

August 19, 2022

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NSE Symbol: **WABAG**BSE Scrip Code: **533269**

Dear Sir/ Madam,

**Sub: Transcript of Earnings Conference Call on Q1 FY23 Financial Results as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

Pursuant to Regulation 30(6) and 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcript of Earnings Conference Call on Q1 FY23 Financial Results held on Friday, August 12, 2022.

The Transcript of Earnings Conference Call on Q1 FY23 Financial Results is also available on the Company's website.

Kindly take the same on record.

Thank You,

For **VA TECH WABAG LIMITED****R. Swaminathan****Company Secretary & Compliance Officer**

Membership No. A17696



Sustainable solutions, for a better life



# “VA TECH WABAG LIMITED Q1 FY2023 Earnings Conference Call”

**August 12, 2022**



**MANAGEMENT: MR. RAJIV MITTAL – CHAIRMAN, MANAGING  
DIRECTOR & GROUP CEO**

**MR. SKANDAPRASAD SEETHARAMAN – GROUP CFO**

***Disclaimer:***

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**Moderator:** Ladies and Gentlemen good day and welcome to the VA Tech Wabag Limited Q1 FY2023 Earnings Conference Call. As a reminder all participant lines will be in the listen- only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone telephone. I now hand the conference over to Mr. Rajiv Mittal, Chairman cum Managing Director & Group CEO of VA Tech Wabag Limited. Thank you and over to you Sir !

**Rajiv Mittal:** Thank you. Good Evening, Ladies and Gentlemen. We extend a very warm welcome to you all to this earnings call post announcement of Q1 FY2023 results of VA Tech Wabag Limited. Joining me today for this earnings call is Mr. Skandaprasad Seetharaman our Group CFO.

To start with this has been another successful quarter for us with our journey of profitable growth continuing in this quarter as well. We have had to counter cost headwinds coming from the commodity price increase and despite the same our strategy of focusing on international projects, industrial projects, high technology plants and EP which is engineering and procurement business has helped in both execution excellence and improved operating margins.

If you have a look at our revenue in the last few years more than half of it has been from the international geographies, which is in line with our strategy to be a global player. Our order intakes in the past few years have been in line with our focus to remain a high technology business leader in desalination, reuse and recycle and excellent treatment business lines.

Few examples of our reference projects include: On the desalination front Reliance Jamnagar desalination plant and Senegal 50 MLD desalination plant, which were received in this quarter has given further momentum to our desalination business. We are currently executing a 50 MLD desalination plant in Tunisia funded by KfW and have recently completed also a desalination plant for MRPL at Mangalore. WABAG was first to construct the largest operating 110 MLD Municipal desalination plant in India on a DBO basis at Chennai, of course you all would already know about the 400 MLD Japanese funded desalination project

coming up in Chennai where we are one of the three bidders the bid is at the moment under evaluation. In the last year, we had a marquee order intake of \$165 million towards the effluent treatment plant on zero liquid discharge basis from Russia which was followed by an €18 million order this quarter from Daelim. We have also completed effluent treatment plan for the largest single stream refinery in the world for Dangote Nigeria and also commissioned a large ETP for Petronas for their integrated refinery and petrochemical complex in Johor Bahru Malaysia. We have been in the forefront of recycle, reuse in India both on Municipal as well as industrial purposes. Our 45 MLD reference plant in Koyambedu Chennai which was inaugurated in 2019 by Honorable Chief Minister of Tamil Nadu has been a key milestone in Chennai's recycle and reuse journey. We have recently also signed a concession agreement for a 40 MLD recycled reuse plant in Ghaziabad for Ghaziabad Nagar Nigam on a HAM basis. It is worth noting that WABAG already has to its credit constructing a direct portable reuse plant built in Namibia.

While continuing to remain asset light we have participated in capital project business by securing four HAM and BOOT projects of which three HAM projects in Kolkata, Ghaziabad and Bihar are already under execution.

Our participation in and contribution to the Namami Gange Mission of the Government of India has been significant. Our presence in the projects on a DBO basis and HAM basis under Namami Gange has been across the flow of holy river Ganga.

We also commissioned our first and largest STP under Namami Gange of 40 MLD sewage treatment plant at Dinapur, Varanasi, which was inaugurated by Honorable Prime Minister of India. Currently more than half a dozen projects are under various stages of execution, once all these projects are completed, the holy rivers water quality will undergo a marked improvement.

Our focus on developing the operation and the maintenance business has also been reaping giving benefits for us, securing two projects under the one city one operator scheme for the city of Agra and Ghaziabad, the first of its kind in India.

