any receivable pending from Chennai Deceleration, and what could be the CAPEX for FY-'14.

S Varadarajan: FY'14, as we have already said, this capital work-in-progress what we are now having in terms of our own building, The WABAG House, that will be the major one than normal year-on-year CAPEX of 3-4crores what we normal incur, that will also be there. And the other question what you had asked is about receivable that will be close to about 150 crores now because we have completed this project and the retention money will be now due.

Vinay Rohit: Okay so when is this 150 crore due for receiving from Chennai?

Rajiv Mittal: See basically it is due now because by March we finished this project so even if they give them 60-days 90-days it should be basically due in this quarter, but they have certain money which they are expecting from center, because this project is financed from the Central Government and this the money which has not flown to them, about I think 300-odd crores they are expecting. I am sure as soon as they get that money they will pay it to us. The similar scenario we had seen about a year back but I think this came and I am sure the start of this new budget year this money will flow very soon. So we are expecting in June-July, we should liquidate this receivable.

S Varadarajan: See it anyway does seem to have money; they have announced four plus projects, so at least they should pay us what we have completed.



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- Vinay Rohit:** Sir my second question is, we have seen I guess two desalination plants now in Chennai, so are there any more states which are looking to setup this desalination plant?
- Rajiv Mittal:** Obviously all the coastal states would be looking at Chennai. Chennai is a good example by setting up this two pilot projects, have demonstrated that desalinization is feasible and is sustainable technology for handling your water problem and we definitely look forward, like Chennai has taken a bold step in announcing 4 more projects. So I am sure states like Gujarat, Andhra such states which have a very large and long coastline would be following very soon.
- Vinay Rohit:** Okay but there is not any announcement as of now from these states?
- Rajiv Mittal:** Not yet.
- Moderator:** Thank you. Our next question is from Sanjeev Zarbade of Kotak Securities. Please go ahead.
- Sanjeev Zarbade:** Yes sir my question was on the employee cost, what is the outlook for employee cost in terms of, what could be the growth in FY-'14 that we are looking at?
- Rajiv Mittal:** See generally in India we all know that year-on-year some increment has to be given plus we are a growing organization so definitely we are going to add some more employees. So we would be looking at something of the order of 12-15% growth for employee cost.
- Sanjeev Zarbade:** Okay which would be largely in line with the-top line?
- Rajiv Mittal:** Yeah we would like to have a higher top line but the employee cost will not be higher than the top-line growth.
- Sanjeev Zarbade:** Okay sir and my second question was on the elections basically, do you see any order getting advanced or order getting delayed any thing of that sort impact on water business?
- Rajiv Mittal:** See why on water business we are in India, all businesses will see this delay and that is very much an inherent part of our Indian water business or Indian business in general. So I think being a election year, yes may be toward the last quarter we will see but that is the reason we say that even in the first half, we are expecting such good orders. That is the reason we are so hopeful in giving you a guidance of over 20-25% growth. That is how we have fast forward our order intake in the first half rather than depending on the second half.
- Moderator:** Thank you. Our next question is from Abhijeet Dakshikar of L&T Mutual Fund. Please go ahead.
- Abhijeet Dakshikar:** I had Just one question; can you share the composition of the 132crores which appears as other non-current assets in the balance sheet? Similar figure for standalone and consolidated basis.
- S Varadarajan:** There is a 96 crore deposit there as far as this 132 crores and the rest is customer retention.



