



sustainable solutions. for a better life.

VA TECH WABAG LIMITED  
ANNUAL REPORT 2013-14

Creating more  
Wabags world over!

Passioneering takes us places

## Forward looking statement

In this annual report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



## Our vision

WABAG shall be a professionally managed Indian Multinational having Market Leadership in Emerging Markets and significant position in the Global Market both in the EPC and Service Sector of Water Business. WABAG shall encourage and practice a culture of Caring, Trust and Continuous Learning while meeting Expectations of Employees, Stakeholders and Society. WABAG-ites shall be an Innovative, Entrepreneurial and Empowered Team committed to Total Customer Satisfaction and Value Creation.

## Our mission

We, at WABAG, exist to provide total water solutions to our valued customers.

Our strong, capable, agile and customer focused team shall ensure that every customer solution is creative, priced competitively and provided in the agreed time frame with essence of quality.

We, at WABAG, always have concern for the welfare of our employees and shall do everything it takes to attract and retain the best of the talent.

## Contents

01 Corporate Information. 06 Corporate Identity. 08 Consolidated Financial Highlights. 10 Chairman's letter.  
12 Managing Director's statement. 26 Directors' Report. 36 Management's Discussion and Analysis. 50 Report on  
Corporate Governance. 70 Auditors' Report. 74 Standalone Financials. 106 Consolidated Auditor's Report.  
108 Consolidated Financials. 140 Financial details of Subsidiary Companies.

# Corporate Information

## The Board of Directors

**Bhagwan Dass Narang**

*Independent Chairman*

**Rajiv Mittal**

*Managing Director*

**Jaithirth Rao**

*Independent Director*

**Sumit Chandwani**

*Independent Director*

**Revathi Kasturi**

*Independent Director*

## Chief Financial Officer

S. Varadarajan

## Company Secretary

Rajiv Balakrishnan

## Registered & Corporate Office

"WABAG HOUSE"

No.17, 200 Feet Radial Road

S.Kolathur, (Near Kamakshi Hospital)

Chennai - 600 117

## Statutory Auditors

Walker Chandio & Co LLP

Chartered Accountants

Arihant Nitco Park, 6th floor

No.90, Dr. Radhakrishnan Salai

Mylapore, Chennai - 600 004

## Internal Auditors

G. Balu Associates

Chartered Accountants

4 – A, Venkatesa Agraharam Road

Mylapore, Chennai - 600 004

## Registrar and Transfer Agents

Karvy Computershare Private Limited

Unit: VA Tech Wabag Limited

Plot No. 17-24

Vittal Rao Nagar, Madhapur

Hyderabad - 500 081

## Bankers

- HDFC Bank Limited
- HSBC
- ICICI Bank Limited
- IDBI Bank Limited
- ING VYSYA Bank
- Punjab National Bank
- Societe Generale Bank
- Standard Chartered Bank
- State Bank of India
- YES Bank Limited

## Board Committees

### Audit Committee

Bhagwan Dass Narang

*Chairman*

Jaithirth Rao

Sumit Chandwani

### Stakeholders Relationship

#### Committee

Sumit Chandwani

*Chairman*

Rajiv Mittal

### Corporate Social Responsibility

#### Committee

Revathi Kasturi

*Chairperson*

Sumit Chandwani

Rajiv Mittal

### Nomination and Remuneration Committee

Revathi Kasturi

*Chairperson*

Bhagwan Dass Narang

Sumit Chandwani

Rajiv Mittal

### Monitoring Committee

Bhagwan Dass Narang

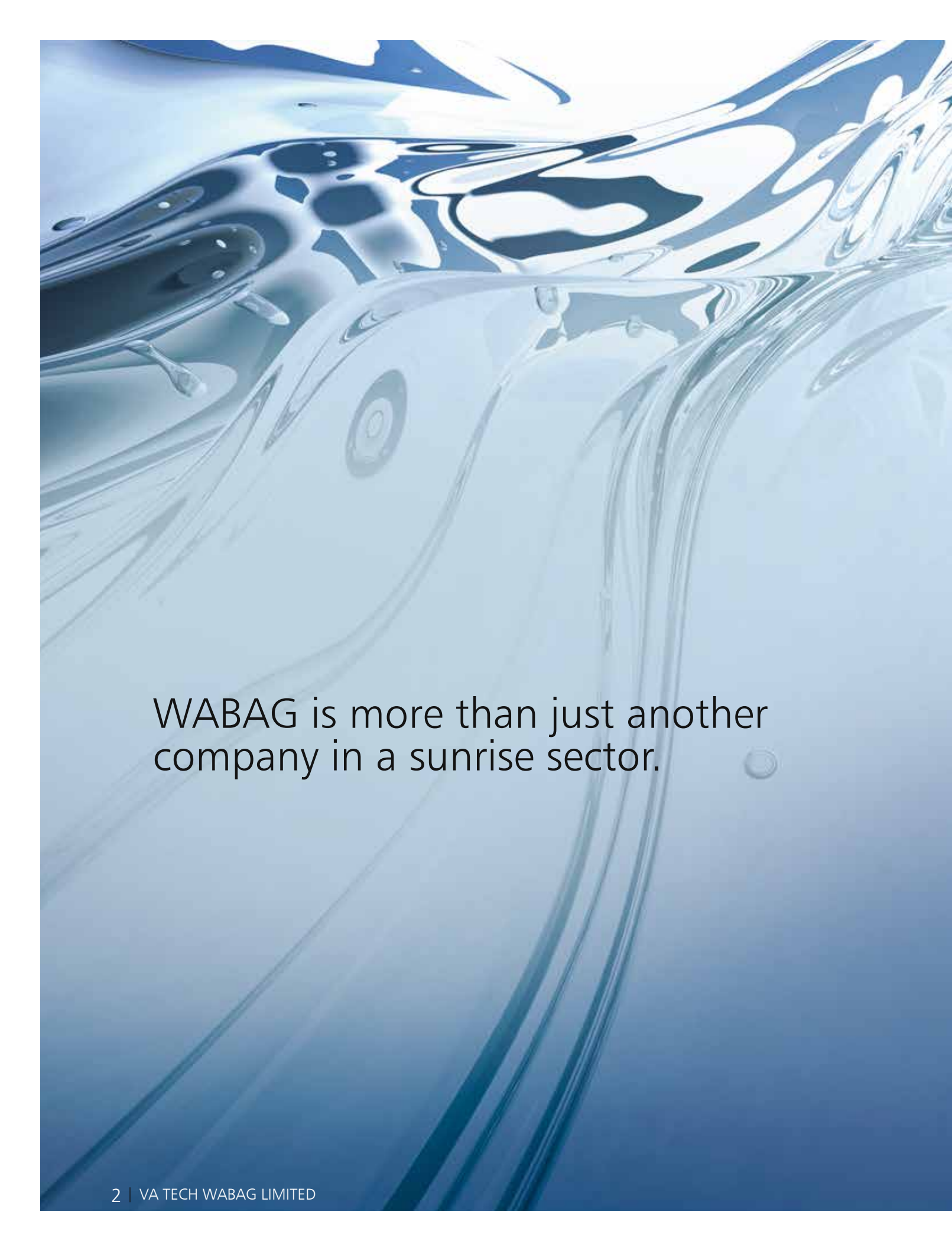
*Chairman*

Sumit Chandwani

Revathi Kasturi

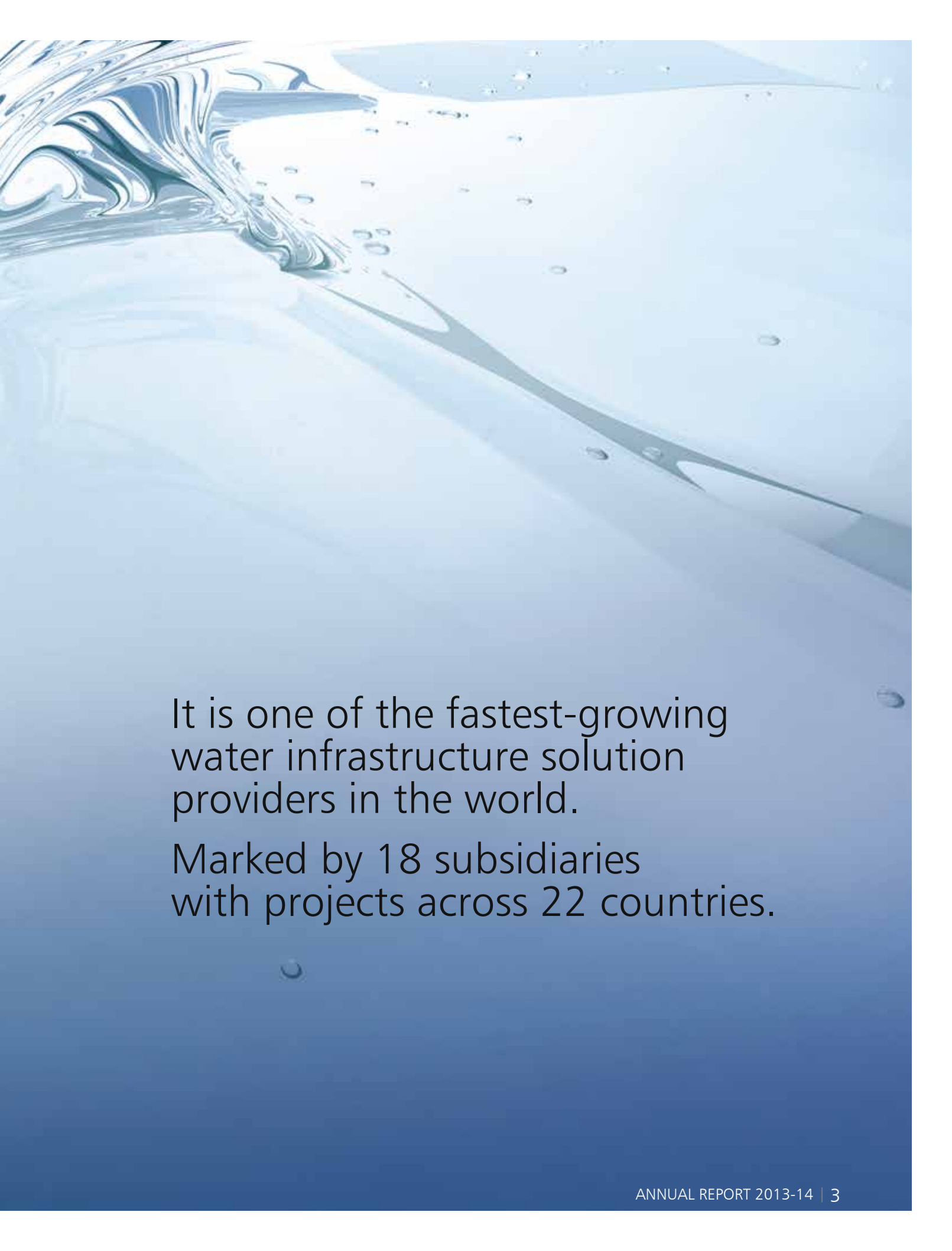
Rajiv Mittal



The background of the entire page is an abstract, high-contrast image of a liquid, possibly water or oil, in shades of blue and white. The liquid is in motion, creating a series of swirling, undulating patterns that flow from the top left towards the bottom right. The surface is highly reflective, with bright highlights and deep shadows that emphasize its fluid, three-dimensional nature. The overall effect is one of dynamic movement and organic complexity.

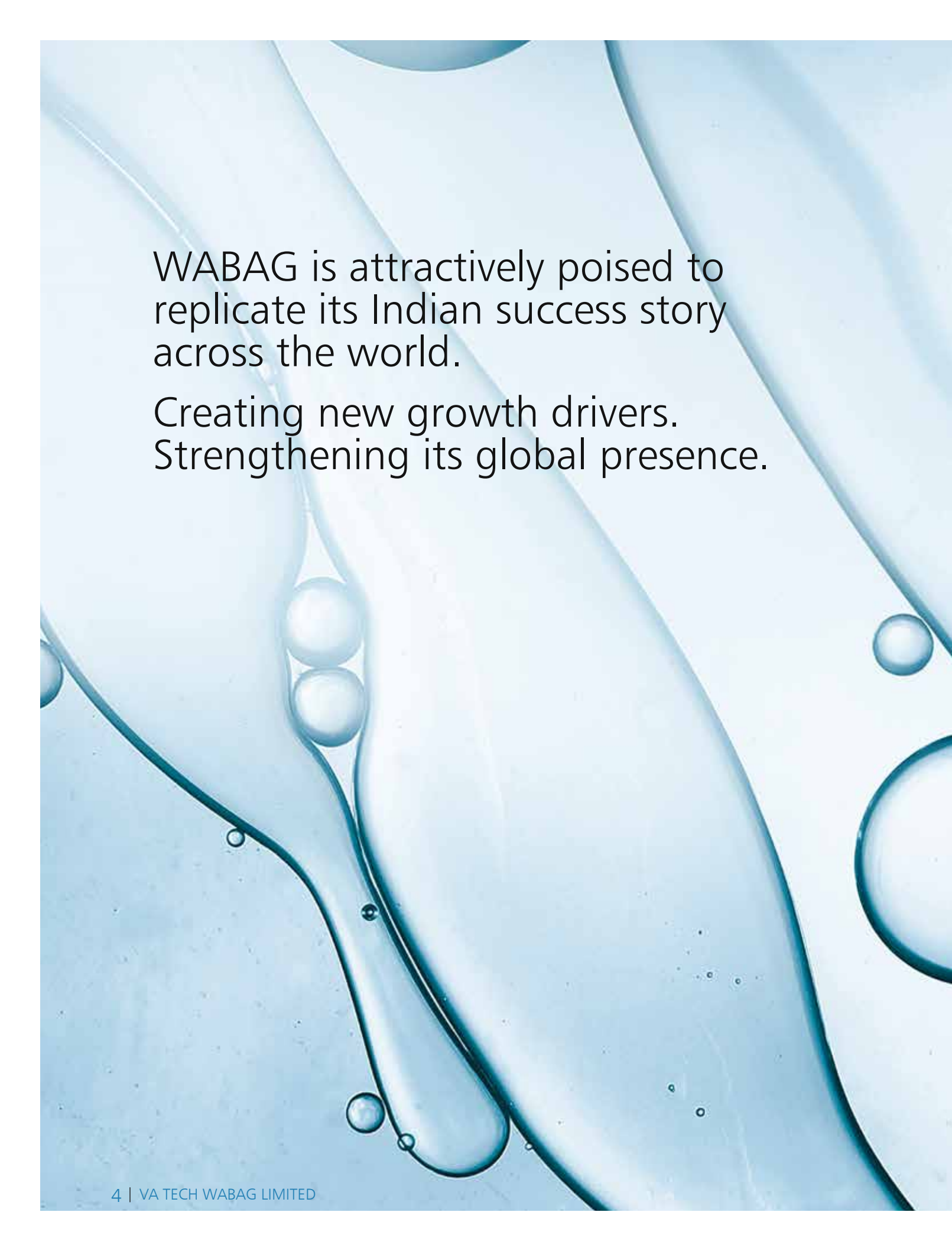
WABAG is more than just another  
company in a sunrise sector.






It is one of the fastest-growing  
water infrastructure solution  
providers in the world.

Marked by 18 subsidiaries  
with projects across 22 countries.

The background of the slide is an abstract, artistic photograph of a light blue liquid, possibly water or oil, with several bubbles of varying sizes. The liquid flows in a diagonal pattern from the top left towards the bottom right, creating a sense of movement and depth. The lighting is soft, highlighting the textures and reflections on the liquid's surface.





WABAG is attractively poised to replicate its Indian success story across the world.

Creating new growth drivers.  
Strengthening its global presence.



Globally-respected. Nine decades  
of experience. Technology-  
intensive. Asset-light. Predictable.  
Long-term revenue visibility.  
Sectoral outperformer. Transparent  
and trusted. Sustainability-  
focused. Proven track record.  
Research and Development-led.  
Local presence in fast-growing  
markets. Extensive knowledge.  
De-risked. Organically growing.  
Cash-rich.

