

February 16, 2024

National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1, G Block,
Bandra Kurla Complex,
Bandra (E), Mumbai - 400 051

BSE Limited,
Floor 25, P J Towers,
Dalal Street,
Mumbai - 400 001

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

Dear Sir/Madam,

Sub: Transcript of Analyst/Institutional Investor Conference Call on Q3 FY24 Financial Results as per the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Pursuant to Regulation 30(6) and 46 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcript of Analyst/Institutional Investor Conference Call on Q3 FY24 Results held on Monday, February 12, 2024.

The Transcript of Analyst/Institutional Investor Conference Call on Q3 FY24 Results is also available on the Company's website at www.wabag.com.

Kindly take the same on record.

Thanking You,

For **VA TECH WABAG LIMITED**

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



Encl.: As above

Sustainable solutions, for a better life



“VA Tech Wabag Limited
Q3 & 9M FY'24 Post Results Conference Call”
February 12, 2024



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

MODERATOR: MS. SAVLI MANGLE – ADFACTORS PR PVT. LTD.

Moderator: Ladies and gentlemen, good evening, and welcome everyone to today's Earnings Call post announcement of Q3 and 9 Months FY24 Results of VA Tech Wabag Limited. On the call today from the management team, we have Mr. Rajiv Mittal, Chairman and Managing Director; and Mr. Skandaprasad Seetharaman, Group Chief Financial Officer.

Kindly note that during this call, the company may make certain forward-looking statements concerning the business prospect and profitability, which may be subject to risks and uncertainties and the actual results could materially differ from those in such forward-looking statements.

The conference call will be archived and transcript will be made available on the company's website. The company's results update presentation has been uploaded on the website and stock exchange, which provides an overview about the core offerings and analysis of the results for this period. We trust that you had an opportunity to look through the same. We will start with the opening remarks from the management, post which we will open up for the interactive Q&A.

I now hand over it to Mr. Mittal to take you all through the key business highlights. Over to you, Mr. Mittal.

Rajiv Mittal: Thank you. Good evening, ladies and gentlemen. I'm delighted to welcome you all to the quarterly earnings call post announcement of Q3 and 9 months FY24 results of VA Tech Wabag Limited.

Your continued support and engagements are crucial to our growth journey, and we appreciate your presence today. Joining me today for this call is Mr. Skandaprasad Seetharaman, our Group Chief Financial Officer. It is with immense pride and joy I share with you that this year, your company has completed 100 years of existence, I repeat, 100 years of its existence in the water sector.

Last 100 years have not only been exciting and challenging but also very rewarding. During these years, Wabag has transformed from a local start-up unit to a large global corporation. We continue to be a pure-play water company, focusing on emerging markets and remaining asset-light. This significant milestone is a testament to our unwavering commitment, resilience and enduring spirit of innovation that has defined our growth over the past century, the impact of which resonates across borders, touching life of communities, industries and environment.

For a century, we have been at the forefront of pioneering water solution, driven by our unwavering commitment to quality, innovation and sustainability. From the ground-breaking technologies to comprehensive water management systems, we have played a pivotal role in shaping the landscape of water sector. At Wabag, sustainability is just not a buzzword, it is ingrained in our DNA.

We take great pride in being awarded the prestigious "Energy Globe Award 2024" in water category in Norway for our outstanding project, the Jubail Industrial City wastewater treatment plant and water reclamation plant, Marafiq, in Saudi Arabia, followed by another award where we were a national winner in KSA from Energy Globe in Saudi Arabia for Marafiq project, which was received a few months ago.

Our commitment to environmental responsibility remains unwavering. As we move forward, we are dedicated to continue contributing to a circular economy. Recently, Wabag has forged a strategic partnership with Peak Sustainability Ventures to establish 100 Bio-CNG plants across India, GCC, Africa and Europe.

This partnership aims to harness the untapped potential of organic waste to generate bio-CNG, meeting energy demands responsibly and thus contribute to the reduction of greenhouse gases emission and also air pollution. This initiative exemplifies our innovation and environmentally conscious approach, transforming waste to renewable energy for a cleaner, greener and more sustainable future.

Our financial performance in the last 9 months reflect our focus on delivering profitable growth with a strategic emphasis on international geographies, industrial projects, advanced technology plants, engineering and procurement, which is EP business, and long-term operation and maintenance.

We have continuously improved our margin profile and maintained a positive cash flow, underscoring our commitment to long-term growth in line with our strategy “Wridhi”. As an advanced technology business leader, our order intake, majorly comprises of plants in desalination, recycle and reuse and affluent treatment segment. With our continued focus on emerging markets and efforts of our agile go-to-market teams, we have secured 59% of our order inflow in this fiscal from international geographies. All these orders were won against strong international competition.

Recently, we secured an industrial order worth US Dollar 33.5 million from SEPCO III Electric Power Construction Corporation Limited towards engineering and procurement of a 20 million-litre-per-day industrial wastewater treatment plant at Ras Tanura refinery complex in Kingdom of Saudi Arabia. This order is being executed for Miahona and Saudi Aramco, which is scheduled to be completed over a 20 month period, is another testimony of Wabag's technology leadership in oil and gas sector and enables us to further cement our presence in Middle East region.

We have maintained a high-quality order book of around INR12,000 crores with a healthy mix of 57% EPC and 43% O&M, majority of which have secured payment terms. Further, our strong order book and pipeline visibility instills confidence in our ability to continue to grow and generate value for our stakeholders in the years to come.

I extend my sincere gratitude to all our investors for their continued confidence in Wabag. Your support drives us forward as we continue our journey of global leadership in water sector. Our commitment to delivering shareholder values remain steady fast.

Now we look forward in engaging in an insightful discussion during question and answer session. Before that, we move over to the financial highlights. I would now request, Skanda, to take you through the same. Over to you, Skanda.

Skandaprasad S:

Thank you, Mr. Mittal. Good evening, friends. I trust you have had a chance to review the results update presentation as circulated and uploaded on our website. Let's delve into some key

operational highlights first, followed by financial highlights for the quarter and 9 months ended December 31, 2023.