Our focus on developing a long-term O&M business through HAM and DBO projects have also been showing up in our order backlog with O&M contributing over 30% in the order backlog today. Our business is about ESG - Environment Social and Governance. It is a unique opportunity for us to contribute positively to the environment as we further our objectives of value enrichment for all our stakeholders.

These are only a few examples of our successful business strategy.

Thus our focus on industrial and international business, multilaterally funded projects, high technology desalination, and recycle and reuse plants, asset light capital projects approach, cash accretive O&M business continued to focus on emerging geographies has enabled to improve margins and cash flows, enhanced quality of order book, delivered consistent profitable growth, enhanced shareholders and stakeholders value, become a globally respected water leader and contribute positively and responsibly to the environment.

Now let us move on to the key order intakes for this quarter. This quarter we have secured two large new orders in desalination segment - the first one 50 MLD seawater RO plant in Senegal, which marks our entry into the country and enhances our global leadership position in desalination segment.

This consortium order which is funded by JICA and being built by SONES, the national water Company of Senegal worth about €146 million is to be executed in consortium with Toyota Japan and Eiffage France. WABAG will play the role of technology and system integrator while Eiffage will be responsible for construction work and Toyota will co-manage the project. Scope of WABAG under this order will be engineering & procurement and operation and maintenance which is worth about one - third of the total consortium order value.

WABAG scope includes design, engineering and supply of electro-mechanical equipment, supervision of installation and commissioning followed by a two-year operation and maintenance of the plant. The plant will be based on seawater reverse osmosis technology with very advanced compact systems considering the availability of land and challenging terrain.

Second desalination order in this quarter was from Reliance Industries which is one of our key customers towards engineering, procurement, construction for a 53 MLD desalination plant at Jamnagar Gujarat worth about Rupees 430 Crores. The scope of this project includes design, engineering, procurement, supply, construction, erection, pre-commissioning, commissioning and performance guaranteed trial runs of the seawater reverse osmosis plant slated to be built in the premises of RIL's world-class refinery at Jamnagar Gujarat. It is worth noting that WABAG has already executed a 24 MLD Sea Water RO plant in the same premises. This plant will employ state of art pre-treatment in the form of lamella clarification, followed by filtration and ultra-filtration and then followed by reverse osmosis technology to convert seawater into processed water.

We also continued our foray into the Russian Federation market with the new engineering and procurement order worth about €18 million about Rupees 149 Crores from Daelim in Korea towards a water treatment package for Eurochem methanol production facility in Kingisepp Russia. Our scope includes design, engineering and supply, installation commissioning and startup of the plant and is scheduled to be completed over a 15 month period. The project will employ softening, ultra filtration, reverse osmosis technology to treat brine which will be reused as a processed water in the facility. This order includes adequate payment securities which derisks us from any geopolitical uncertainties.

Ordering activities started assuming pace both in India and internationally and this is reflective in our order booking for this quarter. We will continue our focus on technology - driven international orders and enhancing our presence in industrial water space while continuing our delivery of best-in-class municipal water solutions. We are confident that WABAG will continue to remain a forefront runner in the oil and gas segment. Reuse and recycle water and desalination solution with our marquee references across the world.

Coming to some of the key business updates....,

As you are aware we secured an engineering and procurement order worth 165 million US dollar which is about Rs. 1200 Crores from Amur Gas Chemical Complex LLC in Russia in H1 of FY2022, AGCC is a joint venture of SIBUR

Holding Russia and China Petroleum and Chemical Corporation (Sinopec) China. Owing to the geopolitical uncertainties in the region customer had communicated a suspension of further activities of the project in April 2022. We are now happy to inform you that customer has now issued a notice of work to resume this project which was communicated to the stock exchange immediately also.

We have started remobilizing our resources and very soon the pace of work on this project will reach the pre-suspension level. Russia is seen as a big opportunity market for us as there is a space created by the European Companies which are walking out of Russia which is leaving a great opportunity for WABAG to replace them and complete the projects. So in the coming quarters and the years we see Russia to be a good market for us to execute water projects.

At our 300 MLD independent sewage treatment plant at New Jeddah Airport in Kingdom of Saudi Arabia which is being built with the State of Art NEREDA installation activities have started and the plant is on track to start pre-commissioning activities towards end of FY2023.

In our KfW funded Zarat project sea water reverse osmosis plant of 50 MLD capacity expandable to 100 MLD being executed for SONEDE in Tunisia, mechanical and piping installation is currently underway. The project is progressing towards the start of pre-commissioning in FY2023 itself.

In our 187 MLD sewage treatment plant being built in Bally, Baranagar and Arupara in Kolkata for KMDA under the HAM model, we have crossed 70% of project execution phase and the project is progressing well, equipment deliveries have commenced and we expect the project to get mechanical completed within this fiscal year.