# WABAG outperformed its sector in a challenging 2013-14.

	Most infrastructure companies reported losses; WABAG reported a PAT of ₹113 crore
	Most infrastructure players struggled to manage their working capital allocation; WABAG closed the year with ₹468 crore of cash on its books
	Most companies struggled to grow their order books; WABAG reported a record annual order inflow of ₹3,354 crore with increased average ticket size per contract
	Most infrastructure companies downsized operations; WABAG attracted new talents to grow its business

## Genesis

- WABAG brand has been in existence since 1924
- Provides the entire gamut of water management solutions
- Led by a team of professionals with in-depth industry experience

WABAG is ranked among the top-10 desalination companies in the world  
(Source: Global Water Intelligence)

## Offering

- Executes turnkey contracts in the realms of design, engineering, procurement, construction, erection, commissioning and O&M, in the following categories:
- Drinking water treatment
  - Industrial wastewater treatment
  - Municipal wastewater treatment
  - Industrial and process water treatment
  - Desalination (sea water and brackish water)
  - Recycling (industrial and municipal waste water)

## Location

- Headquartered in Chennai, India
- Established presence in India, the Middle East, North Africa, Europe, China and South-East Asia through 18 subsidiaries across three continents
- Branch offices in Pune, Delhi and Kolkata with numerous site offices
- R&D centres located in India, Austria and Switzerland
- International engineering centres located in Pune and Vadodara



## Landmark projects executed

### India - Municipal

Nemmeli Desalination Plant

Waste Water Recycle and Reuse Plant at Vizag Steel Plant

Kondli STP for Delhi Jal Board with power generation of 2 MW

### India - Industrial

BHEL Kosti Sudan (fluidised bed demineralisation plant)

DVC Koderma (demineralisation plant)

OMPL Mangalore (demineralisation plant)

APGENCO Power Krishnapatnam (SWRO + demineralisation plant)

RIL Hazira (UF reverse osmosis and demineralisation) effluent recycle plant

### Overseas - India International Units (IIUs)

Tatalon STP, Philippines

Majis Desalination Plant, Oman

### Overseas - Multi Domestic Units (MDUs)

Sonzier, Lausanne, WTP, Switzerland

BARAKI WWTP, Algeria

Tehran Southern WWTP (Marquee project in Iran, also the largest environmental project)

### Consolidated

REVENUE	EBIDTA	PAT	NET WORTH
₹ <b>2,239</b> crore	₹ <b>189</b> crore	₹ <b>113</b> crore	₹ <b>841</b> crore
March 31, 2014	March 31, 2014	March 31, 2014	March 31, 2014
+ <b>38%</b> over 2012-13	+ <b>23%</b> over 2012-13	+ <b>26%</b> over 2012-13	+ <b>18%</b> over 2012-13

# Highlights, 2013-14

## Consolidated financials

- Revenues increased 38% from ₹1,619 crore in 2012-13 to ₹2,239 crore
- EBIDTA increased 23% from ₹154 crore in 2012-13 to ₹189 crore
- Post-tax profit increased 26% from ₹90 crore in 2012-13 to ₹113 crore

## Operational

- Order book increased by 25% during the year taking the order book to ₹5,354 crore as on 31st March 2014
- Received maiden orders from new geographies – Tanzania, Nepal and Egypt
- Post-Arab Spring, WABAG won orders worth Euro 14 million from Libya
- Received the largest STP order from Philippines and Euro 30 million orders from Turkey

## Awards and accolades

- Export performance award from EEPC India
- Rated as the leader in the Indian waste water treatment segment (Source: TechSci Research)
- Distinction Award for the Water Company of the Year 2014 by Global Water Intelligence.
- Environmental Risk Management Company – 2013 by ICICI Lombard in association with the Times Group for building “power neutral” plants



### Revenue

	(₹ crore)
2013-14	2,239
2012-13	1,619
2011-12	1,444
2010-11	1,242
2009-10	1,229

### EBIDTA

	(₹ crore)
2013-14	188.50
2012-13	154.02
2011-12	130.03
2010-11	121.03
2009-10	117.13

### PBT

	(₹ crore)
2013-14	166.20
2012-13	135.19
2011-12	111.05
2010-11	83.42
2009-10	74.41

### PAT

	(₹ crore)
2013-14	113.35
2012-13	90.34
2011-12	73.75
2010-11	52.57
2009-10	44.76

### EPS

	(₹)
2013-14	42.61
2012-13	34.08
2011-12	27.90
2010-11	21.23
2009-10	19.14



## Chairman's letter

*Dear Shareholders,*

I am pleased to present to you the 19th Annual Report of the Company.

The year 2013-14 was a successful year for your Company. The year saw your Company report its highest ever order intake in its history. The year also witnessed your Company performing on key parameters across geographies and delivering a good set of numbers yet again in a year marred by global uncertainties. During the year, your Company expanded its footprint into two new geographies by winning funded projects in Tanzania in Africa and Nepal in the Indian subcontinent. The perseverance of the Company in the North African markets was rewarded during the year in the form of two large industrial water treatment plant orders in Libya and two more in Tunisia and Egypt. Your Company's performance during the year in emerging markets culminated in winning the distinctive award of "Water Company of the Year" at the Global Water Summit held in Paris.

Another success story of the year was the performance of the new Multi Domestic Units. While the Philippines subsidiary bagged the largest STP order in the country and became one of the leading players in the water and waste water market in Philippines, Turkey continued to impress with a good order intake, turning positive

during the year. The Company's continued focus and efforts in decentralising operations from a high-cost economy to low-cost emerging markets resulted in cost efficiency apart from being present closer to customers. WABAG Switzerland continues to enjoy the highest market share in the high-end technology market in that country. The Company took a strategic initiative in China to focus on the upgradation of plants and the supply of high-end technology business, which will be supported by the Switzerland MDU. The projects being executed by the other MDUs in Switzerland, Austria, Romania, Czech Republic and Tunisia are all progressing well.

The Municipal Business Group continued to be the growth engine of your Company. During the year, this unit won orders from various municipalities across the country. Notable projects included orders from municipal clients like Chennai Metro Water Supply & Sewerage Board, Odisha Water Supply & Sewerage Board and Bangalore Water Supply & Sewerage Board, besides international orders. I am of the opinion that the municipal and government sectors will continue to remain a key focus area of your Company as several initiatives are being taken up by various States to ensure efficient water governance. I also take this opportunity to appreciate the new government on





## Structuring an innovative solution

WABAG, Cadagua SA (Spain) and Galfar Engineering and Contracting S.A.O.G. of Oman formed a joint venture company called International Water Treatment LLC in Oman. The JV is executing the EPC contract for a sizeable 191 MLD desalination project. This project will pave the way for potent, strategic growth, showcasing WABAG's ability to work in consortia with international members and delivering challenging projects across diverse global geographies.

Ganga Rejuvenation Scheme. With the creation of a separate Ministry for Water Resources and Ganga Rejuvenation, the government has set the focus in the right direction, which augurs well for your Company.

During the year under review the Industrial Water Group business unit continued to receive repeat orders from its key clients in the Oil and Gas sector. Due to the muted growth in other key industrial sectors like power, fertilisers and steel, this business unit took the conscious decision of venturing into foreign markets. The business unit won maiden orders from key overseas clients in Nigeria. According to a research report released earlier this year by a leading research house, the industrial sector is expected to drive growth in the Indian water and wastewater treatment market over the next five years and I am confident that this business unit possesses the requisite skill set to provide solutions for the complex water treatment requirements of various industries.

Desalination continues to be a key focus area for the Company. The setting up of WABAG Spain last year was to tap the global desalination market opportunities including *Latam* regions and I am confident that this MDU will drive the desalination growth engine of the Company in the years to come. The Company's flagship desalination project at

Nemmeli, Chennai, achieved its full capacity production of 100 million litres per day (MLD) during the year, paving way for the commencement of a seven-year O&M period. The 191 MLD desalination plant project at Al Ghubra, Oman, is progressing well and is expected to be completed during the financial year of 2014-15. I am also proud to inform you that according to *Global Water Intelligence*, your Company emerged as one of the top ten Companies in global desalination market during the year.

The Company's Operation and Maintenance Business unit performed creditably during the year. The Company was able to gather clients in India and abroad. Currently your Company is operating more than 60 plants in India. Apart from being a high margin business, this unit provides stability and visibility due to its annuity revenue model. Going forward, this business unit will be focusing on the lucrative refurbishment and spares business.

Our solid reference base in India proved to be a valuable business development tool in fuelling our international ambitions, as it demonstrated that we are equally at home supplying large-scale turnkey treatment plants to customers across geographies. Also our robust technical background, coupled with competitive costs, positions us as a

unique player in the global market. An Ernst & Young (E&Y) study says that the Indian water sector could require an investment of around \$130 billion between 2011 and 2030. Wastewater management, in particular, is emerging as a key thrust area. Currently, only 60% of industrial and 26% of domestic wastewater is treated in India. Metros and large cities are treating only about 30% while smaller cities treat a minuscule 3.7% of their wastewater. With a pan India presence, your Company is positioned to take advantage of these growing opportunities in the country. We expect to sustain our momentum, enhancing value for all our stakeholders in the years to come.

I would like to thank all our colleagues in India and around the world for their contribution to WABAG's success. I look forward to their continued support as we strive to make WABAG even stronger. I also take this opportunity to express my gratitude to all our stakeholders who have reposed trust in WABAG.

Best wishes,

**BD Narang**  
Chairman

# Managing Director's statement



*Dear Shareholders,*

I am pleased to present our performance overview for 2013-14.

In many ways, the year under review was an inflection point in WABAG's existence. Despite a weak global sentiment, the Company posted significant growth in revenue, margins and order book.

Consolidated order intake increased by ₹1,200 crore - from ₹2,154 crore in 2012-13 to ₹3,354 crore in 2013-14

Consolidated revenues grew  
**38%**  
over 2012-13

Consolidated EBIDTA grew  
**23%**  
over 2012-13

Consolidated PAT grew  
**26%**  
over 2012-13

## Highlights, 2013-14

Last year's performance was all the more creditable considering that it was achieved in the face of global uncertainties coupled with currency fluctuations.

The reason why the Company was effectively able to counter the currency impact was due to the turnaround of its European business following increased scale and profitability. European subsidiaries reported a 82% order intake growth, which was a record for that business across in its history.

## Growing order book without compromising margins

The year 2013-14 was a landmark year for WABAG in terms of its order book where the Company was able to post a record global order intake of ₹3,354 crore. The Company carefully chose funded projects which required a higher degree of technical complexity and increased size. Backed by superior technology, the Company was able to win projects due to its technological prowess coupled with competitive costs. As a result, the Company was able to achieve a record order intake without compromising margins.

The result is that the Company more than doubled its order book in the last couple of years. WABAG's track record

of executing complex projects helped win bigger projects.

The average ticket size of projects increased from less than ₹100 crore in 2009-10 to around ₹200 crore in 2013-14, with strong financial backing, ensuring positive cash flow/liquidity.

## Re-orienting business strategy

One of the principal initiatives that WABAG embarked upon during the financial year under review was business strategy re-orientation.

WABAG hitherto comprised two operating entities – WABAG India and WABAG Austria and its subsidiaries. With a number of global geographies opening up, WABAG recognised the need to create a third segment that would focus exclusively on generating growth out of emerging markets. The Company created India-backed subsidiaries referred to as (India international units (IIUs) with the following objectives:

- To delve deeper into markets outside India not covered by WABAG Austria, catalyzing the Company's aspiration

## WABAG is present in high-growth potential water markets of the world

Region	Countries	CAGR	VATW Presence
South Asia	India	12.0%	YES
	China	10.5%	YES
MENA	Saudi Arabia	17.0%	YES
	Oman	11.0%	YES
	Egypt	11.0%	YES
	Iran	9.0%	YES
	UAE	9.0%	YES
	Algeria	13.0%	YES
LATAM Central & Eastern Europe	Libya	9.8%	YES
	Mexico	8.0%	YES
	Romania	16.0%	YES
	Spain	9.5%	YES
	Turkey	8.0%	YES

Source: GWI Report

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to emerge among the top three water companies in the world;

- To progressively de-risk the organisation through a wider spread across countries instead of generating most of its growth out of a few countries;
- To effectively combine European technological competence (developed over nine decades), Indian cost-efficiency and a multi-country presence;
- To leverage the existing WABAG brand developed around quality cost-effective solutions;

As a result, WABAG's international businesses, forming a part of this hybrid strategic business unit, have already turned around, contributing to the Balance Sheet in terms of revenues, profits and margins.

One of the highlights of the financial

year under review was that we also turned around a couple of our European businesses, replacing high-cost processes with cost-effective versions. Besides, our European business secured orders to the tune of 130 million Euros, the largest in any year in a decade.

### Differentiating the WABAG brand

In a world marked by extensive competition, the challenge lies in the creation of a brand that is effective and differentiated. At WABAG, we have differentiated ourselves in various ways, some of the most overarching ones include:

**Technology intensity:** In a sector where most people perceive related companies to be 'large' as their principal recall, we created a brand around knowledge. We recognise that business accretion will happen

not because we have completed projects in the past but because we have strengthened the positioning and businesses of our downstream customers in doing so. This can only be achieved if we invest consistently in technology that helps us deliver better, faster and more cost-effectively. The result is that when customers engage with us, they recognise that we bring a distinctive value to their table – a project-plus - that is over and above our project delivery capabilities.

**Extensively de-risked:** WABAG's sustainability is derived from the effective mitigation of diverse risks affecting its business. Over the years, we mitigated these risks through various initiatives: we have widened our geographic spread to minimise an excessive dependence on the growth coming out of a few countries. We select to bid for projects funded either by the respective governments or various multi-lateral and bilateral agencies. Our overseas projects are backed by Letters of Credit from premier European banks, protecting project progress and revenues. A wide geographical spread helps us in de-risking ourselves from being challenged by a downturn in a particular geography. Besides, the Company takes export credit insurance as part of its derisking strategy.

**Holistic:** WABAG is not just another corporate addressing specific segment within the water infrastructure sector. The Company addresses the complete range of water management



### What drives us...

- Order book – running engine – ₹5,354 crore to be executed over the next two- and- a- half years
- The water sector is growing rapidly
- Our geographical spread is growing faster than the global average
- We own 90-year-old brand that is technologically competitive
- We countered the downturn with strong performances
- We are asset-light: emphasising that one doesn't need too much cash to run the business
- We demonstrated strong governance through a competent board and stringent regulatory compliances
- We have adequate cash in hand and showed profits with a dividend payment of around 20% consistently
- Services increased to 20% of revenues which are annuity like - less risky, better margin and customer-centric





services, positioning itself as a one-stop solutions provider. This holistic positioning provides brand clarity and even cross-sale, making it possible to extend one-off customer transactions into long-term relationships.

Besides, WABAG has extended its EPC personality to engage in BOO projects (as a minority stakeholder) or maintenance engagements. This makes it possible for the Company to extend from one-off projects to an engagement across the complete project life cycle, translating into predictable annuity revenues.

**Mix:** WABAG's business model is also unique in a way that the geographic segregation of its business catalyses margins and revenue growth. The India business provides high business volume; the emerging market provides high volume coupled with high margins. This segregation has strengthened our focus, which, in turn, translated into an attractive increase in the average project ticket size during the year under review.

## The future

**Sectoral optimism:** Globally 780 million people - one in every nine - lack access to clean water. A rising global water demand means that the world will need to seek alternative water sources. As a result, even as only 1% of the world's population is serviced with desalinated water, this is expected to grow to 14% by 2025 (Source: UN). Correspondingly, the market for seawater and brackish

water desalination is expected to grow to nearly US\$7.2 billion by 2018 following a CAGR of 11.9% (Source: [www.prweb.com](http://www.prweb.com)).

**Global growth:** At WABAG, we are optimistic of our prospects following the successful validation of our international subsidiaries managed through WABAG India. This will drive global revenues, enhance margins and reduce our dependence on the Indian business. Going ahead, we expect the revenues from IIUs to contribute substantially.

**Latin American focus:** WABAG expects to grow its Latin American presence through the WABAG Spain subsidiary, local alliances and rich technology bank. I am happy to state that we already forged partnerships with a few major players in this region which is likely to translate into a widening presence.

**Focus on €1 billion:** At WABAG, we are committed to achieve €1 billion revenues in next few years. When we had first enunciated this target, we had expected that inorganic growth would account for around 25% of the targeted revenues. But considering the strong traction coming out of our various segments, geographies and income types catalysed by IIUs, we expect to moderate the role played by revenues from acquisitions to 10%-15%. We expect that this will strengthen our Balance Sheet and enhance shareholder value.

## Overview

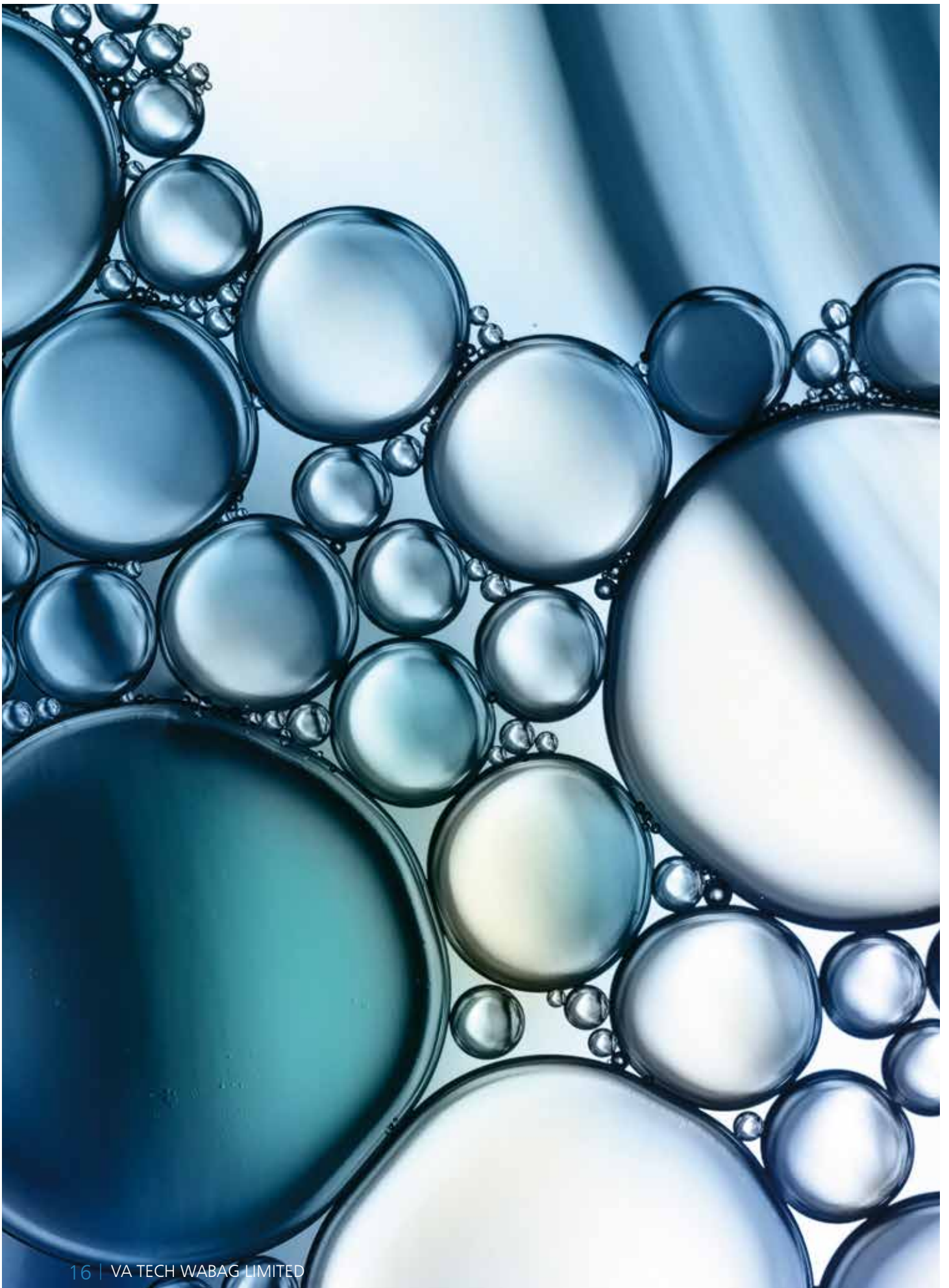
Being in a sunrise sector, your Company is comfortably placed to capitalise on the upturn. The Company largely bids for projects backed by multi-lateral agencies with attractive IRRs. Besides, the Company's Balance Sheet is adequately liquid, with growth being funded through accruals. WABAG's profits are reflected in the growing cash on its books. Besides, a growing proportion of revenues are derived from high margin annuity-based maintenance contracts. The result was that even as companies in the same sector reported weaker numbers, WABAG revised its earnings guidance upwards during the year.