During the quarter, the execution speed of our ongoing projects remained commendable. New projects like Perur desalination plant in Chennai and Pagla STP in Bangladesh have commenced planning activities with engineering, making substantial progress and thus enabling start of procurement and construction.

Notably, our key industrial projects, Reliance desalination project in Jamnagar Gujarat and the AGCC project SIBUR in Russia, is progressing well to be completed in H1 of next fiscal as anticipated.

Our KMDA HAM project is now in commissioning stage and we expect to finish the activities within this quarter. STP HAM projects being built for BUIDCO at Digha Kankarbagh and the 40 million litres per day Ghaziabad Nagar Nigam tertiary treatment recycled reuse water project being built for GNN has been steadily advancing with engineering and procurement activities substantially completed and construction activities under swift progress.

As we have consistently maintained our focus on the Middle East and Africa cluster as the next growth engine remains strong, we recently secured a 20 million litres per day industrial wastewater treatment plant at Ras Tanura refinery complex in Kingdom of Saudi Arabia, aligning with our growth story in this region. MEA cluster has tremendous potential, and we will continue putting in our efforts to convert a good amount of the opportunities in this region as we move forward.

Also, a matter of great delight and endorsement of our efforts in improving margins, cash flow, reduction in debt and general business progress, our credit rating was recently upgraded to “A+” with a positive outlook on long-term basis, while we remain at “A1+” on short-term basis, the highest short-term rating.

Moving on to the financials. Our consolidated revenue from operations increased by 8% year-over-year to Rs.704 crore owing to new and large projects commencing revenue generation and continued execution speed on other ongoing projects. Our revenue growth has been despite strategic divestment of 2 of our subsidiaries in the last year.

Our consolidated EBITDA stood at Rs.99 crores maintaining a double-digit EBITDA margin, as we have been indicating over our interactions. We achieved another quarter of profitable growth, that is our PAT growing at a rate faster than top line. Consolidated PAT for the quarter stood at Rs.63 crores, up 34% year-over-year.

For the 9-month period, consolidated operating revenue stood at Rs.1,922 crores, the consolidated EBITDA improved to Rs.261 crores with a healthy margin driven by execution efficiencies and reduced total cost of operations (TCO). The PAT attributable to owners stood at Rs.173 crores on a consolidated basis, up by 40%, year-over-year. We closed this quarter as well on a net cash positive position, demonstrating our efficiencies in cash and debt management. Our return on capital employed also remains strong at around 20%, reflecting our asset-light and technology-focused approach.

To our clients and partners, thank you for your trust and collaboration. Your support has been the bedrock of our success. As we celebrate 100 years, we renew our commitment to delivering services of the highest quality, meeting and exceeding expectations of the market. We also express our heartfelt thanks to our bankers, investors, fellow Wabagites and all of the stakeholders for the continued support extended to us.

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

Moderator: And the first question is from the line of Kaushik Mohan from Ashika Institutional Equities.

Kaushik Mohan: Congratulations for the good set of numbers. Sir, currently, we have around INR12,000 crores of order book. What is the landscape and how much time will we take to execute all of this order book? And what will be in the Q4 that will be executed?

Rajiv Mittal: See, as we said before that we have an order book which is 60% EPC and around 40% is O&M. And generally, EPC orders take about 3 years and O&M is long term O&M, anything between 5 to 15 years, so you can take 8 to 10 years as an average time to execute this order.

This year, even after divestment of our 2 subsidiaries abroad, we generally would like to see a growth in our numbers. And as we have shown you already at YTD December, we expect the same momentum to continue for the fourth quarter.

Kaushik Mohan: Got it. Sir, my second question follows on trade receivables. Sir, currently, we have Rs.1,665 crores in the trade receivables. So what is our receivable days and contracts with our clients? So when can we assume this entire trade receivable will be converted into cash and what time duration is needed? Is there any bad debt or if not any bad debt on this?

Skandaprasad S: See, as you have said, the quality of orders that we picked today are all payment security backed orders. They are either Multilateral, Sovereign-Funded, Federal Government backed or LC backed. So I don't think you should have any doubts around collectability of these projects.

Receivables go through their cycle. Projects are in different stages. But what we have done is we have been able to maintain a working capital, because usually we have general back-to-back. So if a vendor supplies and the customer accepts, they pay, we are able to pay the vendor.

We also manage our working capital using various instruments like LC, BGs and various other instruments, which allow us credit periods. So we don't see any concern over there. Yes, we have consistently improved on the receivable collection days, and you will see that even going forward, but I'd like to again underline that you have already seen in the last 3 years, plus also all these quarters, how we've been able to maintain a net cash position and also generate operational cash flow. This is possible only through an efficient debt and cash management cycle.

Moderator: The next question is from the line of Ashish Soni from family office.

Ashish Soni: Sir, this is regarding these future opportunities in green hydrogen and semiconductors. So when do you think anything can materialize and how soon?

Rajiv Mittal: See, today, these both sectors hold a huge future potential. Now after COVID, everybody wants to be self-reliant. Whether it's Asia, U.S. or Europe, they're all setting their own manufacturing base for the chips, semiconductor, and semiconductor needs ultra-pure water for chips making. We have already done a plant. We have a reference for that. But we continue to look for even more advanced technologies which are available, because being a technology company we always like to give the best to our clients.

We feel that in next couple of years, we will see a good potential of semiconductor water requirement. And in terms of hydrogen, especially for green hydrogen, we need water as a raw material, because with the electrodes, the hydrogen is generated by breaking water and a clean water is a raw material, which is what we specialize in. So we will like to secure our position with the various developers and technology providers to be a water partner.

And still, it is not economically viable. Still lot of advanced world is going to invest in this hydrogen, which is going to reduce the greenhouse gases, which is a target they have to meet. But to be economically viable, my personal guess is anything between 3 to 5 years. And once it comes in, it's like solar, this will really take an exponential growth and will stay there for decades.