In our HAM project for BUIDCO at Digha and Kankarbagh, effective date has been announced and we have accordingly commenced our activities, it is important to note that the DBO portion of the project has already been progressing well.

Our core business which is water technology business remains intact and continues to grow profitably. With a very high quality order book of over Rs.10,000 Crores and a strong order pipeline visibility we are confident of continuing to generate value for our stakeholders in our growth journey in the years to come.

I would like to take this opportunity to express my sincere thanks to our direct and indirect employees and all the stakeholders for their continued support.

Now we can move to the financial highlights and I would request Skanda to take you through the same. Over to you Skanda.

**Skandaprasad S :** Thank you Mr. Mittal. Good Evening friends trust you have had an opportunity to look at the results update presentation as circulated and uploaded on our website.

Let me take you through the financial highlights for the quarter ended 30<sup>th</sup> June, 2022. Our consolidated revenues stood at Rs.632 Crores and on standalone basis revenue from operations was Rs.485 Crores. The consolidated EBITDA for the period stood at Rs.52 Crores which was up by 30% year-over-year and the standalone EBITDA for the period stood at Rs.46 Crores up by 75% year-over-year. We have delivered another quarter of profitable growth which is our PAT growing faster than the rate our top line has been growing. The profit after tax attributable to owners stood at Rs.30 Crores on consolidated basis up by about 98% year-over-year. On a standalone basis, the profit after tax stood at Rs.25 Crores up by about 145% year-over-year.

A look at the core metrics for the quarter as we usually do, Core EBITDA stood at 11.5% double digit EBITDA margins as we have been indicating over our interactions earlier. Core PAT at 7.2% demonstrating our continued control over finance cost through constant cash and debt management focus. Core return on capital employed that is ROCE was 21.4% in line with our asset light model and technology focused approach.

Mr. Mittal has already given a brief outline of our business strategy and our numbers in this quarter are also reflective of the same. International business has been growing. In the quarter 46% of our revenue was delivered from rest of the world and 54% was from India in line with our strategy to remain a global player.

Our order backlog stands at over Rs. 10,000 Crores with almost half of it coming from overseas geographies. Order book quality has enhanced, the quality of order book is enhanced with a majority mix of multilateral and Central Government funded projects, industrial projects backed by adequate payment securities largely in desalination, wastewater treatment, including recycle and reuse and effluent treatment space. Over 30% of the order backlog today comes from cash accretive operation and maintenance business.

**Profitable growth:** For the quarter EBITDA grows by 30% and PAT by 98% on consolidated basis. Our asset light approach continues with a 20% plus core ROCE consistently and even in this quarter.

In summary we are a global leader in the high technology water treatment business. We have grown profitably and consistently so and we have a strong revenue visibility from a quality order book of over Rs.10,000 Crores. We express our heartfelt thanks to our bankers, investors, fellow WABAGites and all other stakeholders for the continued support extended to us. With this, we now open the floor for question-and-answers.

**Moderator:** Thank you so much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press “\*” and “1” on your touchtone telephone. If you wish to remove yourself from the queue, you may enter “\*” and “2”. Participants are requested to use handsets while asking a question. Ladies and Gentlemen we will wait for a moment while the question queue assembles. Anyone who wishes to ask a question may press “\*” and “1”. We take the first question from the line of Manish Maheshwari from Embark Capital. Please go ahead.

**Manish Maheshwari:** Hello. Sir is my voice reaching you.

**Rajiv Mittal:** Yes. Little bit louder if you speak is better but we can hear you. Please continue.

**Manish Maheshwari:** Sir there is another income component of 33 Crores reported for this particular quarter, can you give me a segregation or a breakup last, quarter it was 10 Crores.

**Rajiv Mittal:** Yes, as we said we are basically a global company, we export lot of our thing as we discussed almost 50% of our income comes from rest of the world geographies and 50% from India. One of the income comes from export related income, which are all in the fashion which government is giving us various duty drawback and export related benefits. The other is the finance income, which we have a financial income because of various fixed deposits and the cash we have in the banks and the last is the Forex income because we have our contracts in foreign exchange in dollars and euros as we bill and when we receive the difference in that goes into the other income. So these are the nature of other incomes.

**Manish Maheshwari:** Can you quantify these three items that you have mentioned over.

**Rajiv Mittal:** As you know as I told you I can quantify there is no problem my colleague will give me the numbers, but these are all operative incomes. These are all coming from the operation because we are a global player, these are not a non-operation or investment incomes. These are all related to our business incomes and just see even if we take as our business if we export anything if we do not have an income in dollar we will have to hedge it. At the rate we hedge the dollar that is the rate at which we will take our income and that portion will not appear in other income, but as per the accounting policy when we get without hedging we get this income, we put it in other operative income. Hence I think this we should not spend too much time. It is only classified just from the accounting standard perspective but it should be treated as an operative income.