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- Abhijeet Dakshikar:** Okay sir 60 has gone to 96?
- S Varadarajan:** Yeah the customer deposit increased
- Rajiv Mittal:** It is a fixed deposit, which are more than 12-months.
- Moderator:** Thank you. Our next question is from Kamlesh Kotak of Asian Market Securities. Please go ahead.
- Kamlesh Kotak:** Sir just wanted to have an understanding of the competitive intensity in domestic market and overseas market. In particular sir just wanted to understand that globally in a similar scope of work, which we have in India, how does the pricing environment works and how the competition intensity is, in particular in some of the key geographies here?
- Rajiv Mittal:** I think whether you talk about India or other geographies, as we just said water is a very fragmented market, so competition is always going to be there. In some markets you will see 5-6 bids; in some markets you will see even 10 to 12 bids for each and every project. So our idea is always to develop projects to ensure that we have some competitive advantage before we bid for the project and that is what our marketing team or the business development team is doing all the time. And we told you last year we also developed a corporate marketing team whose only job is to go and ensure that we develop project before even they come out for bidding. It is competitive but it is up to us to develop a few projects, we only need very few projects to win, to meet our targets which we have set of ourselves, but for that I think marketing plays a very important role.
- Kamlesh Kotak:** So sir as it stands, how many geographies have we closed at present in terms of the orders and the projects and by next 2-3-years time line as you mentioned how many new geographies are we planning to attract?
- Rajiv Mittal:** Today if you say some of our important geographies which will contribute almost 80% plus we will have about 7-8. Balance about 5-6 geographies will contribute may be is the balance 16-20% and going forward, I think we do not intend to add too many geographies but may be a couple of more geographies we may add going forward in the next 2-3-years.
- Kamlesh Kotak:** And sir just one more clarification, all the contracts that we have asked are fixed price contracts, one and if we have the back-to-back brought out and outsourcing contract, they also are fixed price contracts?
- Rajiv Mittal:** Most of our Municipal orders which are more than 18-months completion period have a variable clause and this is based on various indices and they fluctuate based on the Indices. Cost of our industrial jobs which are less than 18-months are fixed price contracts and to talk about our agreement to our contractors and our suppliers, we also make sure these are fixed price contracts and not variable priced contracts.
- Kamlesh Kotak:** Okay so that any moderation in commodity price should work in our favor in that sense sir?



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- Rajiv Mittal:** Normally yes.
- Moderator:** Thank you. Our next question is from Neha B of ICICI Bank. Please go ahead.
- Neha B:** Just one question sir, on these receivables of 782crores and the stand alone balance sheet, I wanted to know the aging, how much of this is less than 6-months and how much is more than 6-months?
- S Varadarajan:** You are talking about the stand alone?
- Neha B:** Yeah standalone.
- S Varadarajan:** 180 crores is more than 6-months and the balance is less than 6-months and almost about ...
- Neha B:** More than 180 crores include the retention money?
- S Varadarajan:** No, retention money will be separated, it is confirmed that the retention money of 103 crores, so stand alone will be slightly less than that because in the international it is less. Stand alone is 93 crores.
- Moderator:** Thank you. Our next question is from Tanuj Makhija of Ambit Capital. Please go ahead.
- Tanuj Makhija:** This is we have seen that the net interest cost have actually gone down year-on-year, is that because of higher net investment income or some other reasons?
- S Varadarajan:** No if you see our interest income is slightly reduced from the previous year but our interest cost has significantly reduced and that is the reason why overall we find that the net interest cost has reduced.
- Tanuj Makhija:** Sir what would be your new cost of debt that has come down significantly?
- S Varadarajan:** See it is something like this, we go back some of the bonds in the international market and we do not have those thoughts any more. Some of the projects which we were executing in overseas geographies, their projects were completed we could get the final completion certificate and get the bonds back and that is one of the reasons that the total bank balance went down. Yes of course in India we did good negotiation in terms of bringing down the cost but actually the usage went up because we had some good order intake. In our business for every new order we had to give a performance guaranty and what we service, this is a clarification which is important, what we service on the guaranty is not only on what you see as sales but on the orders which we have even completed and the warranty is going through.
- Tanuj Makhija:** Okay sir can you provide a breakup of your interest
- S Varadarajan:** And there is also one more point I can mention on the interest expense we reduced the interest expense this year by using some package credit, packing credit because we had some international sales and we were able to get some packing credit in India, so we switched over from the normal credit to packing credit also for some of the borrowings that we are making. And there is also a



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borrowing reduction you would see, there is about 40-50 crores we reduced borrowing. So all this constituted multiple reasons.

Tanuj Makhija: Yes sir can you please provide a breakup of your interest, cost and the interest income?