Your Company explores greater international volumes and expects to penetrate a few large markets. The focus is also on the service business resulting in enhanced margins. The Company will leverage its presence in low-cost markets by using people processes from these markets for competitiveness in international geographies, resulting in increased margins.

In view of these realities, I am optimistic of enhancing stakeholder value across the long-term in a sustainable way.

Regards,

**Rajiv Mittal**  
Managing Director



# Exploiting business opportunities in the middle of a slowdown through India International Units (IIU) – creating more WABAGs!

Conventionally, the WABAG business model comprised two major geography-linked revenue streams – Indian and international.

Just when most companies would have considered it prudent to live with the status quo, especially in the middle of an economic slowdown, the Company ventured to do just the opposite by accommodating a third business line driven by the India International Units (IIU).

The rationale for this hybridisation was to capitalise on the following:

- Ride the rich technology reputation and capabilities created, reinforcing customer perception that if the back-end was centred out of India, then the solution would be business-enhancing and cost-efficient;
- Showcase WABAG India's 100-MLD Nemmeli desalination project as a corroboration of its technological competence and bag international projects - like the 191-MLD desalination project in Oman, which is being executed at an aggressive pace;
- Leverage WABAG India's leadership position in the wastewater treatment

market;

- Leverage WABAG's rich repository of patented technologies accessible to all the Company's global constituents

It has been only a year since this realignment commenced, but the results have been positive. The IIUs in countries like Philippines, Oman and Nepal are growing their businesses faster than if they had done so independently. The creation of IIUs will increase the share of organic growth and catalyse achievement of the company's goal over the foreseeable future.



## WABAG outperforms in Philippines

WABAG established its Philippines subsidiary in 2011. In a business where such international subsidiaries need to endure an extended gestation before they can break even, the Philippines subsidiary reported a pleasant surprise. Thanks to its presence in the Philippines and technology support from Switzerland, which reinforced competitiveness from day one, the subsidiary emerged as the largest water solutions provider in that country within just three years of operations. Rather than being showcased as just another instance of operational success, the Company's Philippines operations are being showcased as an effective combination of how the fusion of European technology, Indian costs and resident professionals can translate into a potent combination.







# ... Balancing risks, rewards and growth, leading to enhanced business value – by creating more WABAGs.

Conventionally, the perception is that operations of most Indian companies are usually the most profitable within India and any venture undertaken abroad drains resources and pares returns.

Over the last few years, WABAG has successfully turned this theory on its head by demonstrating that international operations can be strategically made profitable and value-accretive through cross-collaborative efforts.

These are some of the initiatives undertaken by WABAG to reconcile its widening international presence with a disciplined delivery system

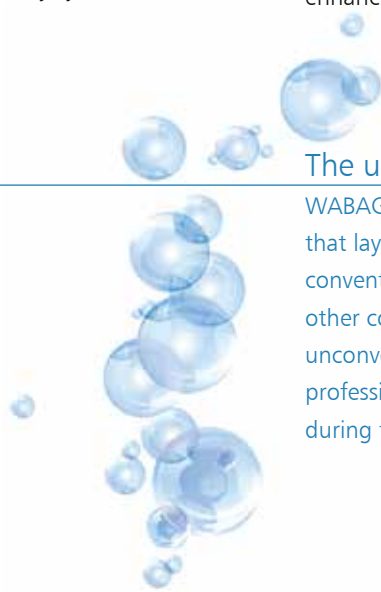
- WABAG has consciously selected to be present in emerging economies with demographic profiles similar to India, marked by a historical under-investment in water infrastructure which necessitates immediate corrections;
- WABAG expanded its international footprint through establishments managed by local teams, positioning it as a local company with international capabilities;
- WABAG focuses on projects backed by governments, bilateral or multi-lateral agencies, ensuring project progress and steady cash flow;
- WABAG made its international subsidiaries self-financing, thereby enhancing their responsibility and

accountability for sustained financial independence;

- WABAG's global business is spread across three continents, reducing its dependence on growth coming out of a few regions. The Company is actively present through subsidiaries, joint ventures and local partnerships in those geographies where there is a huge potential for business;
- In countries marked by prequalification barriers, WABAG has entered into strategic alliances with prominent international players (Sumitomo Corporation of Japan and Zawawi Group of Oman) with the objective to bid for large projects, representing an effective win-win combination of credentials, financial strength, technological competence and local presence.

## The uniqueness of WABAG Turkey

WABAG established its Turkish subsidiary for a pertinent reason: the rich potential that lay in the sustained creation of water infrastructure, across years. The conventional approach would have been to depute WABAG managers from other countries to manage the growth coming out of Turkey. WABAG responded unconventionally; it entrusted the growth of the Turkish subsidiary to resident professionals. The result of responsible delegation is evident in the numbers - during the year around Euro 30 Mn of orders were booked in Turkey.





# WABAG multiplies... by leveraging its inherent strengths

At WABAG, we have a set of principles from which we derive our strength.

- **Business mix:** It is common knowledge that most infrastructure companies select to specialise in one or few industry segments. WABAG is present across the sectoral range, making it a one-stop-shop for servicing the diverse needs of clients - municipal, industrial and desalination. Besides, the Company is also engaged in O&M services, generating attractive annuity revenues. This comprehensiveness – range of projects and nature of engagements – has helped extend one-off engagements into cross-sale and enduring relationships;
- **Asset-lightness:** Conventionally, most infrastructure companies engage in all the activities related to their projects with the objective of capturing the complete value chain, making it imperative for them to invest in the total complement of capital assets and load debt on their balance sheets. WABAG focuses more on technology-

rich projects and outsources the capex-heavy civil portion to large civil contractors. This strategy helped the Company build an asset-light business model leading to a cash-rich Balance Sheet;

- **Investment in technology:** Over the decades, WABAG's technology bank comprised more than 100 global technology patents. The Company established R&D centres in Winterthur (Switzerland), Vienna (Austria) and Chennai (India). These R&D investments helped the Company enhance project robustness, moderate costs and reduce turnaround time. This expertise helped position WABAG as a technology-driven corporate, well-equipped to address large and challenging projects, leading to stronger projects inflow. In the last five years, the Company reinforced its research capability through sustained investments in R&D across three locations;
- **Project complexity:** WABAG's growth strategy is marked by scale

on the one hand and technological competence on the other. This unique positioning provides it with a competitive edge and strengthens the Company's ability to execute challenging projects;

- **Local talent:** WABAG relies on local talent to address the needs of its various subsidiaries. This decision has been influenced by a growing recognition that while water scarcity is global in character, the water infrastructure sector is local in presence, making it imperative for business executives to engage by closer to municipal clients;
- **Brand:** WABAG, by virtue of its enduring existence over nine decades, has evolved into one of the most trusted global brands in this sector, inspiring the recall of one who is able to deliver the most complex projects to its customers in exigent circumstances. The result is that WABAG projects stand for a business-strengthening recall for its customers, enhancing its brand appeal;



## 90 years young!

Experienced yet young. Conservative yet aggressive. Over the last 90 years of its existence, WABAG has created formidable presence in the global water market. While the common perception is one slows down when one gets old, WABAG is a contrarian – it is growing faster!





# Execution competence, coupled with transparency, leads to a predictable performance across geographies of WABAG's presence

While it is difficult for Companies to forecast their revenue in times of volatility, WABAG has charted its own course enabling the Company to make credible revenue forecasts.

- WABAG enjoys a formidable track record in successfully completing more than 2,250 projects across three decades, reinforcing its reputation as a corporate capable of completing projects across clients, complexity, scale and terrains. The Company's management team comprises professionals with rich experience in the global water infrastructure sector;

- The Company focuses on projects funded by bilateral/multi-lateral agencies leading to predictable revenues and a steady cash flow;
- Predictability is derived from a transparent order book, which accounts for projects that are part of a firm order book. Orders which are awarded but awaiting financial closure/advance monies/letters of credit, are consciously treated as framework contracts and do not form a part of the Company's firm order book;
- Predictability is derived from operations and maintenance contracts, generating annuity revenues;

## WABAG Spain targets a growing Latin American market

Latin America represents one of the most attractive global desalination markets. WABAG recognised the importance of a Latin American presence in its endeavour to emerge as a broad-based global water infrastructure corporate. WABAG embarked on a relevant strategy to grow its Latin American presence by creating a subsidiary in Spain headed by an experienced industry professional; the subsidiary looks forward to leverage the ethno-linguistic commonality to enter into partnerships with major players in this region and extract the full value out of the Latin America market.



# A solid corporate in a liquid sector

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Even in the worst of global economic slowdowns, WABAG retained its position as a solid corporate in a liquid sector.

This competence has been derived from a differentiated business model directed at maximising business upside on the one hand and limiting any downside on the other, translating into a consistent sectoral outperformance.

Over the years, this outperformance has been the result of WABAG's ability to position itself as a global water sector solutions provider.

Interestingly, this global positioning has not been derived from an India-dictated presence; the Company is consciously positioned out of India but extends across more than 22 countries (through 18 subsidiaries) with a sizeable number of professionals drawn from the countries of its presence. The result is that even as WABAG is global in presence, it is essentially local in character; besides, this structure shows balanced control at one level with entrepreneurial dynamism at the other. This effective combination has made it possible for the Company to leverage its insight into global trends and technologies on the one hand with a ground-level understanding of terrain needs and a steady order pipeline on the other.

Besides, WABAG has been effectively contrarian; it invested in technologies more than in assets; it selectively outsourced to avoid an asset-heavy Balance Sheet; it offered the complete range of water technology solutions rather than being a standalone service provider.

## Sustainability

WABAG has woven its business model around long-term sustainability, maximising revenues and profits during industry troughs and upturns. The effectiveness of this strategy is showcased in the numbers: in a challenging 2012-13 when most infrastructure companies reported decelerated growth, WABAG reported a profit of ₹90 crore and an EBIDTA of ₹154 crore. During 2013-14, the Company performed even better – at a time when most infrastructure companies struggled to stay afloat, WABAG finished the year with a profit of ₹113 crore and an EBIDTA of ₹189 crore. The ability to plough this surplus into the business strengthened the Company's sustainability.

## Services

WABAG has positioned itself as a one-stop-service provider in the water management space. Over the years, it has widened its service bandwidth to provide solutions in the following areas: drinking water treatment, industrial wastewater treatment,

municipal wastewater treatment, industrial and process water treatment, desalination (sea water and brackish water) and recycling (industrial and municipal wastewater). This holistic positioning has helped the Company reduce its dependence on any single segment, strengthen the brand and cross-sell services to existing customers.

## Project Preference

At WABAG, the general belief is that success is derived not from the ability to bid and bag any project that one can, but to only bid for projects that enhance the Company's brand, revenues and profitability. Over the years, WABAG has chosen projects on the basis of size, location, client reputation, financial closure and funding sources. The Company prefers to bid for projects that are either funded by the government /bilateral/ multi-lateral organisations, mitigating the risk of debt default.

## Glocal identity

Water could be a global priority but what it requires is a deep insight into local issues, requirements, technology and decision-making municipal authorities. Even for players with a global presence, local know-how plays an important role in achieving success. WABAG is present across 22 countries through its subsidiaries, partner organisations and synergic players.

At WABAG, diverse revenues streams have been developed to de-risk the business from an excessive dependence on any one segment and also capitalise on fast-emerging segments.

The Company's willingness to work through resident employees enables it to position itself as a local company with an Indian parentage backed by global technologies - an effective cocktail of presence, competencies and knowledge.

### Revenue mix

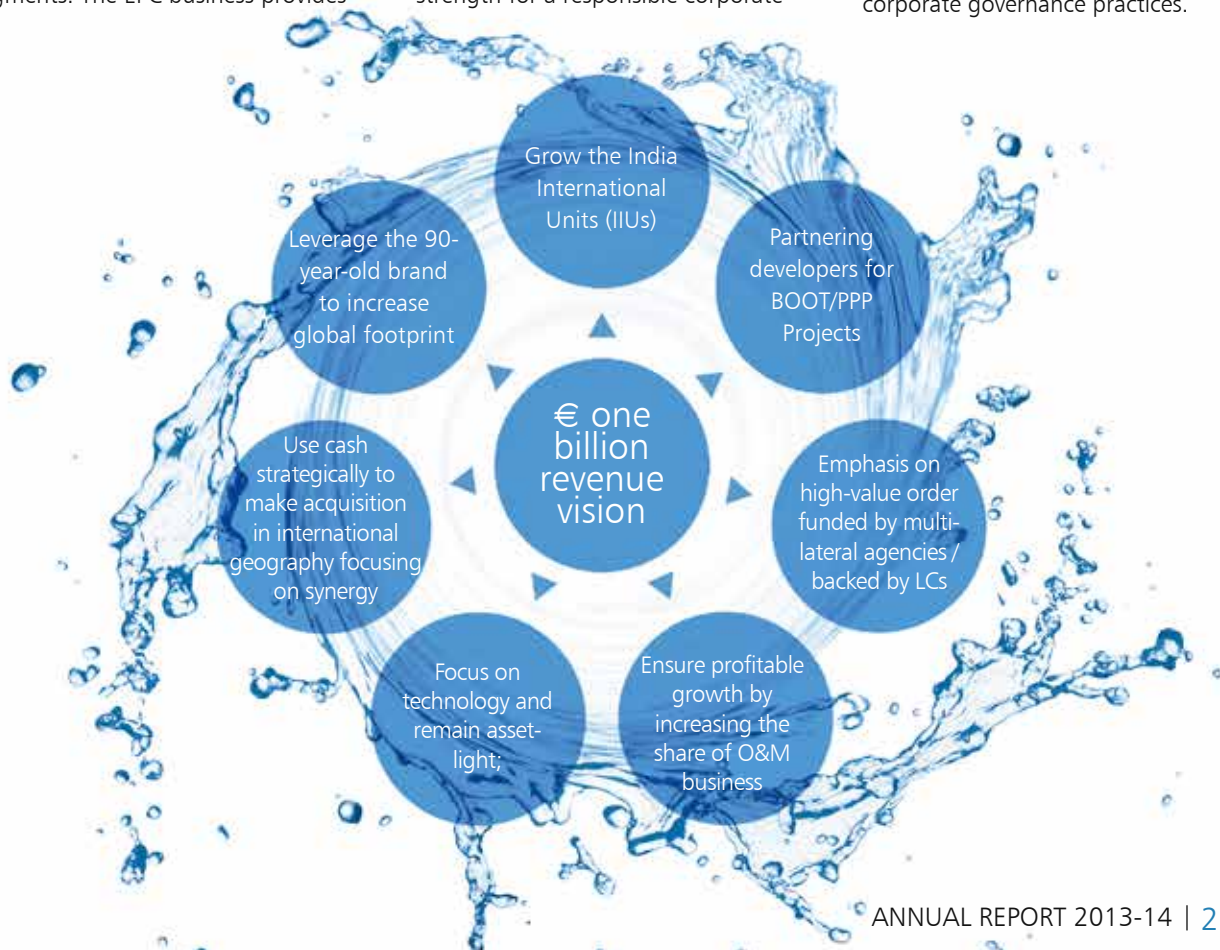
At WABAG, diverse revenue streams have been developed to de-risk the business from an excessive dependence on any one segment and also capitalise on fast-emerging segments. The EPC business provides

lumpy project-wise revenues based on project milestones and when the projects are completed; the O&M segment provides it with attractive high-margin annuity revenues secured through long-term contracts. Over the years, WABAG has extended beyond competitive EPC pricing to value-added annuity fee revenues.

### Governance

At WABAG, compliance with increasing governance requirements is not labeled as a cost but a key business strength for a responsible corporate

citizen. The Company recognises that in an increasingly responsible world, solution suppliers will need to benchmark themselves in line with a high degree of transparency and governance. Board composition with a majority of Independent Directors, conservative accounting practices and distinguishing framework contracts from firm orders, booking revenue only after certification and invoice acceptance by the customer as well as provisioning for long outstanding receivables are all a reflection of strong corporate governance practices.



# Directors' Report

*Dear Shareholders*

Your Directors are pleased to present the 19th Annual Report and the Company's audited accounts for the financial year ended March 31, 2014.

## Financial Results

The Company's financial performance, for the year ended March 31, 2014 is summarised below:

(₹ In lakhs)

	Standalone		Consolidated	
	2013-14	2012-13	2013-14	2012-13
Gross Turnover	115,224	105,717	223,860	161,885
Profit before Interest & Depreciation (EBIDTA)	14,109	13,884	18,850	15,402
Profit before Taxation	13,227	13,327	16,620	13,519
Provision for Tax	4,369	4,316	5,258	4,559
Net Profit	8,858	9,011	11,335	9,034
Proposed Dividend (including dividend tax)	(2,488)	(2,174)	(2,488)	(2,174)
Transfer to General Reserve / Other reserves	(886)	(901)	(897)	(901)
Profit / (Loss) brought forward	25,123	19,187	27,526	21,567
Retained Profit carried forward to the following year	30,607	25,123	35,895	27,526

## Business Environment

The business environment continued to remain challenging during the year. The Global economic slowdown that started a few years ago increased the complexity and volatility in the environment. Since the year 2011 the Indian GDP growth rate continued to slide. Various factors both internal

and external have contributed to this including the political environment, high fiscal deficit, consistently high inflation and volatility in currency. Indian currency depreciated significantly before reviving a little, and customer sentiment remained subdued as well.

The global economy continued to remain under pressure with advanced

economies recording a marginal growth in 2013. However, the fact that a number of countries are marked by peak demand with a growing priority in seeking alternative sources and reuse technologies validates your Company's growing investments in the water management sector.