Ashish Soni: Regarding the bio-CNG, when do you think anything can flow to our revenues?

Rajiv Mittal: I think it's something which we expect immediate because there are some plants we have in mind, and we believe in the first quarter next fiscal year we should be able to sign something and generally, it will take about 9 months to 12 months to execute this project.

Ashish Soni: Okay. So basically semiconductor you're saying that it will be a near-term play and Green Hydrogen to be a longer-term play, correct?

Rajiv Mittal: Yes, at least 3 to 5 years is my personal guess.

Moderator: The next question is from the line of Amish Kanani from JM Financial Services.

Amish Kanani: Sir, congrats on a very good set of numbers in terms of profitability. Sir, we observed that the 9-month revenue is about Rs.1,900 crores, whereas our order intake looks like Rs.1,761 crores. Any sense of whether, are we happy? And is it in line with our expectation? Generally, we would like to have our orders being more than our revenue. So can we make up in the rest of the year to be that as a case? And in that context, how does the Middle East and India opportunity is panning out in terms of pipeline, sir?

Rajiv Mittal: Amish, you're absolutely right. Any company would like to see order intake to be little higher than revenues. But today, we are very fortunate that we are sitting on Rs.12,000 crores, which is already giving us a visibility of almost 3 years. So we are not concerned about it, and this will not take us to make some wrong decision or choosing a wrong order or bid desperately. Our priorities, as we said before in our speech, payment security, margin, cash flow and technology selection remains a basis of selecting our order intake.

We are very hopeful because the market is flooded with inquiries. It's just a matter of time, which it takes. Though India because of forthcoming election, it will go a little slow for the next few months, but we have shifted a lot of resources in the international market and we are hopeful that some projects in India and a lot more from international markets, you will see in the next couple of quarters.

Amish Kanani: Sure, sir. And sir, if you can give us some sense of how is the working capital panning out, both in terms of working capital including the retention money that we're expecting some release from Qatar and Tunisia, if I remember correctly. And also our net cash position.

Skandaprasad S: See, we are at a net cash positive position even for this quarter, Amish. And you've already seen that we have already recovered the retention on the Marafiq project in the first half of this year. The other 2 projects are in advanced stages of closing. So in FY24-25 you will see that we will finish the projects, finish the defect liability so that it is eligible for collection of these retentions.

And as I explained, from a working capital perspective, today, with the order intakes, with our debt being in control, with a net cash position that we are maintaining. I'm sure you understand that the working capital is fairly okay.

Amish Kanani: And sir, if you can give us the numbers as regards net cash as of 31st December? And also, whether you can give us the free cash flow for 9 months at least, if not quarterly? Have we generated a free cash flow positive, sir?

Skandaprasad S: We did generate the free cash positive for the 9 months, and we ended with a net cash positive position of about Rs.100 crores.

Amish Kanani: That's very encouraging and all the best

Moderator: The next question is from the line of Arun Kailasan from Geojit Financial Services.

Arun Kailasan: Yes. Congrats on 100 years of existence. I just wanted to ask about the EPC municipal segment. For the last 3 quarters, on a Y-o-Y basis, we have booked a revenue that is lower than the previous corresponding year. And even the execution numbers also indicate that the executions have been on the lower side. So is there any stuck up that we are facing in this particular segment?

Rajiv Mittal: No, this is something, if you remember in the previous few quarterly discussions we have had with you. This was very expected because 3 of our large projects, whether it's Chennai desalination or Bangladesh sewage treatment plant or the CIDCO water, these are all projects which were secured about 9 months back.

Generally, to do the contract signing and put the zero date in order, it takes about 3 to 4 months. And after that, it takes about 4 to 6 months to finish the engineering. That is what in these 3 projects, we are just in the final stages of engineering, which sets the stage for procurement and construction. And we always told you that towards the third and fourth quarter only, we can see some revenues flowing. And from the first quarter of next fiscal, we will see a momentum picking up, and we'll see much higher revenues because construction and procurement would

have picked up. So this was expected, and this will always happen when you get some large projects like this.

Arun Kailasan: Okay. Sir, my next question would be with regard to the total cost of operations. If I look at the consolidated thing, I mean, we have had a lower total cost of operations. But on the standalone basis, we see the costs are higher. I mean it's reported higher. Is there any specific reason like that?

Rajiv Mittal: No. I think we know India is an inflatory market. We all work in India. Today, we are a growing company, and there's a huge pressure of people who aspire to get into water to pinch our stuff. So we have to meet the competitive salaries there. Plus, we are also growing in numbers because our workload is much higher.

But if you see internationally, we are reducing it, which is high-cost geographies and some of these activities, which were normally done in the international geographies, we are shifting those works to India to keep the overall cost in control, and that is a part of our strategy, and I think it's working well for us.

Arun Kailasan: All right. Sir, if I can just squeeze in one more question. It is on the 100 Bio-CNG plants that we have. Can I know like, because you had commented on an earlier question that you have identified a couple of water treatment plants. So this will be done in already existing plants? And do we mean to produce Bio-CNG from one of these waste from water treatment like slurry or sludge, etcetera? Is that the plan? And on a cost basis, like how much is this going to cost us? If you could comment on that.

Rajiv Mittal: I think you're very right, when we have to say what is the lower-hanging fruit? The low-hanging fruit, as you rightly said, is our existing plants where we would recover the biogas and enrich it by removing the impurities and then compress it to be used as a fuel. This will be done in the next 3 to 6 months. And then it takes about 9 to 12 months to construct that purification plant and a compressor plant.

And I think this is the game plan. But this is not only going to be for wastewater municipal projects, can be industrial projects, can be municipal solid waste projects, can be for press mud. Any form of organics, which can be converted to methane, we will use this technology to convert to methane so that a valuable product in form of a fuel, which is clean and green, is generated, which has a market value. So this is our game plan. But initially to demonstrate this concept, we are going to set up about 4 to 6 plants in the next 12 to 15 months.

Arun Kailasan: And sir, on the cost basis, how much are we expected to incur?