**Manish Maheshwari:** So what is the net debt as on 30<sup>th</sup> June and what was it 31<sup>st</sup> March FY2022.

**Skandaprasad S :** 31<sup>st</sup> March FY2022 was about 10 Crores positive and net debt as of 30<sup>th</sup> June 2022 is about 70 Crores negative. We have a net debt in June.

**Manish Maheshwari:** And March FY2022 what was it.

**Skandaprasad S :** It was net cash 10 Crores.

**Manish Maheshwari:** Sir could you give us a forward-looking number in terms of a guidance for the next quarter or maybe the second half.

- Rajiv Mittal:** In terms of what.
- Manish Maheshwari:** Guidance in terms of your revenues.
- Rajiv Mittal:** Generally in the last two years since the onset of COVID we have refrained from giving guidance's, but I am sure if you are an investor with us you know how our first quarter comes and that basis you can always predict the rest of the year and the future quarters also you know that the first quarter is always low quarter as we go along our second, third quarter will be more than that and second half will be more than first half. This has been the trend in the Company for so many years.
- Manish Maheshwari:** And how about the working capital cycle right now.
- Moderator:** Sorry to interrupt. Participants are requested to restrict to two questions.
- Skandaprasad S:** Manish I will answer this question. The working capital cycle is under control it is similar to what we were in March, we have not had much of deviation from March, we are largely at levels similar to March and it is under control.
- Manish Maheshwari:** And last question if you will, since we are Gung-ho on Russia and Europe and we have a sizable amount of order that we are executing I think there was an order which got canceled and the order was again kind of...
- Rajiv Mittal:** I just correct it here we will not use the word cancel we will use the word suspended. So it was suspended for about couple of months as I said in my speech about an intimation last month to restart and now it is over a month that we are remobilizing and starting to complete the order.
- Manish Maheshwari:** So what is the game plan for selling through markets like Russia and Europe given the uncertainty.
- Rajiv Mittal:** Uncertainty remains everywhere and we are basically an emerging market player. Emerging markets will never be as certain as the developed markets, but there is a way of doing business and we have been doing business, we know that if we go into this kind of markets how to make the payment securities like in this markets we always do business with either a pre-payment or with a letter of credit and that policy will continue to happen as long as we have a pre-payment or a letter of

credit we will take this orders if we have a deferred payment we will not accept those orders. That has been an internal discipline and we are continuing with that.

**Manish Maheshwari:** Thank you so much Sir I will come in the queue because other participants also ask questions. Thank you Sir.

**Moderator:** Thank you. Before we take the next question, a reminder to the participants, anyone who wishes to ask a question may press “\*” and “1” at this time. We take the next question from the line of Manish Jain an individual investor. Please go ahead.

**Manish Jain:** Hello, what is the revenue guidance for FY2022, FY2023.

**Rajiv Mittal:** Manish there is lot of disturbance in the line. Yes, as I told to the earlier participant now it is last couple of years we have not been giving any guidance, but we have been seeing that we have been growing year-to-year so this growth will continue keeping all the conditions favorable, no COVID related lockdowns and all our growth journey will continue and it will be always positive from last year to this year.

**Manish Jain:** Sir, there should be at least a double digit revenue growth.

**Rajiv Mittal:** Yes, it is not far off from what we have internal targets.

**Manish Jain:** Double digit comes from 10 to 20 so what...

**Rajiv Mittal:** You asked for it I meant you said double digit. So, yes you are in that range.

**Manish Jain:** But with this kind of order book and this kind of opportunity I think we should grow a little bit more and with this kind of a leadership position.

**Rajiv Mittal:** We also feel that obviously we will go because the team has been working hard and we excel in execution, today we have most of them as EP orders which is not so much construction related. So, yes, we also would expect that we have a good order book and these are executable order book we do not have order book which

is not executable and all our HAM projects have also come on stream with announcement of effective date. So we expect that this year will be a good year.

**Manish Jain:** With improved margin Sir.

**Rajiv Mittal:** Yes of course that goes without saying as my colleague our CFO mentioned we only work for profitable growth, our percentage growth in margins will be higher than the percentage growth in our top line.

**Manish Jain:** Sir any important orders which are in the Pipeline.

**Rajiv Mittal:** Yes, as I said we have a very solid concrete pipeline also mentioned the number of times the Chennai desal large project has been discussed in this con calls. I mentioned and gave you an update that yes we have submitted the bid for the Chennai desal plant and we are one of the three bidders we can see our chances but we will get to know in next couple of quarters.