In an environment where fresh water





During the year your Company's flagship desalination project at Nemmeli, Chennai achieved its capacity of 100 MLD (Million Liters per Day), paving way for commencement of O&M of the plant.

sources are declining, geopolitical tension related to strategic water resource access is set to gain leverage. While the global population quadrupled in the 20th century, freshwater withdrawals grew nine-fold. An impending global water crisis is considered as one of the top ten global risks in 2014. Because of the systemic importance of water with reference to global economic activity, any failings in its planning, management and use in one country can affect realities in other countries as well. Besides, the management of water realities is becoming increasingly complex in the face of rising material and energy consumption on the one hand and finite resources on the other.

Despite a challenging macro environment your Company was successful in securing a record order intake during the year. Most of these orders are funded either by multilateral or bilateral agencies. During the year your Company secured orders from two new geographies – Tanzania and Nepal. Your Company also reported highest revenue in its history during the year. The Municipal Business constituted 64% of the revenue while Industrial sector constituted 36%. EPC contributed to 80% of the year's revenue while O&M (Operation and Maintenance) contributed 20%.

During the year your Company's flagship desalination project at Nemmeli, Chennai achieved its capacity of 100 MLD (Million Liters per Day), paving way for commencement of O&M of the plant.

Your Company's Multi Domestic Unit (MDU) strategy adopted few years back have started yielding results with the European Subsidiaries contributing to more than Euro 100 million revenue during the year. Your Company continues to focus on its debt-free and asset-light business model and maintains sufficient cash to meet its strategic objectives. During the year your Company also introduced a number of strategic initiatives to spur overall growth and productivity such as cost optimisation, enhancing sales productivity and improving execution effectiveness. A series of measures have been initiated to yield high level of cost optimisation across geographies by deploying right people in the right jobs and eliminating unnecessary costs. Your Company is also focused on reinvigorating its business development team globally to help win large sized orders with good margins. Your Company's execution has always been of a high order and the Company intends to strengthen it further by focusing on improving individual productivity through continuous

training and development activities.

## Results of Operations

In the financial year 2013-14 your Company continued its strong growth momentum on all key parameters. During the year, your Company recorded its highest ever order intake of ₹3,354 crores which resulted in a strong order book of ₹5,354 crores as on March 31, 2014. Your Company's consolidated turnover stood at ₹2,239 crores compared to previous year's turnover of ₹1,619 crores recording an impressive growth of 38%. The standalone turnover stood at ₹1,152 crores, an increase of 9%, compared to previous year's turnover of ₹1,057 crores. The consolidated EBITDA increased to ₹189 crores in 2013-14 as against ₹154 crores in the previous year registering a growth of 23% over previous year. On a standalone basis the EBITDA stood at ₹141 crores in 2013-14 as against the previous year's EBITDA of ₹139 crores. The consolidated PAT recorded a growth of 26% over the previous year and stood at ₹113 crores as against ₹90 crores in the previous year. The EPS recorded a 25% increase and stood at ₹42.61 for the year ended March 31, 2014 as against ₹34.08 in the previous year.

## Dividend

Your Directors have recommended

a dividend of ₹8 per equity share (400%) (last year ₹7 per equity share (350%) on the face value of ₹2 per equity share for the financial year ended March 31, 2014 amounting to ₹24.88 crores (inclusive of tax of ₹3.61 crores). The dividend payout is subject to approval of members at the ensuing Annual General Meeting (AGM).

The dividend will be paid to members whose names appear in the Register of Members as on July 11, 2014; in respect of shares held in dematerialised form, it will be paid to members whose names are furnished by National Securities Depository Limited and Central Depository Services (India) Limited, as beneficial owners as on that date.



## Employees' Stock Option Scheme

Nomination and Remuneration Committee of the Board of Directors of the Company, inter alia administers and monitors the Employees' Stock Option Schemes of the Company in accordance with the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ('the SEBI Guidelines').

The applicable disclosures as stipulated under the SEBI Guidelines as at March 31, 2014 are provided in Annexure I to this Report. The Company has received a certificate from the Auditors of the Company that the Scheme has been implemented in accordance with the SEBI Guidelines and the resolution passed by the shareholders. The Certificate would be placed at the Annual General Meeting for inspection by the members.

## Management's Discussion and Analysis Report

Management's Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, is presented in a separate section forming part of the Annual Report.

## Corporate Social Responsibility Committee

During the year, your Directors have constituted the Corporate Social Responsibility (CSR Committee)

comprising Revathi Kasturi as the Chairperson and Sumit Chandwani and Rajiv Mittal as other members.

The said Committee has been entrusted with the responsibility of formulating and recommending to the Board, a Corporate Social Responsibility Policy (CSR Policy) indicating the activities to be undertaken by the Company, monitoring the implementation of the framework of the CSR Policy and recommending the amount to be spent on CSR activities.

## Consolidated Financial Statement

In accordance with the Accounting Standard (AS) - 21 on Consolidated Financial Statements read with AS - 23 on Accounting for Investments in Associates and AS - 27 on Financial Reporting of Interests in Joint Ventures, the audited consolidated financial statement is provided in the Annual Report.

## Subsidiaries

Your Company had seventeen subsidiaries at the beginning of the year. During the year, for the purpose of consolidation of financials under Accounting Standard 21, VA TECH WABAG LIMITED - Pratibha Industries Limited JV is treated as a subsidiary of the Company. For further details on the same, the members may refer to clause 2.2 of summary of significant accounting policies and other explanatory information forming part of the consolidated financial statement.



During the year the Board of Directors reviewed the affairs of the subsidiary Companies. There has been no change in the nature of business of the subsidiaries during the year. Details of major subsidiaries of the Company and their business operations during the year under review are covered in the Management's Discussion and Analysis Report.

In accordance with the General Circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Statement of Profit and Loss and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. However, the financial information of the subsidiary companies is disclosed in the Annual Report in compliance with the said circular. The Company will provide a copy of separate annual accounts in respect of each of its subsidiary to any shareholder of the Company who asks for it and the said annual accounts will also be kept open for inspection at the Registered Office of the Company and that of the respective subsidiary companies. The statement pursuant to Section 212 of the Companies Act, 1956 highlighting the summary of the financial performance of your Company's subsidiaries is annexed to this report.

## Directors

As per the provisions of the erstwhile Companies Act, 1956, and Articles

of Association of the Company Sumit Chandwani and Revathi Kasturi, Independent Directors retire by rotation at the ensuing Annual General Meeting of the Company and being eligible have offered themselves for re-appointment. Sub-section (10) of Section 149 of the Companies Act, 2013 (effective April 1, 2014) provides that Independent Directors shall be appointed for a term up to five consecutive years on the board of a Company; and shall be eligible for re-appointment on passing a special resolution by the shareholders of the Company.

Consequent to notification of Section 149 and other applicable provisions of the Companies Act, 2013 your Directors seek appointment of Bhagwan Dass Narang, Jaithirth Rao, Sumit Chandwani and Revathi Kasturi, as Independent Directors of the Company to hold office for three consecutive years for a term upto the conclusion of the 22nd Annual General Meeting of the Company in the calendar year 2017. Details of the proposal for appointment of Mr. Narang, Mr. Rao, Mr. Chandwani and Ms. Kasturi are mentioned in the explanatory statement under Section 102 of the Companies Act, 2013 of the notice of the nineteenth AGM.

The Company has received requisite notices in writing from members proposing Mr. Narang, Mr. Rao, Mr. Chandwani and Ms. Kasturi as Independent Directors

The Company has received declarations

from all the above Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Companies Act, 2013 and under Clause 49 of the Listing Agreement with the Stock Exchanges.

Rajiv Mittal was re-appointed as the Managing Director of the Company not liable to retire by rotation for a period of five years with effect from October 1, 2010 by the shareholders at the AGM held on July 15, 2011. In view of the explanation to Section 152(6) which states that the expression "total number of Directors" shall not include Independent Directors of the Company and the provisions of Section 149 (13) of the Companies Act, 2013, which states that the provisions of retirement by rotation as defined in sub sections (6) and (7) of Section 152 of the Act shall not apply to Independent Directors of the Company, the Board has been advised that since the composition of the Company's Board consists of one Executive Director and four Independent Directors, the office of the Managing Director shall be liable to determination by retirement of Directors by rotation.

In view of the above provisions of the Companies Act, 2013, the Board recommends the re-appointment of Rajiv Mittal as a Director at the ensuing AGM, whose office is liable to determination by rotation.



## Director's Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- in the preparation of the annual accounts for the year ended March 31, 2014, the applicable accounting standards read with requirements set out under Schedule VI to the Companies Act, 1956, have been followed and there are no material departures from the same;
- the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2014 and of the profit of the Company for the year ended on that date;
- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- the Directors have prepared the annual accounts of the Company on a 'going concern' basis.

## Auditors and Auditors' Report

M/s. Walker Chandiok & Co LLP Chartered Accountants, Statutory Auditors of the Company, hold office till the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

The Company has received letter from the Auditors to the effect that their re-appointment, if made, would be within the prescribed limits under Section 141(3) (g) of the Companies Act, 2013 and that they are not disqualified for re-appointment.

The Notes on Financial Statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments.

## Awards & Recognitions

A few of the awards and recognitions conferred on your Company during the year are

- Star Performer Trophy - by EEPC India in recognition of the Company's contribution to engineering exports for the year 2011-12.
- Distinction Award for the Water Company of the Year 2014 by Global Water Intelligence at the Global Water Summit 2014 held at Paris.
- Environmental Risk Management Company – 2013 by ICICI Lombard in association with the Times Group for



building “power neutral” plants

### Particulars of Employees

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the annexure to the Directors’ Report. Having regard to the provisions of Section 219(1) (b) (iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Any members interested in obtaining such particulars may write to the Company Secretary at the registered office of the Company.

### Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

Your Company continuously strives to conserve energy, adopt environment friendly practices and employ technology for efficient operations. The particulars relating to energy conservation, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are provided in Annexure II to this Report.

### Fixed Deposits

Your Company has not accepted any fixed deposits and, as such, no amount of principal or interest was outstanding as of the Balance Sheet date.

### Investor Education and Protection Fund

Pursuant to the provisions of Investor Education and Protection Fund (uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on July 25, 2013 (date of last Annual General Meeting) on the Company’s website (www.wabag.com), and also on the Ministry of Corporate Affairs’ website.

### Sustainability

Sustainability governs the business operations. Your Company focuses on sustainability and low carbon development. Your Company sustains the use of water and energy in its plant construction to benefit its customers. Your Company has implemented various innovative sustainable initiatives in business operations. More details on sustainability initiatives by the Company are disclosed elsewhere in this report.

### Corporate Governance

Your Company is committed to maintain the highest standards of Corporate

Governance and adhere to the Corporate Governance requirements set out by SEBI. The Company has also implemented several best Corporate Governance practices as prevalent globally. The Report on corporate governance as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report. The requisite Certificate from the Auditors of the Company confirming compliance with the conditions of Corporate Governance as stipulated under the aforesaid Clause 49 is attached to the Report on Corporate Governance.

### Acknowledgements

Your Directors would like to express their appreciation for the assistance and cooperation received from various financial institutions, banks, governmental authorities, customers, vendors and members during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services by every member of the WABAG family globally.

For and on behalf of the Board of Directors

**Rajiv Mittal**  
Managing  
Director

**Sumit Chandwani**  
Director

May 24, 2014

## Annexure I to the Directors' Report for the year ended March 31, 2014

Disclosure as required under SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and forming part of the Directors' Report for the year ended March 31, 2014

S.No.	Particulars	ESOP 2006	ESOP 2010		
			Grant I	Grant II	Grant III
<b>A.</b>	<b>Summary</b>				
1.	Number of options granted	995,053	1,092,355	106,927	232,700
2.	The Pricing Formula	The options were granted prior to the listing of Company's shares. These options were granted, based on the valuation done by an Independent Chartered Accountant using Net Asset Value (NAV)/Profit Earning Capacity Value Method (PECV)	The options were granted prior to the listing of Company's shares. These options were granted, based on the valuation done by an Independent SEBI Registered Merchant Banking Company using Net Asset Value (NAV) / Profit Earning Capacity Value Method (PECV).	Discount up to a maximum of 25% to the closing market price per option, where the closing market price shall be the latest available closing price one day prior to the date of the meeting of the Nomination and Remuneration Committee in which the options are granted. The market price on the stock exchange showing the highest volume of trading would be considered. The applicable discount rate for the grant was decided by the Nomination and Remuneration Committee.	Discount up to a maximum of 25% to the closing market price per options, where the closing market price shall be the latest available closing price one day prior to the date of the meeting of the Nomination and Remuneration Committee in which the options are granted. The market price on the stock exchange showing the highest volume of trading would be considered. The applicable discount rate for the grant was decided by the Nomination and Remuneration Committee.
3.	Number of options vested	935,362	497,073	37,940	0
4.	Number of options exercised	929,353	75,113	13,004	0
5.	Total number of shares arising as a result of exercise of options	929,353	75,113	13,004	0



S.No.	Particulars	ESOP 2006	ESOP 2010		
			Grant I	Grant II	Grant III
6.	Number of options lapsed	60,566	338,413	32,023	17,750
7.	Variation in the terms of options	NA	NA	NA	NA
8.	Money realised by exercise of options (₹)	33,047,793	27,040,680	4,681,440	0
9.	Total number of options in force	5,134	678,829	61,900	214,950
<b>B</b>	<b>Employee-wise details of options granted to</b>				
i.	Senior managerial personnel	The Company has not granted options to any of the senior managerial personnel of the Company during the current financial year under the grant.			Rajneesh Chopra (Senior Vice President - Operations and Maintenance Group) was granted 5000 options.
ii.	Employees who were granted, in any one year, options amounting to 5% or more of the options granted during the year	The Company has not granted options to any employees amounting to 5% or more of the options granted during the current financial year.			
iii.	Identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	The Company has not granted options to any employees equal to or exceeding 1% of the issued capital of the Company during the current financial year.			
<b>C</b>	<b>Diluted Earnings per Share pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20</b>	<b>₹ 42.14</b>			
<b>D.</b>	<b>The impact on the Profits and EPS of the fair value method is given in the table below -</b>	<b>₹ In Lakhs</b>			
	<b>Profits as reported</b>	11,335			
	Add - Intrinsic Value Cost	127.12			
	Less - Fair Value Cost	237.07			
	Profits as adjusted	11,225			
		₹			
	Earnings Per Share (Basic) as reported	42.61			
	Earnings Per Share (Basic) adjusted	42.20			
	Earnings Per Share (Diluted) as reported	42.14			
	Earnings Per Share (Diluted) adjusted	41.73			

S.No.	Particulars	ESOP 2006	ESOP 2010		
			Grant I	Grant II	Grant III
E.	<b>Weighted average exercise price and fair value of options</b>				
	<b>Weighted average exercise price of options whose</b>				
	(a) Exercise price equals market price		NA		Nil
	(b) Exercise price is greater than market price		NA		Nil
	(c) Exercise price is less than market price		NA		360.00
	<b>Weighted average fair value of options whose</b>				
	(a) Exercise price equals market price		NA		Nil
	(b) Exercise price is greater than market price		NA		Nil
	(c) Exercise price is less than market price		NA		183.64
F.	<b>Method and Assumptions used to estimate the fair value of options granted during the year</b>	The fair value has been calculated using the Black Scholes Option Pricing model. The Assumptions used in the model on a weighted average basis are as follows			
	i. Risk Free Interest Rate		NA		7.29 %
	ii. Expected Life (in years)		NA		3.47
	iii. Expected Volatility		NA		31.34%
	iv. Dividend Yield		NA		1.52%
	v. Price of the underlying share in market at the time of the option grant (₹)*		NA		461.60

For and on behalf of the Board of Directors

Place: Brno, Czech Republic  
Date: May 24, 2014

**Rajiv Mittal**  
Managing Director

**Sumit Chandwani**  
Director

## Annexure II to the Directors' Report for the year ended March 31, 2014

Particulars as per the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended March 31, 2014.

### A. Conservation of Energy

a. Energy Conservation measures taken :	The Company has been Designing and Executing "Power Neutral" plants wherein the methane from biogas is digested and is used to generate energy to run the waste water treatment plants on self-sustaining basis. Recently the Company had also designed and installed Energy Recovery system in the 100MLD Nemmeli Desalination plant.
b. Additional Investments and proposals, if any, being implemented for reduction of consumption energy :	The investments are built into the Projects for the above mentioned Energy Conservation measures.
c. Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:	The plants built on the above mentioned measures are running on self-sustaining basis with negligible usage of Grid Power.





d. Total energy consumption and energy consumption per unit of production as per Form-A of the Annexure in respect of industries specified in the schedule:	N.A.
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## B. Technology Absorption

e. Efforts made in technology absorption Research & Development (R&D)	Please refer to MDA section forming part of the Annual Report
1. Specific areas in which Research & Development is carried out by the company	
2. Benefits derived as a result of the above R&D	
3. Future plan of action	
4. Expenditure on R&D	(₹ In Lakhs)
a. Capital	-
b. Recurring	205
c. Total	205
d. Total R&D expenditure as a percentage of total turnover	0.09%
5. Technology absorption, adaptation and Innovation	Please refer to MDA section forming part of the Annual Report
(1) Efforts, in brief, made towards technology absorption, adoption and innovation	
(2) Benefits derived as result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc	
(3) Incase of Imported technology (imported during last 5 years reckoned from the beginning of the financial year), following information may be furnished:	
(a) Technology imported	N.A.
(b) Year of Import	N.A.
(c) Has technology been fully absorbed?	N.A.
(d) If not fully absorbed, areas where this has not taken place, reasons there for and future plans of action.	N.A.

## C. Foreign Exchange Earnings and Outgo

(e) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services; and export plans;	The Company continuously strives to improve its export earnings. Further details in respect of exports are set out elsewhere in the report
(f) Total foreign exchange used and earned :	For the year ended March 31, 2014 (₹ In Lakhs)
Earning in Foreign Exchange :	31,808
Expenditure in Foreign Currency :	3,575

For and on behalf of the Board of Directors

Place: Brno, Czech Republic  
Date: May 24, 2014

**Rajiv Mittal**  
Managing Director

**Sumit Chandwani**  
Director

# Management's Discussion and Analysis

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Water is essential to life, pivotal for human development and crucial to keep the environment healthy. The presence of this vital resource is finite. With the pressures of increasing population, economic development and changing lifestyles, the gap between demand and supply is ever increasing leading to a potential conflict the world over.