S Varadarajan: The interest income is 15.07 crores, last year compared to 13.24 crores of current year. And if you look at the cost it is 25.46 crores last year 22 crores this year.

Tanuj Makhija: Okay great sir. Can you please provide me the breakup of your creditors into advances from clients and others?

S Varadarajan: Advance from client is only 67 crores, total 689 crores is the creditor.

Tanuj Makhija: Okay sir and can you provide the break up of your cash into margin money and what is the cash level from India and outside India?

S Varadarajan: About 83crores margin money.

Tanuj Makhija: You're split of cash in India and outside India, how much would that be?

S Varadarajan: Cash in India if you see, out of 286.65 crores gross cash, about 171 is in India and 115 crores is overseas.

Moderator: Thank you. Our next question is from Jinit Mehta of BP Equities. Please go ahead.

Jinit Mehta: Hello, most of my questions have been answered so just one question. Sir towards the end of last year, WABAG China had signed a strategic cooperation MOU with SCINOR Water Technology and if I am right sir, they received 13 million follow on funding, \$13 million in Feb, SCINOR. So what does this mean for SCINOR, you can throw some light on this?

Rajiv Mittal: See for us this MOU means that we can work with SCINOR water and I think the 30million which you were referring to I think may be it means SCINOR can grow and can be more aggressive, this they have to answer but for WABAG, today we are working on 3 projects together with them. We are in the bidding phase; hopefully we will win at least 1 or 2 this year in this collaboration.

Jinit Mehta: So these two projects that you are saying, this is included in the projections that you have made?

Rajiv Mittal: One is included in the projection we have made.

Jinit Mehta: And sir just one last question sir, there is one desalination plant being setup at Kutch I think for 150mld as on a BOT. basis so do we pre-qualify or have we put in our RSQ for that?

Rajiv Mittal: We have not put in our RFQ because this is a project if you see the history, this is on and off for last 8-years so we have given up on it, let it come up I am sure there will be many partners who are



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willing to partner us because last time we got pre-qualified we had spent lot of money in doing trials and making a bid but we never got even opportunity to submit our bid and we do not want to spent anymore money on this project.

Moderator: Thank you. Our next question is from Charanjit Singh of Axis Capital. Please go ahead.

Charanjit Singh: I just wanted to understand your outlook on the O&M revenues because I think there is an increasing thrust on O&M. How do you see them ramping up over the next 2-years time frame?

Rajneesh Chopra: I just that has told you that there is going to be a spike in terms of revenue, so if we look at India we are at around 101 crore, 70 crores is going to come from Nemili so definitely we are going to double our revenues.

Charanjit Singh: And going forward in FY-'15 what is the kind of number we can look at?

Rajneesh Chopra: I would like to restrict myself right now as Mr. Mittal briefed you that we had a €1 billion, we are very passionate about it. Similarly O&M is also equally passionate of contributing as much as possible because not only the revenue it brings in better margins as well and lot of stability and predictability.

Rajiv Mittal: See on a long term we were only about 14-15% in past. You saw this jump into 17% and that is a pretty good sign, now we would like to take this percentage to 18 or 19% because we are moving the top line as well. At 17% holding it should be pretty good if the volumes on the top it is still moving.

Charanjit Singh: And what could be the margins in this business versus EPC?

Rajiv Mittal: Almost double 18-20% EBITDA levels.

Moderator: Thank you very much. As there as no further question from the participants, I would now like to hand the floor back to Mr. Rajiv Mittal for closing comments.

Rajiv Mittal: Thank you friends for being with us. I just want to reiterate, despite the challenging economic conditions globally we have achieved a profitable growth for FY-'13. We have recorded our highest order intake of 2,489 crores during the year in a weak market. Innovative strategies differentiated product offering and technology edge has helped us to record growth for the year on all the fronts. We have robust order pipe line and we are very confident of continuing this momentum in the coming year. We have, as I said before, our presentation is already available in the website and if you have any more questions either you can get in touch with us or you can get in touch with our IR partners, Strategic Growth Advisors for any questions you have. Thank you very much.

Moderator: Thank you very much sir. 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.