**Manish Jain:** Thank you Sir, Thank you very much.

**Moderator:** Thank you. A reminder to the participants, anyone who wishes to ask a question may press “\*” and “1” at this time. We take the next question from the line of Anurag Patil from Roha Asset Managers. Please go ahead.

**Anurag Patil:** Thank you for the opportunity. Sir, if we look at your EBITDA margins excluding the other income then it has actually declined compared to earlier quarter. So how should we look at it going forward.

**Rajiv Mittal:** I do not know why you say it is declined and why you say you have to exclude the other income. Just now I explained to an earlier participant, our earlier income is completely operational income is it a crime to go abroad and do business in US dollar. We are bringing into the country a Forex exchange and luckily that foreign exchange has grown for us the Indian rupee has depreciated it is very much part of our strategy of doing international business and if we do exports and the Government of India gives us the export benefits what is wrong with it we calculate that in our margins when we take the order why first we should exclude the operating income. I would like to know from you Anurag.

**Anurag Patil:** Yes, Sir, I understand that part, but I wanted to understand, if we include other income then whether these kind of income our margins are sustainable directionally the Forex can be highly volatile.

**Rajiv Mittal:** Why it is not. Suppose now we had closed the June quarter at whatever Rs.79 a dollar or something. Now suppose this dollar will come down to 77, Rs.2 I will lose in dollar would you tell me to exclude this from my EBITDA because that will be sunk into my result which will not be shown as other losses in my total income because as per the accounting policy that I will have to book it as a part of my cost and then my EBITDA will I be allowed to drop my EBITDA if I have a Forex exchange loss.

**Anurag Patil:** No, I understand that part, I am not asking to exclude that, I am just saying the Forex part can be volatile. So just to understand excluding that how our expenses can pan out that part I wanted to understand.

**Rajiv Mittal:** No, even if you, for just theoretical purpose you want to exclude all this other income still we have positively grown on EBITDA excluding the so-called other income. There has been a positive growth because about 300 bps we have grown on standalone and 200 bps we have grown on consol in the contribution margin and if you want to take on the EBITDA basis about 100 bps on consol and 200 bps on standalone.

**Anurag Patil:** Ok Sir. That is it from my side. Thank you.

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

**Kaushik Poddar:** Yah see this time what we see is that your finance cost is down and basically finance cost is down. So can you please explain that.

**Rajiv Mittal:** Very simple, I think as my colleague said we have reduced our debt number one, the other thing is we have also reduced our borrowings and on top of it we have been able to discuss with the banks to reduce the interest cost and the bank guarantee cost and this has enabled us to get some of the bank guarantees back also from the market for the completed projects. So the bank guarantees which

were open in the previous quarter some of them have got returned because the projects were completed. So hence the cost has come down. So hence our net interest cost was borrowing the money has come down and also the bank charges for BG and LC which are non-fund items has also come down, both has come down.

**Kaushik Poddar:** And this LC and Bank guarantee charges has it come down on a sustainable basis or is it a one-off.

**Rajiv Mittal:** It is normally we would expect that this will keep coming down, but if we get new contracts, if we get new orders then we will have to give fresh bank guarantees and fresh LCs have to be opened to complete the supplies, but if we do not have orders then of course this will keep coming down but we hope and in the business we always think that we will get new orders and some more bank guarantees will be required as going forward.

**Kaushik Poddar:** And my last question see in all these years the Middle East was not doing well but the with the oil prices at what they are hopefully there will be a much bigger opportunity, how strong are you in the Middle East.

**Rajiv Mittal:** I think very good question, see one I will definitely answer how strong we are in Middle East definitely. The oil prices going up generally the oil and gas sector globally will see a traction both on the refining business as well as the petrochemical business which is downstream of refinery. We are not only in India the largest player in oil and gas we are one of the very few large players globally during oil and gas you know we do regularly business with Reliance, you know we have done business with the Aramco in Saudi Arabia, we have done business with OMB Austria, we have done business for Petronas which we completed few years back in Malaysia, now we are doing business with SIBUR in Russia. So I think we are extremely strong when it comes to oil and gas sector. So, if oil prices are going, the affordability of oil companies will go up, and also we will see a good order intake into this oil and gas sector not only in Middle East but globally, but this also not only in oil and gas because the governments especially in Middle East will have a higher affordability because of the oil prices they will also invest money into the infrastructure and the desalination and sewage treatment plant

projects will also see a big traction there because their affordability will be high to invest into the infrastructure space.

**Kaushik Poddar:** Okay thank you and please try to upload the transcript of this con call as soon as possible because right now for example I have to cut off so that I can read whatever is the transcript is.