Rajiv Mittal: See, depending, if the asset is existing, probably it will take a couple of million U.S. dollars to put this plant. But if the asset is not existing, probably it will take about 4 million dollars per plant.

Moderator: The next question is from the line of Arun Chakravathy, an individual investor.

Arun Chakravathy: I've got only one question about TSGENCO arbitration award, did you receive anything yet?

- Rajiv Mittal:** No. I think immediately after this award, there was election and there was a change in government. So I think the ministry and the bureaucrats are being now appointed. So we expect that in the first quarter, we should be hoping to get this, and there are some other legal things which have to be cleared by the TSGENCO legal team, which I believe in this quarter, it will be cleared, which will pave the way for us to collect our money from first quarter next fiscal year. So maybe in 2, 3, 4 tranches, we should be able to collect the full money.
- Arun Chakravathy:** Okay. Okay. That's a good news. And congrats for good set of numbers this quarter.
- Rajiv Mittal:** Thank you.
- Moderator:** The next question is from the line of Dhananjay Mishra from Sunidhi Securities.
- Dhananjay Mishra:** Yes. Congratulations on excellent operating performance. Sir, as you said that this being election year, domestic market will be a little bit slow or even the current geopolitical things. So can you give some idea in terms of bid which all orders will be affected in the next 12 months particularly and which segment?
- Rajiv Mittal:** See, as I said that our focus today expecting this slowdown for about 4 to 6 months, we have shifted a lot of resources in the international market. A lot of bids are under processing. Some of the bids we are already as a preferred bidder. So we expect next 4 to 6 months, we should be able to announce a few more international orders.
- Some of them probably can be large orders, if we are lucky. And we will still continue to work with the Indian clients, both on the industrial side as well as on the municipal side to set up a good order pipeline, which we believe immediately after the elections, this also should be harnessed.
- Dhananjay Mishra:** And sir, this Libya order has been a framework order for a very long time. So I mean what is the reason it is not converting in actual order?
- Rajiv Mittal:** See, this is Libya. You know what happened through the geopolitical situation, the revolution in the country. Now the country is getting stable. And slowly based on their affordability one-by-one project they are giving it to us. We had told you that we have just finished Tobruk desalination plant, which is a drinking water source.
- Now they have started discussing with us these 2 or 3 framework orders which you are talking about. They have already escalated the price because the time has gone. We have arrived at a new number with the client knowing that its time has gone, so the prices are escalated, a new number has been arrived at. And as soon as this is passed in the cabinet, I think they will work on opening the LC. And without LC, we will not start. Once the LC is open, we will immediately start this project. We are very hopeful in next couple of quarters, we should be able to start at least couple of these projects.
- Dhananjay Mishra:** Okay. Sir, that is all from my side. And this year, we are going to achieve highest ever EBITDA and PAT, and I hope in coming years, we will be achieving highest ever revenue.

- Rajiv Mittal:** We'll celebrate together.
- Moderator:** The next question is from the line of Nikhil Abhyankar from ICIC Securities.
- Nikhil Abhyankar:** Congrats on a very good set of numbers. Sir, my question is again pertaining to the order inflows. You mentioned that most of the orders inflows that you are expecting are in next 4 or 6 months. So should we assume that there won't be any significant order inflow in this financial year?
- Rajiv Mittal:** No, definitely will be. You must have also heard telling earlier during my speech as well as some Q&A that orders will come. Even in India, it will come. But majority of orders in the next 4 to 6 months are going to be from international geographies. We are not saying no orders. We are saying from international geographies, I repeat.
- Nikhil Abhyankar:** Okay. But domestically as well you are expecting significant orders?
- Rajiv Mittal:** We are going to see subdued activities once the code of conduct comes in, you know that at least for 4 months nothing will happen till the results are declared and the new government is formed and the ministers and the bureaucrats are put into place.
- Nikhil Abhyankar:** Right. So can you just share the number for the projects where you have already submitted the bids and what is the quantum of those bids?
- Rajiv Mittal:** See, it's more than 1 billion dollars we have submitted the bid and another 1 billion dollars we are working on, which in next 3 to 4 months, we'll submit the bids.
- Nikhil Abhyankar:** Okay. So 1 billion dollars. So this is both you're saying international and domestic.
- Rajiv Mittal:** Yes, yes, total, as a group.
- Nikhil Abhyankar:** Okay, understood. And sir, final question on the HAM projects. If I'm not wrong, we have got 3 HAM projects, and we were also looking to monetize them. So any update on those?
- Rajiv Mittal:** Yes. The first one, the Kolkata one, we expect to achieve the commercial production within this quarter. The other 2 should be in the first half of next fiscal year. So once the commercial production starts, the revenues will start coming in, and this is where we expect the investors who have a majority will take control. We would finish our EPC and we'll continue doing a long-term O&M, which is about 15 years O&M. At that point of time, when the investors are comfortable with the performance, we can even think of monetizing our investments.
- Nikhil Abhyankar:** Out of 3 HAM projects, 2 will be operational and one is still under construction?
- Rajiv Mittal:** No. One will be operational in this quarter. The other 2 will be operational in the first half of next year. All three are in advanced stages.
- Nikhil Abhyankar:** Understood. And sir, going ahead, just wanted to understand whether, say, in next 3-4 years, if we generate a portfolio of these HAM assets, can we even look at an inward instrument to monetize these assets?