## Global water sector

Freshwater is crucial for human well-being and sustainable socio-economic development. Its essential roles in achieving progress under every category of development goal are now widely recognised.

Global water demand (in terms of water withdrawals) is projected to increase by around 55% by 2050, mainly because of growing demands from manufacturing (400%), thermal electricity generation (140%) and domestic use (130%). As a result, freshwater availability will be increasingly strained over this period, and more than 40% of the global population is projected to be living in areas of severe water stress through 2050.

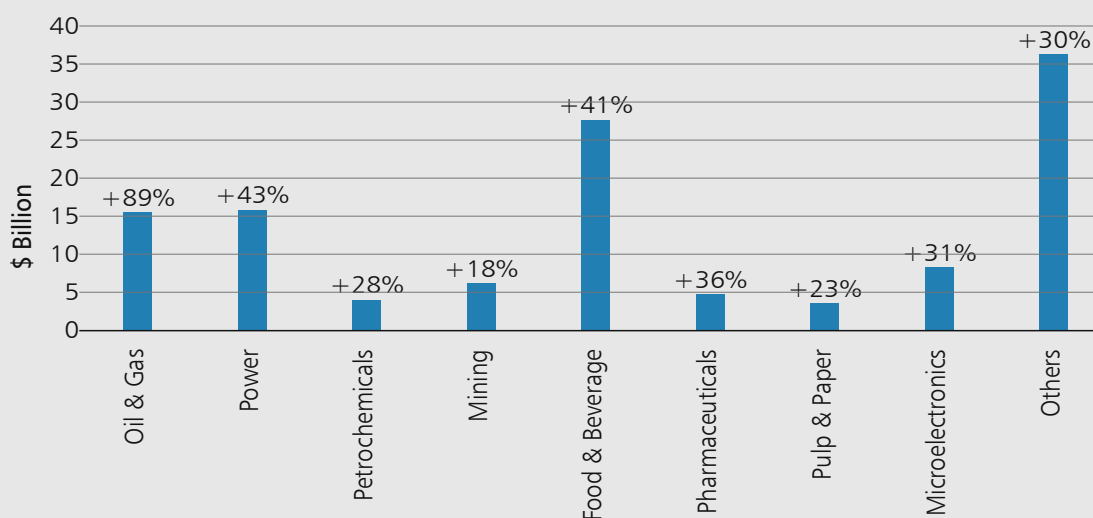
**Rising marginal cost:** It is estimated that industrial and municipal water users withdrew around 1,182 km<sup>3</sup> of water from natural resources in 2011. Of this, 841km<sup>3</sup> is considered to have been derived from surface water near to where it was used; 4 km<sup>3</sup> derived from long-distance water transfer projects, 186 km<sup>3</sup> from renewable groundwater and 134 km<sup>3</sup> from non-renewable groundwater. Seawater and brackish water desalination, together with reuse, represented around 17 km<sup>3</sup> of demand. By 2030, it is estimated that total demand would rise to 1,562 km<sup>3</sup>, but not all of this water will come from cheap and conveniently available resources. The share of water derived from long-distance transfer, desalination and reuse is expected to rise from 1.8% in 2011 to 5.7% in 2030.

Wabag received the distinction award for the 'Water Company of the Year - 2014' by 'Global Water Intelligence'.

#### Total forecast spending on industrial water system (2013-2018)

% figures show increase in 2018 spend over 2013 spend

Source: Global Water Market 2014



Although low-cost water resources will continue to remain the dominant source of supply, when the cost of developing non-traditional resources is looked at, it is easy to understand why expenditure in developing new water resources could grow by 8.2% over the period 2013-2018.

**Urbanisation drives wastewater spending:** Wastewater collection, treatment and sludge management are the forgotten necessities of urban life. Soon, countries that are industrialising will not be able to avoid spending money on wastewater collection and treatment. It is expected that there will be significant capital expenditure on wastewater infrastructure to outstrip capital spending on drinking water systems over the next five years. In the

developed world, much of the spending will focus on combined sewer overflow correction and sludge management. In the developing world, sewer networks and treatment plants will be the most significant expenditure items.

**Industry needs to spend on water:** Spending on water infrastructure by industrial users is expected to outpace the municipal water sector. While the natural resource industries are increasingly pursuing marginal resources (low-grade ores, shale gas, oil sands, coal bed methane and tertiary oil recovery), these involve significant wastewater treatment challenges. In other sectors, brand management and corporate social responsibility are driving investments in water-efficient technologies.

(<http://www.globalwaterintel.com/archive/14/4/market-profile/bright-new-future-water.html>)

## Indian water market

India is the second most populated country (over 1.2 billion people). Official estimates of the Ministry of Water Resources (MoWR) have put total utilisable water at 1,123 billion cubic metres as against the current use of 634 billion cubic metres, reflecting a surplus (Planning Commission, 2010). However, there exists a considerable temporal and spatial variation within the country with respect to water availability.

The Indian population is 16% of the

## Average annual per capita

Year	Population (Mn)	Per capita average annual availability (m <sup>3</sup> /year)
2001	1029 (2011 census)	1816
2011	1210 (2011 census)	1545
2025	1394 (Projected)	1340
2050	1640 (Projected)	1140

world with 4% of its water and 2.4% of its land. The population is expected to increase from 1.2 billion in 2010 to 1.6 billion in 2030. The country's urban component is expected to increase from 30% in 2010 to 50% in 2030; per capita income is expected to rise by US\$468 to US\$17,366 by 2050.

Increasing urbanisation will translate into increased demand for basic amenities like water supply, sewerage and solid waste management (SWM).

There have been visible improvements in terms of infrastructure and reforms. In seven years (2005-12), the government's allocation to water supply and sanitation has been about

₹450 billion.

**Water demand:** Inadequate water availability and inadequate access are limiting Indian development. The country's main water users are the agricultural, domestic and industrial sectors. While agriculture continues to dominate in terms of water use, industrial and domestic consumption are rising-India could be close to a 'water stress' with many river basins facing shortage. The agricultural water demand (2000-2050) could rise 5%, while domestic sector it could increase from 5% in 2000 to 11% in 2050, in the industrial sector it could increase from 6% in 2000 to 18% in 2050.

## National Water Policy

With a growing population, the needs of a nation also increase simultaneously. Add to this, the impact of climate change; availability of utilisable water coming under strain in the future has deepened the possibility of water conflicts among different user groups. A lack of consciousness about the scarcity of water, besides its life-sustaining and economic value results in its mismanagement, wastage and inefficient use. Moreover, there are already existing inequities in terms of distribution and the absence of a unified perspective in the efficacious use of water resources. The objective of the National Water Policy is to take stock of the existing situation, to propose a framework of laws and formulate a plan of action with a unified national perspective.

The present scenario in India is of great concern. A large part of the country is already water-stressed and access to safe drinking water is a challenge in many areas.

There is a need to evolve a National Framework Law as an umbrella statement of general principles governing the exercise of legislative and/or executive powers by the Central Government, the State Governments and the local governing bodies.

**The major features under this policy are:**

- Policy to prioritise and ensure economic usage of water
- Focus on development of urban

## Water opportunities in Philippines

The water market in Philippines has become substantially larger and attractive. Capital expenditure on water and wastewater infrastructure is expected to report a healthy growth until 2018, reaching \$690 million compared with \$140 million in 2011. Not only is the local Government committed to improve the water system, but also it is open to private sector participation, making this an attractive market for international and local water companies. There will inevitably be huge investments in improving Philippines wastewater infrastructure and treatment facilities, benefiting proactive service providers.







water supplies and sewage treatment schemes

- Encourage recycling and reusing of water
- Develop a mechanism for implementation of a unified water tariff system and incentivise the reuse of water
- From the role of a service provider to regulator of services
- Undertake water-related services under the PPP model
- Encourage continuous research in water sector
- Encourage desalination in coastal States
- Ensure that water charges reflect the full recovery of administrative and O&M costs of water projects

## Key demand drivers

### Industrial

- Rising industrial growth

- Development of large SEZ and manufacturing park projects
- Groundwater depletion
- Stringent pollution control norms

### Municipal

- Huge increase in water demand
- Gap in water supply and sanitation facilities
- Budgetary allocation from governmental and other international agencies

**Water supply services:** India is moving from 'water-stress' to 'water-scarce'.

Following an increase in urbanisation, per capita water availability declined from 1,820 cubic metres in 2001 to 1,544 cubic metres in 2011 and a projected 1,140 cubic metres by 2050. Only 43.5% of Indian households have access to piped drinking water. Within urban areas, about 71.2% households are covered for drinking water within

the premises.

### Sewerage and waste water management services:

Even as there has been a sharp increase in wastewater generation, wastewater collection and treatment, infrastructure has remained inadequate. The installed treatment capacity for an estimated 42,321 MLD of wastewater generated annually is only adequate for about 30% of the sewage generated. Owing to the limited treatment, untreated wastewater continues to flow into freshwater sources.

**Industrial water:** As GDP increases, so does the industrial demand for water, increasing concerns regarding its quality and availability, compelling industries to focus on efficiency and reuse. The total water requirement is expected to increase to about 813 BCM by 2025. Of this, industrial water requirement is estimated at 62 BCM. Water demand

by 2050 is expected to touch 1,180 BCM, in excess of total utilisable water resources (estimated at 1,023 BCM). Of this, the industrial water requirement is estimated at 80 BCM.

**Desalination:** The global desalination market is driven by a growing demand for water and rising supply costs. The exploration of alternative water supply sources (desalination) is derived from a dwindling ratio of population to water resources, increasing inter-state water disputes, increase in food production, rapid urbanisation and industrialisation, erratic monsoons and industrial water contamination.

The Indian desalination market was about 470 MLD (2010) and going forward, the industry is expected to increase to over 1,850 MLD by 2015

corresponding to an investment of over ₹60 billion.

## Focus areas

**Twelfth Five Year Plan:** The Indian economy faces daunting challenges in the water sector. The demands of a rapidly industrialising economy and urbanising society come at a time when the potential for augmenting supply is limited, water tables are declining and water quality issues are prominent.

- **Reform of major and minor irrigation projects:** Nearly 80% of India's water resources are consumed in irrigation. The Twelfth Five Year Plan outlines the different ways in which water use in irrigation can be improved. The Twelfth Five Year Plan envisages a move-away approach from an engineering construction-

centric approach to a multidisciplinary participatory approach. The Twelfth Five Year Plan also proposes to improve water use efficiency by 20% in the irrigation sector.

- **Groundwater:** Groundwater accounts for nearly 66% of India's irrigational and 80% of domestic water needs. The Twelfth Five Year Plan calls for a participatory approach in the sustainable management of groundwater based on a new programme of aquifer mapping as a prerequisite and a precursor to the National Groundwater Management Programme. The Twelfth Five Year Plan calls for launching a massive programme for watershed restoration and groundwater recharge by transforming the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) into India's largest watershed programme.

- **Urban water and waste water management:** The growth of cities and industries will have massive implications on the use of water and discharge of waste. As far as management and supply of water is concerned, it is estimated that as



## Significant feat

100 MLD Sea Water Desalination Plant at Nemmeli built by WABAG is the first and the largest in India on EPC basis meant for 100% potable use

For the first time for WABAG worldwide and for WABAG India, Industrial Water Business Group executed a high pressure CPU working at 30 bar pressure for an ultra Super critical power plant of 2 x 800 MW at APPDCL, SDSTPS, Krishnapatnam site.





much as 40–50% of the water is 'lost' in the distribution system. Even this is a guesstimate as most cities do not have real accounts for the water that is actually supplied to consumers. The Twelfth Five Year Plan proposes that the water supply programme for each city must provide for demand management and reduction of supply costs.

- **National Water Framework Law:** If a national law is considered necessary on the environment, forests, wildlife and biological diversity, then a national law on water is even more required. To this end, a sub-group (part of the Working Group on Water Governance) in the Twelfth Five Year Plan drafted a National

Water Framework Law. The proposed framework law is an umbrella statement of general principles governing the exercise of legislative and/or executive powers by the centre, the States and local governance institutions.

A total outlay between ₹2,72,377 crore and ₹3,03,165 crore is suggested in the Twelfth Five Year Plan for rural domestic water supply, including the component of National Rural Drinking Water Programme for lagging states, special component for scheduled castes and scheduled tribes, support activities and sustainability, among others.

The Twelfth Five Year Plan calls for a participatory approach in the sustainable management of groundwater based on a new programme of aquifer mapping as a prerequisite and a precursor to the National Groundwater Management Programme.





# Municipal Business Group (MBG)

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With the internationalisation of SBUs, the market opportunities for Municipal Business Groups are many, both in India and abroad. In India, there are opportunities for jobs funded by multilateral agencies and Central Government schemes. Further, tertiary treatment with water recycling is gaining momentum; opportunities in BOO/BOOT segment are also available. As far as the overseas market potential is concerned, Northern Sri Lanka presents huge opportunities. Similarly, Malaysia, both in industrial and municipal segments, provides bright prospects. As for the Middle East, Qatar and Dubai are building their infrastructure for the FIFA World Cup and EXPO. Bahrain is

planning for more water projects. For all purposes, the MBG is poised to make significant strides in these countries.

## Major order intake

Some of the prestigious orders bagged during the year include Melamchi Water Treatment Plant in Nepal; sewage treatment plants for Odisha in Bhubhaneswar and Cuttack; sewage treatment plants in Philippines; water treatment plant for Dar-e-Salaam in Tanzania; sewage treatment plant at Egypt and Belandur sewage treatment plant for the Bangalore Water Supply and Sewerage Board (BWSSB).

## Projects delivered

- After the successful commissioning

of the 100 MLD Nemmeli desalination plant, the facility achieved its full capacity

- Successfully commissioned STP at Kondli for Delhi Jal Board
- For the water-stressed Vizag Steel Plant, WABAG successfully completed the wastewater recycle and reuse modules.

## Highlights 2013-14

- Achievement of 100 MLD at Nemmeli desalination plant;
- Repeat orders from Reliance and BWSSB;
- Overseas orders from Philippines, Nepal, Egypt and Tanzania





# Operations Business Group (OBG)

## Overview

The Operations Business Group (OBG) is responsible for operating and maintaining water treatment plants within India and abroad. This group addresses industrial, municipal and desalination needs. With more than 60 plants operated and maintained within India, the Company is the largest of its kind in the country. The business caters to water management projects in the ASEAN region and the Middle East. Besides handling WABAG plants, the team is also operating and maintaining plants built by sectoral peers.

## Highlights, 2013-14

- The Company created two new regional profit centres in South-East Asia
- After successful execution of Nemmeli desalination plant, achieved rated capacity within a year of commissioning
- Bagged overseas projects in Oman

## Strengths

- The SBU possesses a dedicated technical support team to operate and maintain complex plants and establish a growing global presence as well

as forge strategic tie-ups with local partners

- Remote monitoring system for effective control and management of plants across various locations

## Road ahead

- The Company plans to foray into plant rehabilitation and automation leading to increased plant efficiency
- The Company intends to commence the supply of spare parts for its customers





# Industrial Water Group (IWG)

## Overview

IWG provides water management solutions for demineralisation plants, reverse osmosis plants and CPU plants used by various industries (steel, petrochemical, fertilisers and power, among others). During the year, the Company largely focused on the petrochemical and power sectors while the steel sector remained subdued. The SBU expanded its global footprint across the petrochemical and fertiliser sectors. It created a strong track record by virtue of on-time project delivery which, in turn, reinforced relationships, generated repeat orders and the receipt

of timely payments from its customers.

## Highlights, 2013-14

- Won repeat orders from Reliance Industries
- Received orders from international petrochemical and fertiliser industry majors
- Executed projects involving complex processes like boron removal, a first-of-its-kind treatment in India

## Strengths of IWG

- The SBU leveraged the rich technology bank of WABAG.
- Created a strong presence in the steel, power, petrochemical, and fertiliser

industries in India and abroad

- Focused on niche projects marked by limited competition
- Created robust client relationships through timely delivery and superior servicing

## Road ahead

Going ahead, the SBU intends to embark on the following initiatives:

- Concentrate more on international projects
- Recycle water from complex oil and gas wastewaters
- Grow the domestic order book substantially

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## Human Resources



‘An organisation’s ability to learn, and translate that learning into action rapidly, is the ultimate competitive advantage’ – Jack Welch

The Company has an employee base of around 1,500, out of which 950 are based in India and the rest across WABAG offices in international geographies. The average age of employees in India was 35 years towards the close of the year under review; around 80% of the Company’s employees are engineers.

## Recruitment

The Company does an in-depth manpower planning exercise at the beginning of the year, based on business needs and planned growth. Recruitment sources include employee referrals, job-portals, HR consultants, ex-employees and existing database.

## Training

The Company believes that people are its primary assets, and lays a strong emphasis on building their competencies. In this direction, the Company had embarked on a competency mapping exercise across India, covering all locations, levels and all functions. It has now prepared a list of competencies and job-descriptions that will provide direction to training and development initiatives, individual career planning and recruitment. On the whole, the Company spent 3,200 man-days in training by running 59 programmes across locations.

## Highlights, 2013-14

- Periodic HR surveys helped WABAG reach out to people and understand their expectations
- Organised sports events to build employee bonding
- Conducted mini-workshops across locations and SBUs involving over 400 employees, engaging them in a debate to understand their concerns about the PMS system with an objective to enhance procedural credibility, transparency, and employee efficiency
- Leadership feedback surveys helped provide managers with feedback from their subordinates

- Conducted 'Enrich' sessions, where experienced managers shared their knowledge on a variety of technical and functional subjects

- Streamlined the Graduate Engineer

Trainee (GET) entry scheme and added to it the pre existing mentorship programme

### Roadmap, 2014-15

- The Company aims to focus on

building a leadership pipeline to strengthen talent, helping in succession planning and handling large projects to achieve its long-term vision.

## Information Technology



WABAG uses a state-of-the-art information technology platform to facilitate informed decision-making across geographies. The Company intends to evolve a 'centralised administration with local break-fix service' model whose objectives comprise service standardisation, cost optimisation and enabling communication and collaboration. The Company implemented this model in the greenfield MDU in Philippines, where the infrastructure was designed from scratch and managed centrally.