**Rajiv Mittal:** Sure we will do that.

**Kaushik Poddar:** Thank you.

**Moderator:** Thank you. Participants if you wish to ask a question may press “\*” and “1” at this time. We take the next question from the line of Sandeep Sabharwal. Please go ahead.

**Sandeep Sabharwal:** Hi! My question is that when you give the initial commentary you gave project-by-project updates on how each project or each large project is doing execution etc.

**Rajiv Mittal:** Sandeep your voice is not clear. Can you please ask again.

**Sandeep Sabharwal:** My question is that when you give the initial commentary you gave project-by-project updates on how each project or each large project is doing execution etc. I am sorry to be repetitive, but then if you are so closely tracking each of your projects then at the end as a summation you should be able to give a cumulative of where you are likely to end up with. So I am unable to understand why you do not have a clear visibility on your growth despite your order book as to what kind of growth you will achieve so it can be a wide range it can be any range but I think some sort of idea could be there for investors what they are looking for.

**Rajiv Mittal:** Sandeep by not giving guidance does not mean that we do not track our projects, we do not have our internal targets, we do not discuss such things with our Board which is a very independent Board, we do all that, but to give a guidance in such uncertain times when one side you have the pandemic issues whether it will pop up again, other side you have geo-political issues, the third side has come which is all the commodity price headwinds all these factors we do not know how they plan out, but given an ideal world we have our targets and we will achieve it we will go

beyond that and now but to give a target under this uncertain times we have taken a decision to refrain in the last two years we have not given but definitely we have target and our investor you are tracking our Company I am sure you know as somebody said before that we will definitely grow more than double digits we built we will be in that range but...

**Sandeep Sabharwal:** The only issue with the double digit guidance is that double digit is 10% to 99%. So then it again becomes quite vague so in any case you are not giving a guidance that is fine the other thing I wanted to ask was that one obviously the large Chennai desalination is something you are bidding for in terms of a visibility of orders which you are bidding for do you have any such visibility like would it be 3000 Crores at this stage 5000 Crores more than that less than that and what has typically been your success rate historically in your bidding process.

**Rajiv Mittal:** Sandeep as we have discussed with some of the earlier participants' that the market is looking up globally there is a good traction on the business opportunities available both on the industrial side as well as the municipal side we discussed also that there is a good funds coming from multilateral agencies which is our focus area and also in Middle East because of a high oil prices their affordability to invest in infrastructure is substantially higher than what it was a few years back. So we see a good order intake coming in and we always said that our order intake will always be more than our revenues so that our order book keeps growing year-on-year. So, if you ask me whatever we did 3000 Crores last year our order intake has to be much more than that so that our order books will continue to grow.

**Sandeep Sabharwal:** No my question was on your bidding pipeline like what you actually bidding for right now.

**Rajiv Mittal:** Our bidding will be at least four times of what we will expect to take because our hit ratio has been in the range of 25% to 30% so if we say we have a 4000 Crores order intake we will bid at least for 20000 Crores.

**Sandeep Sabharwal:** All right thank you.

**Moderator:** We take the next question from the line of Shantanu Mantri from Think Investments. Please go ahead.

**Shantanu Mantri:** Hi! Sir, very excited about the opportunity in the coming five years. The only thing I want to understand from you is while our revenues will grow and you know whatever be that double digit that is fine and simultaneously our margins will also grow. So I just want some indication on cash flows so just on a back of the paper calculation say we do around 3500 Crores of top line and we take a 10% EBITDA margin so that is around 350 Crores of EBITDA. Now on this what is the free cash that we can generate, so basically I am trying to understand our working capital that how much post that working capital can the Company generate and the consistency.

**Skandaprasad S:** See Shantanu from a working capital perspective if you just see what and you can track what we have been doing in the last three years our working capital has ranged between 50 to 70 days that has been the range and largely in the 50, 55 days kind of level and we have been able to maintain working capital at those levels and our receivables have also been in control of course we will have to fund projects to move forward so the working capital will kind of have a crest and trough between H1 and H2 but eventually at an annualized basis we have stayed at 50 to 70 days kind of level and our endeavor is to be below the three month kind of level in terms of our core working capital utilization.

Last two years if you see we have been in positive cash closing we were about 43 Crores the year before last year we closed at 10 Crores. Last two years we have reported positive operational cash flow as well. So there is no reason for us to believe that we will not be able to continue and consistently continue this as we move forward especially with the quality of the orders that we are executing and the more EP orders that we are picking up which will help us both in margins and cash flow. So we certainly believe that this is going to consistently be the case.