- Rajiv Mittal:** This has to be because we have continuously told you that we are an asset-light company. Our job is not to remain invested. Once we are a technology partner and we demonstrate the construction, the EPC performance and then going forward, the O&M performance, I think then we can definitely monetize our portion of the investment.
- Moderator:** The next question is from the line of Ruchita from iWealth Capital.
- Ruchita:** Sir, my question was regarding the European subsidiary. So last year, what was the revenue and EBITDA for it, same quarter last year?
- Skandaprasad S:** See, we don't give out these numbers specifically. Just to give you a context, if you're referring to the European subsidiaries that we've divested, in the 9 months, about Rs.130 crores - Rs.140 crores is attributable to these subsidiaries. And on an annual basis, about Rs.200 crores is the revenue of these subsidiaries. So that's the like-for-like in case you want to adjust between the 2 periods.
- And EBITDA will be hardly anything because that is one of the reasons why we wanted to divest these operations. EBITDA and profitability lower and revenue being higher. So strategically, we wanted to keep Europe as a tech hub and concentrate operations on the emerging economies.
- Ruchita:** Okay, sir. And sir, if we look at December to December, we have grown around 7% to 8% on our EBITDA level. So just wanted to understand that how much of EP that we have executed and how much is EPC?
- Skandaprasad S:** See, this will change between periods, Ruchita. But generally, out of our EPC revenues, roughly about 1/3rd has been running on EP. Sometimes it is higher, sometimes it is lower. So this 9 month would have a higher mix of EP, like from SIBUR, industrial, from Reliance and some of the other HAM projects, EPC projects. So this mix differs. But as we said, about 1/3rd of our EPC revenues usually is composed of EP.
- Ruchita:** Okay. And sir, just one last question. What is the kind of order book growth that we envisage for the next 2 years?
- Skandaprasad S:** I think 10% to 15% is a fair estimation to make. But of course, the market is quite vibrant. The sector is very bullish, and we are very confident from Middle East, Africa, all these geographies are firing on all cylinders. So we we'll be happy to surprise the market. But fair assumption to make 10%-15%.
- Ruchita:** Okay, sir. And this year?
- Rajiv Mittal:** See, I think don't go on a year-over-year basis. Our projects run for 3 years. So you can't basket us into a year-by-year basis. I gave you a CAGR number, we are about Rs.12,000 crores, roughly around that level, and we'll be hopeful to maintain at least that. And if we are lucky and get some larger projects, probably we'll grow it this year also.
- Moderator:** The next question is from the line of Omkar Jahagirdar, an individual investor.

Omkar Jahagirdar: Congratulations to you and Wabag team for the highest operating margin in the history of Wabag. We were having Rs.10,000 crores of order book since 2018. Finally, after winning 2 big projects of Chennai and Bangladesh, order book has become Rs.12,000 crores. Unfortunately, letter of credit and other formalities took time and because of that reason, no revenue got generated from these 2 large projects.

So my question, whether Wabag will do better in H2, whether yearly numbers will be more than last year in terms of revenue or not? And Wabag is confident whether they will beat last year revenue numbers or they will close revenue at nearby last year's numbers, as our 9 months total revenue is Rs.120 crores less as compared to last year? So this was my question number one. And second question, I'll ask later once I get the answer for this.

Rajiv Mittal: See, you are looking at just absolute numbers as it is declared. Just now one of our friends asked this question of the 2 subsidiaries which we have divested. You have to consider that our numbers should be seen with respect to the 2 subsidiaries, which we have divested which our CFO has said that on an annual basis, it will be about Rs.200 crores will be their revenue. So if we do the same number as last year, we have to see that we have done Rs.200 crores extra. This is the only message I would like you to note.

Omkar Jahagirdar: Sir, but just wanted to understand whether a billing has not been done or the, you can say, execution of the some of the project was slow because the order book has increased almost Rs.12,000 crores and earlier, we were at Rs.10,000 crores. So any specific reason? Or as you mentioned earlier, the execution takes place after 6 months or 9 months, a little bit better than initial months?

Rajiv Mittal: Absolutely. You said it. You answered it. This is what we discussed earlier when our friends had asked this question. It takes about 3 to 4 months to establish the project. As you rightly said, letter of credit, contract signing, these are all multilateral projects, one is the JICA funded, other is a World Bank funded. There are formalities to be done, which is now over. The engineering then has to be done because this is the "EPC" i.e. engineering, procurement and construction order. So then "E" has to be done, engineering has to be done, conceptual engineering, basic engineering and detailed engineering. Once the detailed engineering is approved, then it sets the stage for procurement and construction.

We are at that stage now for the 2 projects, which you mentioned. And from this quarter itself, we will see some growth of revenues, but the real pickup will happen from next fiscal year.

Omkar Jahagirdar: Are we confident we'll beat Y-o-Y revenue number this year, sir? Or will close nearby as compared to last year?

Rajiv Mittal: See, again, I'm saying that even if, let's say, we take the second of your option, we close near to last year number, we would have still grown by Rs.200 crores because 2 of our subsidiaries we have divested with their total revenue was Rs.200 crores. Please keep that in mind.

Moderator: The next question is from the line of Kaushik Poddar from KB Capital Markets.

- Kaushik Poddar:** See, you just now spoke of having submitted bids for a billion dollar and another 1 billion dollars you are planning to submit in the next quarter or something. So in that case of the 2 billion dollars, what is your strike rate in the past?
- Rajiv Mittal:** See, generally, in the international market, we have won 1 in 5 or 1 in 6. So you can say, average about 15%-20%.
- Kaushik Poddar:** Okay. So if we take 20%, in that case it is 400 million dollar, which translates into something like Rs.3,200 crores. Will there be more in next year?, or how, because your turnover will be around Rs.3,000 crores this year, if I take it. So there may not be much growth next year, is it?
- Rajiv Mittal:** Why do you say that? We just now been discussing with our friends that the projects which we signed and went from Rs.8,000 crores to Rs.10,000 crores and Rs.10,000 crores to Rs.12,000 crores has now really taken off because the engineering is over. That itself will see the growth, okay, number one.
- Number two, the new orders which are going to come, that will also see the growth in the second half of next fiscal year. So this is a continuous process, we will win projects, we will execute projects, then we'll win projects and execute projects. So growth is inevitable for Wabag. You will see growth. Now only question is what is going to be the quantum of growth. It has to be seen with the speed of order intake and speed of execution will determine the speed of growth. Growth is inevitable.
- Kaushik Poddar:** Okay. Can you accelerate to around say 15% next year?
- Rajiv Mittal:** See, we all can look forward to. There's no doubt about it. But we also have to be realistic. You will also have to make your models. We always believe in giving a little conservative outlook so that we can beat that outlook. So we would like you to be a little conservative in your outlook so that you can get positive surprises.
- Moderator:** The next question is from the line of Akshay Shah from Kriis PMS.
- Akshay Shah:** Sir, I wanted to understand whether there is a difference in EBITDA margin in Indian project and International project?
- Rajiv Mittal:** Generally, yes. And that is the reason in our "Wriddhi" strategy, we have focused on international geographies. And that's the reason we said in MEA, Middle East and Africa, is going to be our focus in this FY25 because the cash flows are likely to be better, advanced technologies will be used and EBITDA margins will be better. And we are also trying to see more international projects if we can go as EP contractor rather than an EPC contractor. Even the latest order, which we have announced, is an EP order, not an EPC order. So EP orders will have even better margins than an EPC order.
- Akshay Shah:** Okay. And sir, there are some competitors in the Indian market who are making 20%-24% margin. So whether technology is different in that case or there is some other reason?