The Company has reached global agreements for ERP and with Microsoft, leading to cost optimisation. On the communication and collaboration

front, the Company has been utilising Lync and SharePoint. The global workforce is enabled with the unified communication tool Lync; many portals over SharePoint have been established to ensure ease of collaboration and knowledge sharing.

### Highlights, 2013-14

- A world-class Data-Centre has been established at WABAG House
- Established full-fledged IT infrastructure in Philippines, centrally managed from Chennai
- Harnessed the communication and collaboration tools like Lync and SharePoint
- Implemented ERP system in WABAG

Romania

- Implemented CADISON®, a 3D Plant Design and Engineering Package

### Road ahead

- Harnessing the capability of 3D engineering to enhance project quality and reduce turnaround
- Setting up ERP in new locations depending on the business expansion
- Furthering communication and collaboration
- Utilising certain cloud applications for better mobility
- Consolidating and standardising global IT services for cost optimisation

### The CADISON® edge

CADISON® is a fully integrated multi-disciplinary engineering solution that combines the entire engineering workflow in one system and unites engineering data and graphics (schematics and 3D) to deliver the latest updated information of the projects across all disciplines.

The CADISON® solution provides the flexibility to customise workflows, object models and catalogues to one's own standards and automatically generate reports, BOMs, MTOs, isometrics and 2D GA drawings to improve project executional efficiency. It also has got built-in revision control and project coordination capabilities. CADISON® integrates the autodesk environment by using the graphics engine of AutoCAD and has interfaces to ERP and pipe stress calculation solutions.

The Swiss office of WABAG implemented about 36 projects in CADISON®; the International Engineering Centre (Pune) and the MBG in Chennai have successfully completed the pilot project.



# International Engineering Centre (IEC)



WABAG established international engineering centres in Pune and Vadodara to facilitate project design and engineering. These centres are capable of producing cutting-edge engineering designs, supported by proactive investments in automation.

**System tools:** Currently the IEC uses a number of 3D softwares like Propipe and high-end software like PDMS. It developed a pressure vessel and tanks design and drawing software. Moreover, the design and analysis tools like piping stress analysis and structural analysis are extensively used. In order to bring uniformity in the software usage the Company adopted the CADISON® platform for engineering.

**Engineering:** The focus was on standardisation of the deliverables to the maximum extent possible. Accordingly the deliverables for the instruments and rotating equipment

were standardised leading to a higher throughput of engineering deliverables. A periodic audit of stage-wise closure of engineering made it possible to deliver defect-free deliverables in most cases. The IEC carried out engineering projects for a large number of clients like Reliance Industries, Punj Lloyd, Indorama Nigeria and JSPL.

## Highlights, 2013-14

- Completed design of the ultra-pure water plant for solar cells in Qatar which will have the capability to produce 18.2 mega-ohm pure water.
- Created in-house design employing sandwich mixed bed technology for the industrial waste water treatment plant
- Completed a pilot project using CADISON® software used in 3D modeling of the actual plant, increasing design efficiency with minimal alterations at the plant erection stage

- A team of designers and engineers from the IEC were posted in Spain for one year and they worked as a team to engineer the 191 MLD Al-Ghubrah desalination project - the largest desalination plant done by WABAG till date

- First high pressure spherical condensate polisher unit was commissioned thereby validating the design done earlier

## Road ahead

Going ahead, the team plans to achieve the following:

- Strengthen internal process and enhance documentation quality so that the deliverables meet quality and timeliness objectives
- Stabilisation of CADISON® with 100%-utilisation and end-to-end integration of the design suite

# Research and Development



## WABAG Austria activities

The main R&D projects of WABAG Austria have been 'Fine sieving (MICROPUR®) in municipal and industrial wastewater treatment', 'Membrane distillation as a technology for zero liquid discharge' (jointly with WABAG Romania) and 'Ceramic membranes (CERAMOPUR®) in

drinking water treatment' (jointly with WABAG India).

- **Fine Sieving** (250  $\mu\text{m}$ ) is employed both upstream to MBR (MICROPUR-MBR®) and conventional activated sludge (MICROPUR-CAS®). Another beneficial application is for tertiary treatment (MICROPUR-TT®). The technology (including new features)

has been optimised by pilot testing at an Austrian municipal WWTP which will position WABAG to demonstrate the benefits of MICROPUR® to clients and/or consultants - worldwide.

- **Membrane distillation** is a combination of membrane technology and evaporation in a single unit for further concentration of brines,

regenerates, etc. Energy requirements are low and high recovery rates can be accomplished. A pilot plant has been operated successfully for TDS concentration in produced water jointly with WABAG Romania at the Petrobrazi Refinery.

- **KomOzAk** stands for the advanced treatment of municipal WWTP effluents using ozone and activated carbon for the elimination of organic micropollutants.

## R&D activities at WABAG Switzerland

### Water treatment

The pilot tests with an advanced multi-barrier system for the treatment of surface water to drinking water continued to evaluate the drinking water produced on the basis of

new parameters. These latest measures will further strengthen the position of WABAG as a technology leader in the design and application of multi-stage treatment systems for the production of high-quality drinking water.

WABAG has further developed the direct application of Powdered Activated Carbon (PAC) onto ultra-filtration membranes and the partial PAC recovery.

### Wastewater treatment

WABAG Switzerland focused on the further development of treatment processes for the removal of micro-pollutants from wastewater.

WABAG Switzerland is involved in innovative group projects like granular sludge for the treatment of municipal sewage and the Anammox process (anaerobic ammonia oxidation) for the

treatment of the mainstream municipal wastewater.

## R&D activities in India in collaboration with the Centre for Environmental Studies at the Anna University

1) The report on the findings of UASB-plus-MBR research programme for the energy optimised treatment of sewage for reuse has been completed and has received the approval of the R&D in Vienna.

2) Having completed the first batch of trials last year, the second batch of trials with the different membrane, on the ceramic membrane pilot plant for the treatment of raw water to produce potable water, have been taken up this year and likely to be concluded, early next year.

# Sustainability



WABAG integrated “sustainability” into the core of its business strategies. The business in which it is, by itself enables us to address the need for environment friendly sustainable solutions. Brand “WABAG” is well known for its technologies for treatment of water and waste water and in the last nine decades of our presence in the market, we have built more number of plants for treatment of waste water meeting the global environment needs. Our Waste Water Treatment Plants not only brings life back to water but also produces green energy by digesting the methane gas emanating from waste water and passing it through a turbine. Two of our plants in south India have crossed

114,495 hrs of operation producing 59,248,900 kwh of green energy.

WABAG provided its Sludge Management technology to this world long back and this was the first of its kind at that time. Apart from contributing to renewable energy through its STPs, WABAG is actively promoting tertiary treatment to all industries to achieve Zero Liquid Discharge. Fresh water addition comes down as low as 10% in such plants. WABAG has built many such plants across the globe. Our plant constructed for the City of Windhoek in Namibia produces drinking water from waste water for more than a decade. In a resource (water) constrained world,

such solutions are key for sustainability.

The world is facing acute shortage of fresh water due to geographic imbalances, frequent monsoon failures and slower pace of investment in water sector as compared to its geometrically growing needs. The key to achieve sustainability in water treatment is through reuse of waste water. WABAG uses state of the art technology in its plants and takes utmost care to bring down energy consumption through energy saving devices and making it cost effective and affordable in emerging economies.



## International Subsidiaries

### WABAG Austria

WABAG Austria governs the MDUs in Europe, North Africa and the Middle East and serves customers and partners in this region. The quality of the plants installed over the years by WABAG Austria is unparalleled and their hallmark being the quality Austrian engineering/products utilised. It provides references to many other units.

#### Highlights

- Received order intake of Euro 60 million

#### Opportunities

Austria is largely an export driven business. In the past five years, the Austrian unit has garnered 95% of the revenues through export. In the markets covered by Austria and its subsidiaries the opportunities are plentiful. Cases in point:

- In Western Europe the regulations with regard to removal of micro-pollutants (from pharmaceutical industries among others) are constantly getting more stringent. Through its subsidiary in Switzerland, WABAG has led from the front towards meeting this

challenge. This market is all set to grow further substantially.

- In North Africa and the Middle East, water reuse has gathered a lot of steam. With its formidable track record in Libya, Egypt, Algeria, Iran and Namibia among other countries, WABAG Austria is well-positioned to garner a fair chunk of this fast growing market. It is to be noted that the main utility in Saudi Arabia, the National Water Company, chose WABAG as its international partner for its TSE (Tertiary Sewage Effluent) business which involves taking raw sewage, treating it and re-selling it for use in irrigation.

- Eastern Europe has been taking rapid strides towards bringing its effluent standards in line with overall European norms

#### Roadmap 2014-15

The Company will continue the build-up of strong local units (MDU) and expects overall strong revenue growth.

### WABAG Philippines

Even as WABAG is among a handful of international players in Philippines, it has enhanced its presence via a

differentiated approach. The Company has built a reputation around an awareness and the capability to counter local challenges. The Company is leveraging best-in-class technology to acquire new projects. For instance, the Company was awarded ₹150 crore project in 2013 on account of its technological expertise and localised insight.

Philippines being an island nation, freshwater availability is always a matter of concern. Desalination has failed to be successful as the power costs in Philippines are the highest in the whole of South-East Asia.

The Company put up a pilot plant to test and was able to come up trumps reasserting the Company's status as a one-stop solutions provider.

The Company used European technology at Asian prices and did the engineering in India which helped in cutting down costs of procurement, resulting in better quality at a reduced cost.

#### Highlights, 2013-14

- The Company achieved market leading presence within three years of operations.



- The Company won a ₹150 crore order for the construction of a 100-MLD sewage treatment plant

### Landmark projects

- The 100 MLD sewage treatment plant is the biggest plant of the country (extendable to 165 MLD)
- The Company responded to this World Bank-funded project with the deployment of professionals from China, India and Philippines, resulting in quick progress

The Company concentrated on execution, cost-effective material procurement, price-value management and positioned itself as a local entity with international expertise.

### Road ahead

Looking ahead, the Company intends to reinforce its EPC reputation and extend into Vietnam, Cambodia and Indonesia.

### WABAG Turkey

The Turkish subsidiary was started in 2010 on the back of strong opportunities. With an improvement in the lifestyle quotient, the need for clean drinking water is gaining importance in the country. The government has lined up strong investment in this sector. This subsidiary is important as it's the gateway to Europe. Opening this subsidiary helped localising the entire operations and also helped in getting experienced manpower at optimum costs.

### Highlights 2013-14

- Received orders of Euro 30 million
- Executed first EPC contract successfully and on time
- Increased gas production in the sewage

### Strengths

- Strong home market and effectively positioned in the market
- Technological-edge over competition

### Road map

Going ahead, the Turkey subsidiary plans to export to nearby countries like Azerbaijan, Turkmenistan among others.



## Risk Management & Internal Control

The Company believes that anticipating risks and providing proactive and effective response to risks will safeguard and enhance value to all stakeholders.

Towards the same, the Company has adequate risk management processes & policies along with internal control systems that are embedded in the business processes. These are monitored and enhanced through the global Enterprise Resource Planning (ERP) package in the Company.

The various business and transactional risks are effectively taken care through internal control mechanism that is commensurate with the size and complexity of the Company's business. There are documented procedures and authorisation levels that govern the conduct of business at various levels across geographies. The Company has a strong internal assurance team to support the Group CEO and Managing Director directly to identify and manage the various operational and business

risks.

The effectiveness of the internal control mechanism is reviewed by an independent professional internal audit function and by the statutory auditors. The Audit Committee of the Board periodically reviews the functioning of the internal audit and the implementation of the recommended measures to improve the internal control mechanism.

# Corporate Governance Report

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## Company's Philosophy on Corporate Governance

At VA TECH WABAG LIMITED ("WABAG" or "the Company") we are committed to meet the aspirations of all our stakeholders through ethical business conduct which is critical to enhance and retain investor trust. This is ensured by taking ethical business decisions and conducting the business with a firm commitment to values, while meeting stakeholders' expectations. We conduct our business in a manner that is fair to all our stakeholders, we practice a high standard of integrity in all our actions and we respect and comply with the laws of the geographies in which we are present.

At WABAG, we consider stakeholders as partners in our success, and we remain committed to maximising stakeholder value, be it shareholders, employees, suppliers, customers, investors, communities or policy makers. Over the years, we have strengthened governance practices. These practices define the way business is conducted and value is generated. Stakeholders' interests are taken into account, before making any business decision.

At WABAG, it is imperative that our company's affairs are managed in a fair and transparent manner. This is of vital importance and retains the trust of our stakeholders. We consider it our

inherent responsibility to disclose timely and accurate information regarding our financials and performance, as well as the leadership and governance of the Company.

In the years of its existence, Wabag has created a richly competent, informed and independent Board of Directors ("the Board"). The Board of Wabag is at the core of our corporate governance practice. It oversees how the management serves and protects stakeholder interests by following best practices. The majority of our Board, 4 out of 5 are Independent Directors. Further all the Committees of the Board comprises majority of Independent Directors. The Board will continue to focus on upholding the core values of excellence, integrity, responsibility, unity and understanding to ensure that there is a strong legacy of fair, transparent and ethical governance practice in the Company.

Recently, the Securities and Exchange Board of India (SEBI) sought to amend the equity listing agreement to bring in additional corporate governance norms for listed entities. These norms provide for stricter disclosures and protection of investor rights, including equitable treatment for minority and foreign shareholders. The amended norms are aligned with the provisions of the Companies Act, 2013 and are aimed to

encourage companies to "adopt best practices on corporate governance".

The Company is not only in compliance with the requirements stipulated under Clause 49 of the Listing Agreement entered into with the Stock Exchanges with regard to corporate governance but is also committed to sound corporate governance principles & practices and constantly strives to adopt emerging best practices being followed worldwide.

## Composition of the Board

The composition of the Board during the financial year was in conformity with Clause 49 of the Listing Agreement entered into with the Stock Exchanges.

As on March 31, 2014 the Board comprises of five Directors. The Chairman of the Board is an Independent Director. Besides the Chairman, the Board comprises of the Managing Director who is a promoter Director, and three Non-Executive Independent Directors. No Director is inter se, related to any other Director on the Board.

The management of the Company is headed by the Managing Director, who operates under the supervision and control of the Board. The Board reviews and approves strategy and oversees the actions and results of the management



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to ensure that the long-term objectives of enhancing the value for stakeholders' are met.

The Non-Executive Independent Directors have the requisite qualification and experience in general corporate management which enables them to contribute effectively to the Company in their capacity as Directors while participating in its decision - making process.

Apart from reimbursement of expenses incurred in discharge of their duties and the remuneration that the Non-Executive Independent Directors and Managing Director would be entitled

under the Companies Act, 1956, none of the Directors have any other material pecuniary relationships or transactions with the Company, its Directors, its Senior Management, its subsidiaries and associates which in their judgment would affect their independence.

The Board periodically evaluates the need for change in its composition and size.

### Board meetings, Attendance, Directorships & Committee Memberships

The Board of Directors met four times during the year: on May 23, 2013,

August 8, 2013, November 7, 2013 and February 8, 2014. These meetings were well attended. The Company has held at least one Board meeting in every three months. The maximum gap between any two meetings was less than one hundred and twenty days, as stipulated under Clause 49.

Table below gives the details of the category, directorship, Committee chairmanship / memberships, attendance of Directors at Board meetings held during the Financial Year ending March 31, 2014 and at the last Annual General Meeting:

Name	Category	Attendance Particulars			No. of Directorships and Committee Memberships / Chairmanships as on March 31, 2014 <sup>1</sup>		
		No. of Board Meetings		Last AGM	Directorships <sup>2</sup>	Committee Memberships <sup>3</sup>	Committee Chairmanships <sup>3</sup>
		Held	Attended				
Bhagwan Dass Narang	Independent Chairman	4	3	Present	7	5	3
Jaithirth Rao	Independent Director	4	4	Present	2	1	-
Sumit Chandwani	Independent Director	4	4	Present	1	1	1
Revathi Kasturi	Independent Director	4	3	Present	1	-	-
Rajiv Mittal	Managing Director	4	4	Present	1	-	1

1.Excludes Private Limited Companies, Foreign Companies and Companies registered under Section 25 of the Companies Act,1956

2.Excludes alternate Directorships but includes Additional Directorships and Directorship in VA TECH WABAG LIMITED

3.Committees considered are Audit Committee and Shareholders/Investors Grievance Committee, as per Clause 49 of the Listing Agreement.

## Board Procedure

A detailed agenda folder is sent to each Director in advance of Board and Committee Meetings. All material information is incorporated in the agenda for facilitating meaningful and focused discussions at the meeting. Where it is not practicable to attach any document to the agenda, the same is tabled before the meeting with specific reference to this effect in the agenda. In special and exceptional circumstances, additional or supplementary item(s) on the agenda are permitted. To enable the Board to discharge its responsibilities effectively, the Managing Director apprises the Board at every meeting, the overall performance of the Company.

The Board reviews strategy and business plans, annual operating and capital expenditure budgets, investment and exposure limits, compliance reports of all laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliances, if any. The Board also reviews major legal issues, minutes of meetings of various Committees of the Board and Board meetings of subsidiary companies, significant transactions and arrangements entered into by the subsidiary companies, adoption of financial results, transactions pertaining to purchase or disposal of properties, major accounting provisions and write-offs, corporate restructuring and information on recruitment of officers just below the Board level, including

the Chief Financial Officer and the Company Secretary.

The Company Secretary records minutes of proceedings of each Board and Committee meeting. Draft minutes are circulated to Board / Board Committee members for their comments. The minutes are entered in the Minutes Book within 30 days from the conclusion of the meeting.

The guidelines for Board and Board Committee meetings facilitate an effective post meeting follow-up, review and reporting process for decisions taken by the Board and Board Committees thereof. Important decisions taken at Board / Board Committee meetings are communicated promptly to the concerned departments / divisions. Action-taken report on decisions /minutes of the previous meeting(s) is placed at the succeeding meeting of the Board / Board Committee for noting.