**Shantanu Mantri:** That is good to hear and if you can just give an update on the GENCO status. So as far as I understand we provide around 60 to 65 Crores yearly, so will that continue in FY2023 till the time we find a resolution and if you can just for my understanding just tell me what was the total number what is the total provision we have done till date.

**Rajiv Mittal:** See, I think we can take this separately, but the point is both as you know they are under legal and you know the legal activities have been slow and both have not moved to any conclusion and short answer is yes if we go along we will have to continue to provide because as per the policy of Ind AS expected credit loss we calculate that as per our auditors guidance and our Board approved policy and you can expect if we do not see a resolution you will see that kind of number till we get a resolution to this legal cases.

**Shantanu Mantri:** And in terms of execution I guess in one of the GENCO's we are yet to complete the project. So if you can just update it has that already being done finished or we still need to do some bit.

**Rajiv Mittal:** I think as we have told earlier we have not said that this was not discussed in the last few quarters. This project was already completed years back and the plant has been producing power. Now there were some residual non-core activities to be completed because of lack of funds, the client is also trying to do this on a piecemeal basis we are doing some small jobs for them in terms of finishing works, but the plant is producing power for last I do not know four, five years and this all finishing works like road, drains, painting, plastering, sort of things will keep on happening as and when they pay us because we have decided that we will not fund anymore this is cash and carry business to the extent they will fund we will execute and that probably will continue for another year.

**Shantanu Mantri:** Okay got that and just one last thing a couple of people have asked this already so we have this 33 Crores of other income while I completely understand what you are trying to say I just wanted to know of this 33 Crores we will be having a bit of financial income which is what we earn on our cash balance if you can give that portion it will be helpful.

**Rajiv Mittal:** Generally based on some fixed deposits and other things we have the financial income will be about 1.5 to 2.5 Crores.

**Shantanu Mantri:** Okay so not a big number.

- Rajiv Mittal:** As I told one of the earlier participants' all are operative income this from our project because we are international players, because our earnings is in dollars and euro hence most of this 90%, 95% of this income is operative.
- Skandaprasad S:** Just to add it is not just unrealized all these also have components of realized income so it should not be seen as non-operative even from that perspective.
- Shantanu Mantri:** Yes I get that. Okay, thank you so much, that is it from my side.
- Moderator:** Thank you. We take the next question from the line of Manish Jain an individual investor. Please go ahead.
- Manish Jain:** Sir any upcoming big orders in the next weeks or months.
- Rajiv Mittal:** Yes, I think this year as we said we have submitted quite a few large bids both in India and international and we fancy our chances at least a few of them will realize and they will be in our favor and I think we will share this as and when it happens in our quarterly calls.
- Manish Jain:** Sir when do you think this Chennai order will get finalized.
- Rajiv Mittal:** End of this calendar year.
- Manish Jain:** Okay thank you so much.
- Moderator:** Thank you. We take the next question from the line of Manish Maheshwari from Embark Capital. Please go ahead.
- Manish Maheshwari:** Sir a quick follow up. What is the update on Nal Se Jal.
- Rajiv Mittal:** I think the program is going on well you know this is basically a rural scheme and this is done by mainly some of the construction companies because it is basically laying of pipelines which is not our forte nor our core area we are not a construction player to do this pipeline project. There are few projects which we are tracking as and when it happens we will take it but there has to be a technology portion in it then we will put in our bid we will compete for it but it is purely or predominantly a construction portion which we will stay away from it.

- Manish Maheshwari:** We have not made any contribution as far as Nal Se Jal concerned right.
- Rajiv Mittal:** No, because I think you can track all this people who are doing these are mainly laying of pipelines.
- Manish Maheshwari:** But ultimately the idea is to get the water from the tap right desalinated water from the tap.
- Rajiv Mittal:** Not desalinated water it can be a river water I am yet to see any single scheme of Nal Se Jal which is tapping a desalinated water I am yet to see or a recycled water I am not saying that it is basically god given water either it is a groundwater or it is a surface water and these are such a small quantity and such a small pipelines this is only to be done by people who can dig the roads and lay the pipelines. Just to let you know Manish we are not even bidding for it forget about that, it is not we have not even bid for it because for us it has been always no bid if there is no technology element into it.
- Manish Maheshwari:** A bit off the track if I may ask you a question. So we are doing all things right and there are a lot of tailwinds as you kind of have indicated. If we have every ingredients sophisticated ingredients in place in terms of our business etc., etc. Why is it that the markets are not recognizing the same?
- Rajiv Mittal:** This is something you should answer you are part of the market, we at management level we do all things right we focus on our business we do things right but it is up to the market, how they perceive it, how they recognize it, how they value it, but from a business perspective I can tell you we are doing everything right and we are putting our head low and showing you the performance and you have been seeing our performance even during the COVID years last two years we have performed far better even now when the commodity prices are not a tailwind but it is a headwind even against that we are performing well.
- Manish Maheshwari:** I am talking of going forward. Going forward the tailwinds that you have kind of...