- Rajiv Mittal:** I don't know. I think you should ask those companies, but that's not the market we are in. They may have some other smart reasons.
- Moderator:** The next question is from the line of Rishikesh from RoboCapital.
- Rishikesh:** So our current O&M and EPC mix is around 18% and 82%, respectively. How do we see this mix to change in the next 2 to 3 years?
- Rajiv Mittal:** We have given you this number, but our immediate focus is 20% O&M and 80% EPC. Going forward, we would like to move to 22% and ultimately to 25% in 3 to 5 years. We will continuously like to improve the mix between O&M and EPC because that gives us more visibility, more predictability, better cash flow, better margins, lower risk.
- Rishikesh:** Okay. And also, what is our EBITDA margins for both the segments for EPC as well as for O&M?
- Rajiv Mittal:** We have given you an average about 14%, which we are getting. So you can see EPC will be 12% to 12.5%, and O&M will be 15% to 16%.
- Rishikesh:** Okay. And just one more question. You said our bid pipeline, which is currently of 1 billion dollar, and you will be planning to bid another 1 billion dollar. So just wanted to get a sense how this number used to be, let's say, 5 years back? Just a broad sense, not an exact figure, but to get a broad sense.
- Rajiv Mittal:** Much lower. Because generally, both in India and internationally, the ticket sizes of the projects are continuously going up. So this number used to be much smaller in the past. And going forward, we would see these numbers to be even higher.
- Moderator:** The next question is from the line of Sachin Jain, an individual investor.
- Sachin Jain:** My question is that water as an opportunity is basically getting a lot of traction across the globe. And I understand that you have a Rs.12,000 + crores kind of order book, and you are expected to win a lot in Middle East and Africa. So if you have to paint the picture, say, the last 3 to 4 years, qualitatively, how big in your opinion, Wabag can become? I mean not to give a number. But just generally, your aspiration if I have to decode, how you think of Wabag in next 5 years?
- Rajiv Mittal:** Technically, if you even take 10% to 15% growth every year, which is CAGR growth we would expect to go, our order book should be close to Rs.20,000 crores, our top line should be past Rs.6,000 crores to Rs.7,000 crores. This is what the company should be, that we should be more than double in the top line and close to double in the order book.
- And the most important is, as we are growing, we are also seeing and you are seeing when we are taking the right steps, our valuations are also growing. Not only our top line and bottom line is growing, but also our P/E multiples are growing.
- Sachin Jain:** And sir, as you indicated, over a period time, O&M as a proportion, say, your aspiration to take it to 25%, then can it bring EBITDA margins in line of, say, 18% - 20% kind of margins? Is it possible with that kind of mix?

- Rajiv Mittal:** I think I would like to definitely think about it like you're thinking, Sachin. But I would not like to comment. We'll take a step at a time rather than take quantum leaps. We always believe in taking a step at a time, seeing how the market is developing, how the competition is developing, what kind of projects are coming, what is the thought process at the customer's end and take a step at a time.
- Today, from 8%, we went to 10%-12%, and today we are able to declare 14%-15%. I think we have shown in the last 3 to 4 years that how the margins can grow. I trust we have a setup, we have the right strategy in place to keep this growth momentum.
- Sachin Jain:** And sir, one last question. Are there any projects where you've not bid where you wanted to because of any constraint? Are there any projects you've not bid?
- Rajiv Mittal:** Yes. There are many, many, many. Not one. I cannot even name them. There are many projects. We gracefully stay away, something which does not go along with our strategy, does not go along with our customer risk, does not go along with many other factors, which we decide to stay away.
- Sachin Jain:** No, sir, my question is the project which is meeting your parameters, but because of certain constraints at your end, you could not, I mean to ask that?
- Rajiv Mittal:** No, no. I think if it meets all our parameters, like they say, in a marriage, If thirty-six qualities are found then marriage takes place and if we got all then we would have bought the project, not only bid the project, we will win the project.
- Sachin Jain:** Sure. So basically, there is no internal constraint at our end either in form of balance sheet or any other things?
- Rajiv Mittal:** Not at all. Today, we have one of the most healthiest balance sheets in the water sector as a pure-play company. So we have no issue at all. Today, we are one player who have got shortlisted and prequalified for Egypt, more than 1,000 MLD desalination projects. We are bidding for 1,500 MLD sewage treatment plant in CIS countries.
- So quantum of the project is not at all of concern to us and our balance sheet is good enough to support this kind of projects. And we have demonstrated over the last 25 years that we have grown from our internal accruals. We have not gone out and even generated funds. And if you read our credit rating, this just came few days back.
- You'll see that they are also agreeing with us that we have everything required, and that's the reason they have given us a positive outlook that the company has all what is required for growth and hence, they have given us the "A+" positive outlook.
- Sachin Jain:** Sure, sure. And congrats, sir. And all the best. Good to see company at an inflection point. All the best.
- Rajiv Mittal:** Thank you.
- Moderator:** The next question is from the line of Hemant, an individual investor.