The Company Secretary, while preparing the agenda, notes on agenda, minutes of the meeting(s), is responsible for and is required to ensure adherence to all applicable laws and regulations, including the Companies Act, 1956 / Companies Act, 2013 read with rules issued thereunder, as applicable and the Secretarial Standards recommended by the Institute of Company Secretaries of India.

## Directors' shareholding

The details of Company's shares held by

the Directors as on March 31, 2014 are as below:

Name of Director	No. of shares held (₹2/- paid up)
Bhagwan Dass Narang*	Nil
Jaithirth Rao	92,734
Sumit Chandwani	Nil
Revathi Kasturi	Nil
Rajiv Mittal	48,54,703

*\*Bhagwan Dass Narang currently holds 50% of the Share Capital of Shri Venimadhav Portfolio Private Limited, which in turn held 17,870 equity shares of the Company as on March 31, 2014.*

## Committees of the Board

Currently the Board has five Committees:

- Audit Committee
- Stakeholders Relationship Committee\*
- Nomination and Remuneration Committee\*
- Corporate Social Responsibility Committee
- Monitoring Committee

*\*The nomenclature, constitution and the terms of reference of the Committee was amended at the meeting of the Board of Directors of the Company at their meeting held on May 24, 2014 in compliance with the provisions of the Companies Act, 2013, Clause 49 of the Listing Agreement and Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 as amended from time to time.*

The Company's guidelines relating to Board meetings are applicable to Committee meetings as far as practicable. Each Committee has the authority to engage outside experts, advisors and counsels to the extent it considers appropriate to assist in its function. Minutes of proceedings of Committee meetings are circulated to the Directors and placed before Board meetings for noting. The recommendations of the Committees are submitted to the Board for approval.

## Terms of reference and other details of Board Committees

### Audit Committee

#### Composition of the Committee

Bhagwan Dass Narang (Chairman of the Committee)	Independent Director
Jaithirh Rao	Independent Director
Sumit Chandwani	Independent Director

The Committee's composition meets with the requirements of Section 177 of the Companies Act, 2013 and Clause 49 of the Listing Agreement. All the members of the Committee possess financial / accounting expertise / exposure.

### Powers of the Audit Committee

1. To investigate any activity within its terms of reference.

2. To seek information from any employee.

3. To obtain outside legal or other professional advice.

4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

### Role of the Audit Committee inter alia, includes the following:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- Recommendation for appointment, remuneration and terms of appointment of Auditors of the Company;
- Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors;
- Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
  - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013 .
  - Changes, if any, in accounting policies and practices and reasons for the same.
  - Major accounting entries involving estimates based on the exercise of judgment by management.

■ Significant adjustments made in the financial statements arising out of audit findings.

■ Compliance with listing and other legal requirements relating to financial statements.

- Disclosure of any related party transactions.
- Qualifications in the draft audit report
- Reviewing, with the management, the quarterly financial statements before submission to the board for approval;
- Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
- Review and monitor the auditor's independence and performance, and effectiveness of audit process;
- Approval or any subsequent modification of transactions of the Company with related parties;
- Scrutiny of inter-corporate loans and investments;
- Valuation of undertakings or assets of the Company, wherever it is necessary;
- Evaluation of internal financial controls and risk management systems;



- Reviewing, with the management, performance of Statutory and Internal Auditors, adequacy of the internal control systems;
- Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- Discussion with Internal Auditors of any significant findings and follow up there on;
- Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
- Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- To review the functioning of the Whistle Blower Mechanism;
- Approval of appointment of CFO (i.e., the Whole-Time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;

- Examination of the financial statement and the auditors' report thereon

- Reviewing financial statements, in particular the investments made by the Company's unlisted subsidiaries.

- Reviewing the following information:

- Management discussion and analysis of financial condition and results of operations;

- Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;

- Management letters / letters of internal control weaknesses issued by the Statutory Auditors;

- Internal audit reports relating to internal control weaknesses; and

- The appointment, removal and terms of remuneration of the Chief Internal Auditor.

- To call for comments of the Auditors about internal control systems, the scope of audit, including the observations of the Auditors and review of financial statement before their submission to the Board and to discuss any related issue with the Internal and Statutory Auditors and the management of the Company.

- Carrying out such other functions as may be specifically referred to the Committee by the Company's Board of Directors and / or other Committees of Directors including any other functions within its terms of reference as outlined in Clause 49 of the Listing Agreement and Section 177 of the Companies Act 2013.

Senior Executives of the Accounts / Finance Department and representatives of Statutory and Internal Auditors attend Audit Committee Meetings.

The Company Secretary acts as the Secretary to the Audit Committee.

The Chairman of the Audit Committee, Bhagwan Das Narang was present at the last Annual General Meeting held on July 25, 2013.

The Committee met four times during the Financial Year 2013-14 on May 23, 2013, August 8, 2013, November 7, 2013 and February 8, 2014. The attendance at the meetings is as under:

Members	Number of Meetings	
	Held	Attended
Bhagwan Dass Narang	4	3
Jaithirth Rao	4	4
Sumit Chandwani	4	4

## Stakeholders Relationship Committee

### Composition of the Committee

Sumit Chandwani (Chairman of the Committee)	Independent Director
Rajiv Mittal	Managing Director

The name of the 'Share Allotment / Transfer cum Investors' Grievance Committee" was changed to 'Stakeholders Relationship Committee' and its terms of reference widened by the Board at its meeting held on May 24, 2014 in compliance with



the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement. The Stakeholders Relationship Committee is primarily responsible for redressal of shareholders' / investors' / security holders' grievances including complaints related to transfer of shares, non-receipt of declared dividends, annual reports etc. The Committee's terms of reference also include allotment of equity shares to option grantees under the prevailing ESOP Schemes of the Company.

The Committee's composition and the terms of reference meet with the requirements of Clause 49 of the Listing Agreement and provisions of the Companies Act, 2013.

### Terms of reference of the Committee, inter alia, includes the following

- Oversee and review all matters connected with the transfer of the Company's securities.
- Approve issue of the Company's duplicate share / debenture certificates.
- Monitor redressal of investors' / shareholders' / security holders' grievances.
- Oversee the performance of the Company's Registrars and Transfer Agents and recommend measures for overall improvement in the quality of investor services.
- Monitor implementation of the Company's Code of Conduct for Prohibition of Insider Trading.
- Carry out any other function as is

referred by the Board from time to time or enforced by any Statutory notification / amendment or modification as may be applicable.

Rajiv Balakrishnan, Company Secretary is the Compliance Officer for complying with the requirements of Securities Laws and Listing Agreements with Stock Exchanges.

The Committee met four times during the year on May 23, 2013, August 8, 2013 and November 7, 2013 and February 8, 2014. The attendance at the Meetings is as under:

Members	Number of Meetings	
	Held	Attended
Sumit Chandwani	4	4
Rajiv Mittal	4	4

During the year, 8 complaints were received and resolved to the satisfaction of investors. As on March 31, 2014, there are no outstanding complaints from the investors.

## Nomination and Remuneration Committee

### Composition of the Committee\*

Revathi Kasturi (Chairperson of the Committee)	Independent Director
Bhagwan Dass Narang	Independent Director
Sumit Chandwani	Independent Director
Rajiv Mittal	Managing Director

\*The Board at its meeting held on May 24,

2014 reconstituted the Nomination and Remuneration Committee in compliance with the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement. Accordingly Revathi Kasturi was appointed as the Chairperson of the Committee and Rajiv Mittal was inducted into the Committee as a member in place of Jaithirth Rao.

The Committee's constitution and terms of reference are in compliance with the provisions of the Companies Act, 2013, Clause 49 of the Listing Agreement and Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended from time to time.

### Terms of reference of the Committee, inter alia, includes the following:

- To identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down and to recommend to the Board their appointment and / or removal.
- To carry out evaluation of every Director's performance.
- To formulate the criteria for determining qualifications, positive attributes and independence of a Director, and recommend to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel and other employees.
- To formulate the criteria for evaluation of Independent Directors and the Board.
- To devise a policy on Board diversity.
- To recommend / review remuneration of the Managing Director(s) and

Whole-Time Director(s) based on their performance and defined assessment criteria.

- To administer, monitor and formulate detailed terms and conditions of the Companies Employees' Stock Option Schemes.
- To carry out any other function as is mandated by the Board from time to time and / or enforced by any Statutory notification, amendment or modification, as may be applicable
- To perform such other functions as may be necessary or appropriate for the performance of its duties including carrying out any other functions within its terms of reference as outlined in Clause 49 of the Listing Agreement and Section 178 of the Companies Act 2013.

The Committee met on May 23, 2013 during the Financial Year 2013-14 which was attended by the members as below:

Members	Number of Meetings	
	Held	Attended
Revathi Kasturi	1	-
Bhagwan Dass Narang	1	-
Jaithirth Rao*	1	1
Sumit Chandwani	1	1
Rajiv Mittal#	1	NA

\*Jaithirth Rao ceased to be a member of the Committee with effect from May 24 2014.

#Rajiv Mittal was inducted as a member of the Committee with effect from May 24 2014.

## Corporate Social Responsibility Committee

### Composition of the Committee

Revathi Kasturi (Chairperson of the Committee)	Independent Director
Sumit Chandwani	Independent Director
Rajiv Mittal	Managing Director

The Corporate Social Responsibility (CSR) Committee was constituted by the Board on February 8, 2014 considering requirements of the Companies Act, 2013 relating to the constitution of a Corporate Social Responsibility Committee. The Committee's prime responsibility is to assist the Board in discharging its social responsibilities by way of formulating and monitoring implementation of the framework of 'corporate social responsibility policy'.

### Terms of reference of the Committee, inter alia, includes the following

- To formulate and recommend to the Board, a Corporate Social Responsibility (CSR) Policy indicating activities to be undertaken by the Company in compliance with provisions of the Companies Act, 2013 and rules made there under
- To recommend the amount of expenditure to be incurred on the CSR activities
- To monitor the implementation of the framework of the CSR Policy
- To carry out any other function

as is mandated by the Board from time to time and/or enforced by any Statutory notification, amendment or modification as may be applicable or as may be necessary or appropriate for performance of its duties.

The CSR Committee met on May 24, 2014 to recommend the CSR policy of the Company. The CSR policy approved by the Board is available on the Company's website [www.wabag.com](http://www.wabag.com).

## Monitoring Committee

### Composition of the Committee

Bhagwan Dass Narang (Chairman of the Committee)	Independent Director
Sumit Chandwani	Independent Director
Revathi Kasturi	Independent Director
Rajiv Mittal	Managing Director

### Terms of reference of the Committee, inter alia, includes the following

- To monitor various on-going projects.
- To review projects that are time-over-run, cost over-run etc.
- To review specific matters that is assigned by the Board.
- To review Company's risk management practices and activities.

The Committee met three times on May 2, 2013, July 25, 2013 and January 9, 2014 during the Financial Year 2013-14. The attendance at the Meetings is as under:



Members	Number of Meetings	
	Held	Attended
Bhagwan Dass Narang	3	3
Sumit Chandwani	3	3
Revathi Kasturi	3	2
Rajiv Mittal	3	3

### Remuneration Policy

The Company's remuneration policy is driven by the success and performance of the individual employee and the Company. Through its compensation programme, the Company endeavors to attract, retain, develop and motivate

a high performance workforce. The Company follows a compensation mix of fixed pay, benefits and performance based variable pay. Individual performance pay is determined by business performance and the performance of the individual is measured through the annual appraisal process.

The members have at the Annual General Meeting of the Company on July 15, 2011 approved payment of commission to the Non-Executive Directors within the ceiling of 1% of the net profits of the Company as computed under the applicable provisions of the Companies Act,

1956. Subject to the above limits, the Chairman / other Non-Executive Directors were paid a sum of ₹10 lakhs / 7.5 lakhs per annum respectively as commission for a period of three years w.e.f. FY 2011-12. Subject to the limits fixed by the members, the Board of Directors at their meeting held on February 8, 2014 have revised the commission payable to the Chairman / other Non-Executive Directors effective April 1, 2014 to ₹20 Lakhs / ₹15 Lakhs per annum respectively. The Company also reimburses the out-of-pocket expenses incurred by the Directors for attending the meetings.

Details of Remuneration paid to Directors for the year ended March 31, 2014.

Name	Category	Commission (refer note 1)	Salary and Perquisites	Performance Incentive (refer note 2)	Superannuation and Provident Fund (refer note 3)	Total
Bhagwan Dass Narang	Independent Chairman	10.0	nil	nil	nil	10.0
Rajiv Mittal	Managing Director	nil	140.82	45	16.5	202.3
Sumit Chandwani	Independent Director	7.5	nil	nil	nil	7.5
Jaithirth Rao	Independent Director	7.5	nil	nil	nil	7.5
Revathi Kasturi	Independent Director	7.5	nil	nil	nil	7.5

Notes:

1. Commission is paid to the Non-Executive Directors every quarter in four equal installments as approved by the Board.
2. Performance criteria for the Managing Director entitled for Performance Incentive is determined by the Nomination and Remuneration Committee.
3. Represents aggregate of the Company's contributions to Superannuation Fund and Provident Fund.
4. No sitting fees is paid to any Directors for attending meetings.
5. The Company has not advanced loans to any Directors during the year.
6. The Company has not granted any stock options to Directors.

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## Disclosures regarding appointment or re-appointment of directors

The Board of the Company consists of five Directors.

- Bhagwan Dass Narang, Chairman & Independent Director
- Jaithirth Rao, Independent Director
- Sumit Chandwani, Independent Director
- Revathi Kasturi, Independent Director
- Rajiv Mittal, Managing Director

Section 152 of the Companies Act, 2013, deals with the appointment and retirement of directors. Section 152(6) of the Companies Act, 2013 inter alia provides that not less than 2/3rds of the total number of directors of a Public Company shall be persons whose period of office is liable to determination by retirement of directors by rotation. Further at every Annual General Meeting of a company, 1/3rd of such of the directors of a Company who are liable to retire by rotation or, if their number is neither 3 nor a multiple of 3, then the number nearest to 1/3rd shall retire from office.

The explanation to Section 152(6) of Companies Act, 2013, states that the expression "total number of directors"

shall not include Independent Directors of the company. Further, Section 149 (13) states that the provisions of retirement by rotation as defined in sub-sections (6) and (7) of Section 152 of the Act shall not apply to Independent Directors. Accordingly, the Board has been advised that since the composition of the Company's Board consists of one Executive Director and four Independent Directors the total number of directors of the Company whose office is liable to determination by retirement of directors by rotation, is one, being the office of the Managing Director.

Rajiv Mittal was re-appointed as the Managing Director of the Company not liable to retire by rotation for a period of five years with effect from October 1, 2010 by the shareholders at the Annual General Meeting (AGM) held on July 15, 2011. In view of the above provisions of the Companies Act, 2013, the Board recommends the re-appointment of Rajiv Mittal as Managing Director at the ensuing AGM, whose office is liable to determination by rotation.

The Independent Directors of the Company were appointed as directors liable to retire by rotation under the

provisions of the erstwhile Companies Act, 1956. Accordingly, Sumit Chandwani and Revathi Kasturi retire by rotation at the ensuing AGM of the Company and being eligible have offered themselves for re-appointment. sub-section (10) of Section 149 of the Companies Act, 2013 (effective April 1, 2014) provides that Independent Directors shall be appointed for a term up to five consecutive years on the board of a company; and shall be eligible for re-appointment on passing a special resolution by the shareholders of the Company. sub-section (11) states that no Independent Director shall be eligible for appointment for more than two consecutive terms of five years.

In view of the above provisions of the Companies Act, 2013, the Board recommends re-appointment of Bhagwan Dass Narang, Jaithirth Rao, Sumit Chandwani and Revathi Kasturi, as Independent Directors of the Company to hold office for three consecutive years for a term up to the conclusion of the 22nd AGM of the Company in the calendar year 2017.

The detailed profiles of all the directors to be appointed / re-appointed at the ensuing AGM are provided in the Notice convening the AGM.



## General Body Meetings:

### I. Annual General Meetings

The date, time, location of Annual General Meetings held during last three years, and the special resolutions passed thereat are as follows:

Year	Date	Time	Location	Special Resolution passed
2012-13	July 25, 2013	10.00 a.m.	Rani Seethai Hall, 603, Anna Salai, Chennai - 600 006	NIL
2011-12	July 23, 2012	10.00 a.m.	Russian Centre of Science and Culture, 74, Kasturi Rangan Road, Alwarpet, Chennai 600 018	NIL
2010-11	July 15, 2011	10.30 a.m.	Rani Seethai Hall, 603, Anna Salai, Chennai-600 006	a. Payment of commission to Non-Executive Directors b. Reappointment & revision in remuneration payable to Managing Director c. Approval of pre IPO Employee Stock Option Scheme 2010

### II. Extraordinary General Meetings

The date, time, location of Extra Ordinary General Meeting held during last three years and the special resolutions passed thereat are as follows:

Year	Date	Time	Location	Special Resolution passed
2010-11	July 19, 2010	10.30 a.m.	No.11, Murray's Gate Road, Alwarpet, Chennai 600 018	a. Approval of Employee Stock Option Scheme 2010

No Extraordinary General Meeting of the members was held during the years 2011-12 and 2012-13.

### III. Special resolution passed through postal ballot

No special resolution was passed through postal ballot during the Financial Year 2013-14. None of the business proposed to be transacted in the ensuing Annual General Meeting require passing a special resolution through postal ballot.

### Disclosures

• Disclosure on materially significant related party transactions, i.e. the Company's transactions that are of material nature, with its Promoters, Directors and the management, their relatives or subsidiaries, among others that may have potential conflict with the Company's interests at large

None of the transactions with any of related parties were in conflict with the Company's interest. Attention of members is drawn to the disclosure of transactions with related parties set out in Note No. 32 of Standalone Financial Statements, forming part of the Annual Report.

The Company's major related party transactions are generally with its

subsidiaries and associates. The related party transactions are entered into based on considerations of various business exigencies, such as synergy in operations, Geographic expansion plans and the Company's multi domestic unit strategy, profitability, legal requirements, liquidity and capital resources of subsidiaries and associates.

All related party transactions are negotiated on arm's length basis, and are intended to further the Company's interests. The Audit Committee of the Board periodically reviews the related party transactions entered into by the Company.