**Rajiv Mittal:** I am sure there are hundreds of tailwinds I fully agree with you I am with you on the tailwind this is not a normal time for water sector this is a beautiful time we are buoyant about it and very bullish about it because this sector is growing and government policies are very favorable for this sector but we have to choose what projects we go and that we are demonstrating with our business results, financial numbers, everything we are showing it to you, but how you value, how can I make that judgment you have to value the business.

**Manish Maheshwari:** Let us pray to god that markets recognizes our work sooner than later.

**Rajiv Mittal:** I think we all work towards it will be the happiest if market recognizes because that is what we work for to enhance the valuation. So that our shareholders and stakeholders are benefited that is what we work for.

**Manish Maheshwari:** Because that I remember during the pandemic our stock ticker virtually doubled from about 200 to north of 400 and then it came down as low as 220 now it is somewhere, it is lingering around 250. So may god bless as he is the only blesser.

**Rajiv Mittal:** Yes, we pray every day.

**Manish Maheshwari:** All right Sir thank you so much.

**Moderator:** Thank you. We take the next question from the line of Manish Jain. Please go ahead.

**Manish Jain:** Sir, do you think the margins will improve further from here because in the first quarter the revenue was down, but the margins were up.

**Rajiv Mittal:** Yes, I think our CFO mentioned this I will allow him to give this question.

**Skandaprasad S:** Manish If you see I probably ask you to look at last two, three years we have been consistently improving our core margins at least 0.5% every year is what we have been improving we were at 9.8 two years back last year we were at 10.5 and now we are already at 11.5. So this is what Mr. Mittal also explained in his opening speech where we focus on a strategy to deliver these margins in terms of going for EP projects, international projects, cash accretive projects, and all of these are

helping the asset light approach that we take then the lower cash and or rather the lower debt that we use in the business efficient working capital management all of these are helping margins both at EBITDA and PAT and our focus will be to grow profitably again I repeat our rate of profit growth will be higher than the rate of revenue growth and we will focus on cash accretive business because these are the indicators for valuation and this is what we have been focusing on and delivering in the last three years and I am confident we will continue to deliver this and deliver this consistently.

**Manish Jain:** What was the reason for the revenue to go down in the first quarter?

**Rajiv Mittal:** See it is always a project mix ours is not a commodity business or manufacturing business ours is a project business is a lumpy business. So we cannot be seen as a quarter-on-quarter Company and when we got listed we used to educate this regularly and we are more focusing on EP projects which are engineering and procurement earlier we used to tell you there is EPC the C part we are consciously trying to reduce from our order intake because C part was almost like a pass through in our books. So we are trying to see can we reduce consistently year-on-year the C part so that we do what we are good at rather than trying to pass some revenue from our books where we do not add a lot of value so that is the reason constantly we are saying our bottom line will go faster than the top line.

**Manish Jain:** In the last three months compared to the previous three months how much commodity prices have come down and in percentage for our kind of business generally.

**Rajiv Mittal:** We do not see on quarter on quarter again to repeat our businesses are two years, three year, four - year execution cycle the projects which we are executing now we may have booked two years back one year back one and a half years back so those time commodity prices and this now commodity prices are in the range of 30% higher now we are lucky that all the municipal contracts which we have because they are long-term two, three year contract we have an escalation an clause. Part of our escalation is covered by the plant through the escalation clause and we are also been very lucky now this nobody is talking when we have international jobs we do not have escalation clause but we have been very lucky because the dollar has been very beneficial to us. So whatever commodity prices have grown or increased

we have been able to come either through an escalation clause or through a Forex we have been able to get and that is the reason our margins remains very robust.

**Manish Jain:** But after this recent commodity meltdown some commodity prices or raw material prices for us from here on it should be a tailwind.

**Rajiv Mittal:** If it is remaining steady that is the best thing we can do because we are also bidding every water projects taking the latest prices and if they do not grow from here I think it is the best we can ask for if they come down further we will benefit from it.

**Manish Jain:** Thank you so much. Thank you very much.

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

**Rajiv Mittal:** Thank you everyone for your participation in our Q1 FY2023 earnings call. We have uploaded the analyst presentation in our website, in case you have any further queries you may get in touch with Stellar IR Advisors our Investor Relation Advisor based in Mumbai or feel free to get in touch with us directly. Thank you Bye! Bye!

**Moderator:** Thank you. On behalf of VA TECH WABAG LIMITED that concludes the conference call. Thank you for joining us and you may not disconnect your lines.

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