- Hemant:** Congratulations on a very good set of numbers. Sir, basically, I have 2 questions. One is that we are installing and I mean we've been installing 100 Bio-CNG plants, which has a revenue potential of USD 200 million, right? So just wanted to ask the current order book excludes this 100 Bio-CNG plant revenue potential?
- Rajiv Mittal:** Yes, yes, definitely. It's just an initiative announced. We have not booked any orders. That's what I told earlier when the question was asked. We probably would start booking the orders in a couple of quarters, then we'll start taking those order value in our order book. At the moment, it doesn't have any value of those plants in this order book.
- Hemant:** What will be the kind of revenue which we will be booking in FY25 from this contract?
- Rajiv Mittal:** It is not going to be a revenue driver. It is going to be major bottom line driver, a visibility driver. And above all, it is for a circular economy, green economy, reducing the greenhouse gases, our contribution to sustainability. That is what it is going to be. Of course, it will have a top line effect. It will have a bottom line effect. It will throw out cash. But above all, it will also have a lot of other benefits to the globe at large and to the society.
- Hemant:** And sir, what will be the tenure, I mean, to install 100 Bio-CNG plants?
- Rajiv Mittal:** Initially, as I said, to set up the concept, we will go for 4 to 6 plants in the first year. Once the concept is set up, then I think it will have a meteoric rise, maybe 20-25 plants per year. And over a 5-year period, we can have 100 plants.
- Hemant:** And sir, we are L1 in how many projects? Could you, I mean, specify those?
- Rajiv Mittal:** See, I won't say L1 because it is evaluated L1 and all that. I would say preferred bidder in a couple of projects, which are likely to be awarded next 3 to 4 months.
- Hemant:** So can you please quantify a number?
- Rajiv Mittal:** Number in terms of the order?
- Hemant:** Number in terms of value.
- Rajiv Mittal:** Yes. It's about 100 million dollars.
- Moderator:** The next question is from the line of Sriharsha KJ, an individual investor.
- Sriharsha KJ:** Sir, this is with regard to the prospects of the Russian market. In the earlier few con calls, you had mentioned about the huge prospects available in the Russian market for the desalination projects. But till date, we have not received any orders from the Russian market. So going forward, what are the prospects in the Russian market?
- Rajiv Mittal:** I think we all have to be very careful. We are a global player. And because of this sanctions becoming stronger and stronger, a lot of these products come from a developed world. And even the client side, they are a little slow in awarding. We are also a little slow in developing this project till we see some future in that and the sanctions are a little bit being lenient. So I think at

the moment, we are a little bit slow on taking any orders and clients are also a little cautious in awarding because a lot of these products, which is required for desalination come from the advanced European and U.S. markets.

Sriharsha KJ: Okay. And another question is, in the month of January this year, Mumbai invited some tenders for their desalination project. Have you submitted the bid for this project? And do you expect the project to be awarded?

Rajiv Mittal: I would not comment on whether I expect the project to be awarded. This only Mumbai or Maharashtra government can announce that. Today, we have not submitted because these were Swiss auction projects, and we don't want to get into this till we are clear that they have intention to look at the alternative contractors for the Swiss auction. Probably, we will take a call after the election.

Moderator: The next question is from the line of Prashantkumar Hazariwala, an individual investor.

Prashantkumar H: My question is how many Bio-Gas plants are we going to install in our running plants or running sites.

Rajiv Mittal: There are some projects which we have in our sites. Our first intention is to install the plant there because that is going to be the fastest and the cheapest to demonstrate this concept. The concept selling has to take place first. And that is what, as I said before, the first year, we will demonstrate the easy ones, which are more at our existing sites, and this will be about 4 to 6 over the next 1 year.

Prashantkumar H: What kind of revenue you can get from these 4-5 sites, any ballpark number?

Rajiv Mittal: Not a lot, as I said. Average may be a couple of millions per site even if you do 6 plants. Maybe it will be about 15 million dollars.

Prashantkumar H: What kind of capex do we need to do for these kind of plants?

Rajiv Mittal: This will be 15 million dollars, will be the cost and then the revenue will be depending on how we can sell this CNG or compressed biogas as a fuel and that will be the revenue we will generate year after year for the next 20-25 years.

Moderator: The next question is from the line of Tej Patel from Nivesh Investments.

Tej Patel: Yes. So my question is from the general sense like we have improved our margins from like 8%-9% from last few quarters to 12% - 14%. So what are the major reasons for it? Is it the change in the product mix like the EPC, EP? Is this a change in the geographical mix or some any other reason? That's my first question.

Skandaprasad S: See, Tej, it's been. It's a combination of all of those reasons that you mentioned, and this is part of our strategy, looking at more EP projects, looking at more industrial projects, going more international, improving our O&M base, managing cash better, turning net cash positive, managing our borrowing rates. So all of this has contributed both to the profitable EBITDA growth and the PAT growth.

- Tej Patel:** There are some other projects which just involves building of the C1 networks, right? And we have also taken those projects in the past. And there are other projects which only involves undertaking of the let's say creation of the STPs and the WTPs. So I just wanted to understand what would be the margin difference between C1 network projects and then EPC designing a project of an STP?
- Skandaprasad S:** Each project is unique. And more importantly, we don't kind of build only networks. That's not our business. We deal basically in treatment plants. So network can be an accessory, but it cannot be the core of our business. So we will be a technology and process contractor and not a civil contractor. We are not, we will not be also. So the margin profile probably we'll not be able to comment because we do not operate in the sewer network space.
- Moderator:** The next question is from the line of Arkoprattim Pal from Sanjay Agarwal Broking.
- Arkoprattim Pal:** If the project mix remains the same, we will definitely show improved profitably. But do you see in near future also we will keep on getting overseas projects to maintain margin at a higher level? Because earlier, our margin was 8% to 10%, but now it is very good at 12% to 14%. So do you think this margin will be sustainable in the near future also?
- Skandaprasad S:** See, we continue to follow our strategy where we are focusing on EP, Industrial and International projects and also improve O&M and that is how the margin profile has improved over the years, as you rightly mentioned. We continue to remain committed to the strategy. So we don't see any reason why these margins should be anything different. If at all, over a period of time, we will only aspire to improve it with a better product mix.
- Arkoprattim Pal:** Okay, all right. And just sort of also trying to understand, I mean, let's take an example of the Chennai project, which you have recently won a big project. How do you break this down between EPC and O&M?
- Skandaprasad S:** See, this is a composite bid. Whenever you're required to do like a "DBO" i.e. design, build, operate project, it's a composite build. You have to produce the most effective life cycle cost. It is not just EPC or O&M that will win you because this bid was constructing over 42 months and maintaining for 20 years. So it's a composite bid where a life cycle evaluation is done and that is how it gets evaluated both from a price and a technical perspective.
- Moderator:** The next question is from the line of Akash Pawar from Sahasrar Capital.
- Akash Pawar:** So in a recent interview, you had mentioned about growing your order book by around 15% to 20% for next couple of years. So just wanted to understand what's the base we are talking here? Are we talking about Y-o-Y growth that is on the FY23 closing order book or is it on the current order book that we have?
- Skandaprasad S:** We have a current order book of about Rs.12,000 crores, and that is what we will aspire to keep growing not just for 1 year, it is a CAGR, it will take 3-5 years is the range of growth that we are talking about, the bullishness in the market, the bullishness in the sectors that we are operating. So that's the CAGR growth we are expecting.

Akash Pawar: Okay. the next question was on the issue of depleting groundwater. So just wanted to understand how big of an opportunity it is for us in the recharging of groundwater.

Skandaprasad S: See, this is going to be huge, especially we have already demonstrated this. In Chennai, we have a recycle plant which we have constructed and operating. We are building a recycle plant in Ghaziabad precisely for this reason where the industries will be the off takers of water, not just restricted to India, even in overseas geographies, this is becoming more and more prevalent, where sewage or wastewater is no longer a waste, but an economic resource. And this is going to be key.

We have already said there are 3 main sectors we want to concentrate on as a product: desalination, which is high technology; recycled reuse, which contributes to circular economy; and industrial and international projects, which allow us to deploy advanced technology and mark key references in the oil and gas sector across the world. So this is going to be a very good opportunity.

Moderator: The next question is from the line of Ramanuj Chandak from Chandak Brothers. Please go ahead.

Ramanuj Chandak: Keeping in mind the way China is getting everything and political tensions are rising because of China, is any of our suppliers from China or what is the status of VA Tech Wabag's subsidiary in China? Are we exporting any way to China? And second question is, sir, you have entered a partnership with Peak Sustainability for 100 Biogas plants. Who will be potential customers? To whom will this biogas be sold?

Skandaprasad S: See, I'll take the second question first. From a biogas perspective, this is going to be our existing treatment plants as well as organic waste from various other sources that will be used to produce biogas. Customers can be somebody who want to use Bio-CNG as a fuel. Compressed biogas can be kind of pumped into the pipeline. The off takers are more and more that we see. There is no dearth of customers there. It is only a dearth of people who are able to produce high-quality plants with a good recovery of biogas.

I think your other question was on China. See, we are an international organization. A good amount of our business is also exporting from India as well as we buy from various European vendors whenever we go international. So there is no dependency on China as such. In fact, most of the vendors would be international vendors as well as Indian vendors of very high quality. So there is no dependence on China.

Ramanuj Chandak: Actually, sir, in past we have seen many biogas plants in small scale and medium scale, they have failed because they are unable to find customers who buy their biogas. So what will be the medium in which you will be selling this biogas? Will it be cylinders, will it be pipelines, or how?

Rajiv Mittal: See, we have seen and we have a very good track record. Over the last 2 decades, we ourselves have set up biogas plants and most of these biogas, we have used for our captive projects to generate electricity. And with this electricity, we have run the plants and not taken power from the grid. So we have a very, very successful track record of using this. Now what we are talking about going higher up in the value chain.

Instead of burning it in the generators and generating electricity, we want to convert into CNG, which has a much higher value than the electricity, and that would need little purification of biogas and according to us, at least none of our plants has ever failed in this, and we are very confident that we will be able to generate value.

Ramanuj Chandak: Okay. Sir, what is the difference in the price of biogas per kilo and LPG?

Rajiv Mittal: Should be close to each other, because what is biogas? Compressed natural gas. And what is natural gas? It's methane. And this is what biogas contains methane, so they are identical.

Ramanuj Chandak: Sir, what is the current price of biogas considered? Just a rough estimation in India.

Rajiv Mittal: See, this depends on where it is being used. It is used for boilers. It is for generating electricity. It is for fuelling the vehicles. So I think fuelling the vehicles, you can read on any fuel station, what is the cost of biogas for fuelling the vehicles. That's the price, which is today.

Ramanuj Chandak: Okay. Sir, what is the criteria which you are taking for setting up the biogas plant? I mean in which kind of area will you prefer setting up the plant?

Rajiv Mittal: See, we have answered this before that if we go for our existing assets, it will be about 2 million dollars - 2.5 million dollars per plant is what we are estimating, of course, depending on the size of the plant. And if we have to start a new asset, it will be 4 million dollars - 5 million dollars.

Ramanuj Chandak: Sir, the way China has said any time in past it will be invading Taiwan. Let's assume that really China invades Taiwan, will this create many opportunities for Wabag or will it not create any big difference?

Rajiv Mittal: It will not be a big difference because our market is global, and we already see enough opportunities. To get one more opportunity will not make a big difference for us.

Moderator: Due to the time constraint, we will take this as the last question. I would now like to hand the conference over to Mr. Rajiv Mittal for closing comments.

Rajiv Mittal: Thank you, friends, for your active participation in this Q3 and 9 months FY24 earnings call. We have uploaded the analyst presentation in our website. In case you have any further queries, you may get in touch with our Adfactors, our IR Advisors or you feel free to get in touch with us directly. Thank you once again, and let the next century be even more remarkable than the last one. Bye-bye.

Moderator: Thank you. On behalf of the VA Tech Wabag Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

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