- **Details of non-compliance by the Company, penalties and strictures imposed on the Company by Stock Exchanges or SEBI, or any other statutory authority, on any matter related to capital markets during last three years.**

There has been no instance of non-compliance by the Company on any matter related to capital markets during last three years, and hence, no penalties or strictures have been imposed on the Company by Stock Exchanges or SEBI or any other statutory authority.

### CEO and CFO Certification

The Managing Director and the Chief Financial Officer of the Company give annual certification on financial reporting and internal controls to the Board in terms of Clause 49 of the Listing Agreement. The Managing Director and the Chief Financial Officer

also give quarterly certification on financial results while placing the financial results before the Board in terms of Clause 41 of the Listing Agreement. The annual certificate given by the Managing Director and the Chief Financial Officer is published in this Report.

### Code of Conduct

The Code of Conduct ("the Code") for Board Members and Senior Management Personnel as adopted by the Board, is a comprehensive Code applicable to Directors and Senior Management Personnel. The Code lays down in detail, the standards of business conduct, ethics and strict governance norms for the Board and Senior Management Personnel. A copy of the Code has been put on the Company's website [www.wabag.com](http://www.wabag.com). The Code has been circulated to Directors and Senior Management Personnel and its compliance is affirmed by them annually. A declaration signed by the Company's Managing Director is published in this Report.

### Code for Prevention of Insider Trading Practices

The Company has instituted a comprehensive Code of Conduct for Prevention of Insider Trading for its Designated Employees, in compliance with Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time. The Code lays down guidelines, vide which it advises the designated employees on procedures

to be followed and disclosures to be made, while dealing with shares of the Company and cautions them of the consequences of violations.

### Occupational Health & Safety Policy

The Company has in place Occupational Health & Safety Policy which focuses on people, technology and facilities, supported by Management commitment as the prime driver. A dedicated 'Safety Management Team' is working towards the prevention of Man, Machine and Material incidents at the corporate and manufacturing units level and towards education and motivation of the employees on various aspects of Health, Safety and Environment through training programmes and seminars. The Company holds certificates on Integrated Management Systems of ISO14001 (Environmental Management Systems) and BS OHSAS18001 (Health and Safety). The Company recognises its human force as the most important asset and is deeply committed to provide a safe and healthy working environment to its employees.

### Adoption of Mandatory and Non-Mandatory requirements of Clause 49

The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement. Certificate from M/s. Walker Chandiok & Co LLP Statutory Auditors, confirming compliance with conditions of Corporate Governance as stipulated under Clause 49 of the



Listing Agreement, is attached to the Directors' Report forming part of the Annual Report.

The Company has adopted following non-mandatory requirements of Clause 49 of the Listing Agreement and the Companies Act 2013.

### The Board

The Chairman of the Board is an Independent Director and a Chairman's office is maintained at the Company's expense. The Company reimburses the Chairman any expenses incurred in performance of his duties.

### Audit Qualification

The Company is in the regime of unqualified financial statements.

### Separate posts of Chairman and CEO

The post of the Chairman and Managing Director of the Company are held by separate persons.

### Reporting of Internal Auditor

The Internal Auditor of the Company reports directly to the Audit Committee.

### Remuneration Committee

The Company has constituted a "Nomination and Remuneration Committee" meeting the requirements of Clause 49 of the Listing Agreement and the Companies Act, 2013.

### Training of Board members

All new Non-Executive Directors inducted to the Board are introduced to the Company culture with

appropriate orientation sessions. The Board members are provided with necessary documents / brochures, reports and internal policies to enable them to familiarise with the Company's procedures and practices.

Periodic Presentations are made at the Board and Board Committee Meetings, on business and performance updates of the Company, global business environment, business strategy and risks involved.

### Whistle Blower policy

In May 2014, the Board adopted the revised Whistle blower policy that adopts global best practices. The Company has established a mechanism for employees to report concerns about unethical behavior, actual or suspected fraud, or violation of the Company's Code of Conduct. It also provides for adequate safeguards against the victimisation of employees who avail of the mechanism, and allows direct access to the Chairman of the Audit Committee in exceptional cases. The existence of the policy / mechanism is communicated through appropriate manuals within the organisation.

### Risk Management

The Monitoring Committee of the Board reviews the Company's risk management practices and activities periodically. This includes comprehensive review of various risks attached to the Company's business for achieving key objectives and actions taken to mitigate them. The Committee

reviews and advises on risk management aspects inter alia in the areas of leadership development, information security, project management and execution risks, contracts management risks, financial risks, forex risks and geopolitical risks.

### Subsidiary Companies' Monitoring Framework

All the Company's subsidiaries are Board managed with their Boards having the rights and obligations to manage such Companies in the best interest of their stakeholders. The Company does not have any material unlisted subsidiary and hence is not required to nominate an Independent Director of the Company on the Board of any subsidiary. The Audit Committee reviews the financial statements, in particular investments made by the unlisted subsidiary companies. Minutes of the Board meetings of unlisted subsidiary companies are placed and reviewed periodically by the Company's Board. A statement containing all significant transactions and arrangements entered into by unlisted subsidiary companies is placed before the Company's Board.

### Corporate Governance Voluntary Guidelines 2009

The Ministry of Corporate Affairs, Government of India, published the Corporate Governance Voluntary Guidelines in 2009. These guidelines provide corporate India a framework to govern themselves voluntarily as

per the highest standards of ethical and responsible conduct of business. The guidelines broadly focus on areas such as Board, responsibilities of the Board, Audit Committee functions, roles and responsibilities, appointment of Auditors, compliance with secretarial standards and a mechanism for whistle blower support. The Company is in substantial compliance with the Corporate Governance Voluntary Guidelines.

### Means of Communication:

**a) Quarterly Results:** Quarterly Results of the Company are published in Business Standard and Makkal Kural (Tamil edition) and are displayed on the Company's Website [www.wabag.com](http://www.wabag.com)

**b) News Releases, Presentations etc.:** Official news / Press releases are sent to the Stock Exchanges.

**c) Presentations to Institutional Investors / Analysts:** Presentations are made to Institutional Investors and Financial Analysts, on the unaudited quarterly financial results of the Company. These presentations are also uploaded on the Company's website [www.wabag.com](http://www.wabag.com)

**d) Website:** The Company's website [www.wabag.com](http://www.wabag.com) contains a separate dedicated section 'Investor Relations' where shareholders information is available. The Company's Annual Report is also uploaded on the website in a user-

friendly and downloadable form.

**e) NSE Electronic Application Processing System (NEAPS):** The NEAPS is a web-based application designed by NSE for corporates. All periodical compliance filings like shareholding pattern, corporate governance report, media releases, among others are filed electronically on NEAPS.

**f) BSE Corporate Compliance & Listing Centre (the 'Listing Centre'):** BSE's Listing Centre is a web-based application designed for corporates. All periodical compliance filings like shareholding pattern, corporate governance report, media releases, among others are also filed electronically on the Listing Centre.

**g) SEBI Complaints Redress System (SCORES):** The investor complaints are processed in a centralised web-based complaints redress system. The salient features of this system are: Centralised database of all complaints, online upload of Action Taken Reports (ATRs) by concerned companies and online viewing by investors of actions taken on the complaint and its current status.

### General shareholder information:

#### • Company Registration Details

The Company is registered in the State of Tamil Nadu, India. The

Corporate Identity Number (CIN) allotted to the Company by the Ministry of Corporate Affairs (MCA) is L45205TN1995PLC030231

#### • Annual General Meeting

Date : July 21, 2014

Time : 10:30 a.m.

Venue : Rani Seethai Hall, 603 Anna Salai, Chennai - 600 006

#### • Financial Year

The financial year covers the period from April 1 to March 31

#### • Financial Reporting for 2014-15

#### Results for the quarter ending

June 30, 2014	By end of second week of August 2014
September 30, 2014	By end of second week of November 2014
December 31, 2014	By end of second week of February 2015
March 31, 2015	By end of May 2015
Annual General Meeting	July, 2015

Note: The above dates are tentative.

#### • Dates of Book Closure / Record Date

Saturday, July 12, 2014 to Monday, July 21, 2014 (both days inclusive) for payment of dividend

#### • Dividend Payment Date

Credit / dispatch of dividend



warrants, if approved at the Members' meeting, would be on or after July 22, 2014 but before July 29, 2014.

- **Listing on Stock Exchanges**

a) **Bombay Stock Exchange Limited (BSE)**

Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai 400 001  
Scrip Code: 533269

b) **National Stock Exchange of India Limited (NSE)**

"Exchange Plaza", Bandra - Kurla  
Complex, Bandra(E)  
Mumbai 400 051

Trading Symbol – WABAG

- **Payment of Listing Fees:**

Annual listing fee for the year 2014-15 has been paid by the Company to BSE and NSE.

- **Payment of Depository Fees:**

Annual Custody / Issuer fee for the year 2014-15 has been paid by the Company to NSDL and CDSL.

- **Demat International Security Identification Number (ISIN) in NSDL and CDSL for equity shares**

ISIN: INE956G01038

- **Stock Performance**

1. **NSE and BSE – Monthly High / Low and Volumes**

Month	National Stock Exchange (NSE)			Bombay Stock Exchange (BSE)		
	High (₹)	Low (₹)	Monthly Volume	High (₹)	Low (₹)	Monthly Volume
April 2013	537.65	473.25	4,07,940	529.00	474.00	3,895
May 2013	500.00	437.85	4,17,767	490.85	439.00	4,588
June 2013	471.80	426.00	3,82,527	472.50	423.05	5,269
July 2013	470.95	374.00	2,55,173	467.45	380.65	6,913
August 2013	466.95	380.85	3,27,177	467.95	382.00	7,605
September 2013	495.90	437.00	2,36,306	500.00	439.90	5,520
October 2013	545.00	450.00	5,75,895	544.00	452.10	4,439
November 2013	570.00	485.00	2,63,645	573.00	480.00	5,317
December 2013	570.00	516.80	4,64,286	567.00	515.50	5,978
January 2014	575.00	502.10	9,92,972	571.95	504.00	8,225
February 2014	657.00	522.00	12,02,424	656.00	525.00	20,905
March 2014	819.60	622.25	9,69,926	820.00	623.30	24,070

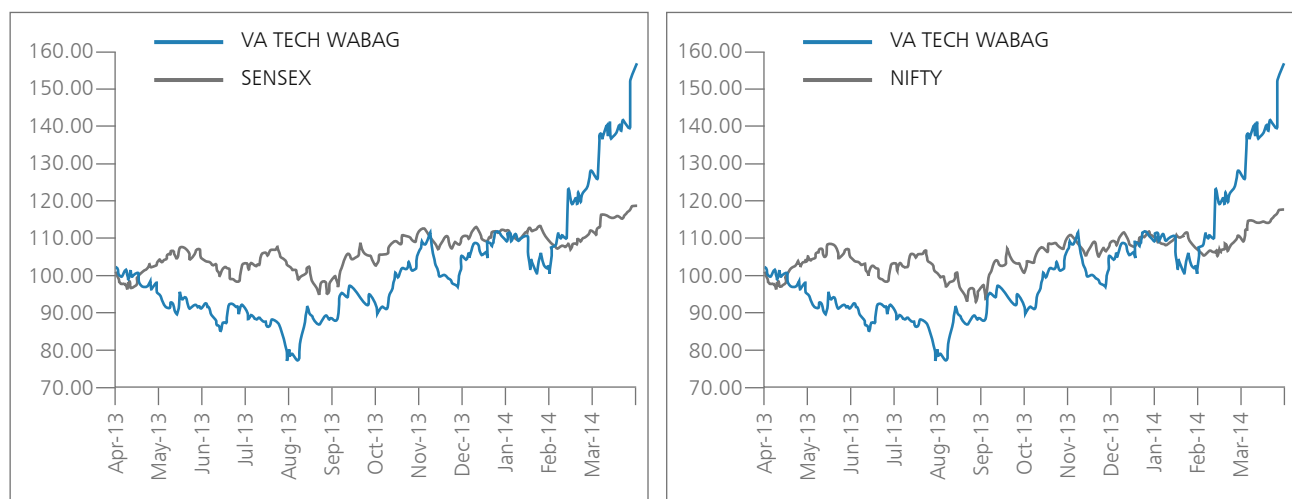
[Source: This information is compiled from the data available from the websites of NSE and BSE]



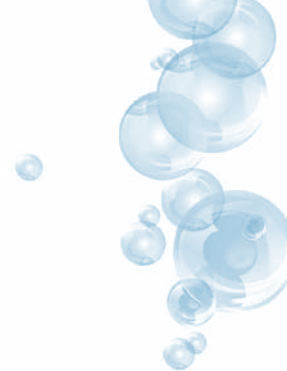
## 2. Share price performance during FY 2013-14 in comparison to broad based indices - BSE Sensex and NSE Nifty

Month	VA TECH WABAG's Closing Price on NSE on the last trading day of month (₹)	BSE Sensex at the Close of last trading day of the month	NSE Nifty at the Close of last trading day of the month
April, 2013	480.60	19,504.15	5,930.20
May, 2013	460.80	19,760.30	5,985.95
June, 2013	462.95	19,395.81	5,842.20
July, 2013	402.75	19,345.70	5,742.00
August, 2013	443.00	18,619.72	5,471.80
September, 2013	467.90	19,379.77	5,735.30
October, 2013	544.85	21,164.52	6,299.15
November, 2013	534.95	20,791.93	6,176.10
December, 2013	555.55	21,170.68	6,304.00
January, 2014	540.20	20,513.85	6,089.50
February, 2014	645.20	21,120.12	6,276.95
March, 2014	782.80	22,386.27	6,704.20

## 3. Share performance in comparison to BSE Sensex and NSE Nifty



Note: Share price of VA TECH WABAG, BSE Sensex and NSE Nifty have been indexed to 100 on April 1, 2013



#### 4. Distribution of Shareholding as on March 31, 2014

Number of Shares	No. of Shareholders	% to Shareholders	Total No. of Shares	% of Amount
1-5000	26821	99.201096	21,88,121	8.228453
5001- 10000	71	0.262603	2,57,741	0.969238
10001- 20000	46	0.170137	3,36,574	1.265690
20001- 30000	15	0.055480	1,93,164	0.726395
30001- 40000	13	0.048082	2,34,453	0.881663
40001- 50000	5	0.018493	1,12,799	0.424182
50001- 100000	18	0.066575	6,07,649	2.285071
100001 and Above	48	0.177534	2,26,61,629	85.219307
<b>TOTAL</b>	<b>27,037</b>	<b>100.00</b>	<b>2,65,92,130</b>	<b>100.00</b>

#### 5. Shareholding Pattern as on March 31, 2014

Category Code	Category of the shareholder	Number of shareholder	Total number of shares	As a percentage of (A+B+C)
<b>(A) Shareholding of Promoter and Promoter Group</b>				
(1)	Indian	3	32,01,999	12.04
(2)	Foreign	1	48,54,703	18.26
Total Shareholding of Promoter and Promoter Group		4	80,56,702	30.30
<b>(B) Public Shareholding</b>				
(1)	Institutions			
	(a) Mutual Fund	54	55,05,854	20.70
	(b) Financial Institutions / Banks	3	7,039	0.03
	(c) Foreign Institutional Investors	42	74,77,064	28.12
Total Institutional Holding		99	1,29,89,957	48.85
(2)	Non-institutions	26,929	55,45,471	28.85
Total Public Shareholding		27,028	1,85,35,428	69.70
<b>(C) Shares held by Custodians and against which Depository Receipts have been issued</b>				
(1)	Promoter and Promoter Group	0	0	0
(2)	Public	0	0	0
<b>TOTAL (A) + (B) + (C)</b>		<b>27,032</b>	<b>2,65,92,130</b>	<b>100.00</b>

### • Share Transfer System

Share transfers are processed and share certificates duly endorsed are returned within a period of fifteen days from the date of receipt, subject to documents being valid and complete in all respects. The Stakeholders Relationship Committee (earlier Share Allotment / Transfer cum Investors' Grievance Committee) ("the Committee") has delegated the authority for approving transfer, transmission etc., of the

Company's securities to the Managing Director / Chief Financial Officer / Company Secretary. A summary of transfer / transmission of securities of the Company so approved by the Managing Director / Chief Financial Officer / Company Secretary is placed at every Committee meeting. The Company obtains from a Company Secretary in Practice half-yearly certificate of compliance with the share transfer formalities as required under

Clause 47(c) of the Listing Agreement and files a copy of the said certificate with Stock Exchanges.

### • Dematerialisation of Shares

99.99% of the Company's paid-up Equity Share Capital has been dematerialised up to March 31st 2014. Trading in Equity Shares of the Company is permitted only in dematerialised form.

Mode of holding as on March 31, 2014	Number of shares	Percentage of shares
NSDL	2,51,40,307	94.54
CDSL	14,51,800	5.46
PHYSICAL	23	0.00
TOTAL	2,65,92,130	100.00

### • Liquidity

The Company's Equity Shares are actively traded shares on both NSE and BSE. Substantial increase in daily trading activity of the Company's equity shares was witnessed during FY 2013-14 as compared to FY 2012-13.

### • Outstanding ADRs / GDRs / Warrants or any Convertible Instruments, conversion date and likely impact on Equity

The Company has not issued any ADRs / GDRs / Warrants or any convertible instruments.

### • Offices of the Company

#### Registered Office:

VA TECH WABAG LIMITED  
"WABAG HOUSE"  
No.17, 200 Feet Radial Road  
S. Kolathur (near Kamakshi Hospital)  
Chennai - 600 117  
Phone : 91-44-3923 2323  
Fax : 91-44-3923 2324

### • Registrar and Share Transfer Agents

M/s. Karvy Computershare Private Limited (Karvy)  
Unit: VA Tech Wabag Limited  
Plot No.17-24, Vittalrao Nagar  
Madhapur, Hyderabad – 500 081  
Phone : 91-040-23420818  
Fax : 91-040-23420814  
E-mail: einward.ris@karvy.com

### • Company Secretary & Compliance Officer

Rajiv Balakrishnan  
VA TECH WABAG LIMITED  
"WABAG HOUSE"  
No.17, 200 Feet Radial Road  
S. Kolathur (near Kamakshi Hospital)  
Chennai - 600 117  
Phone : 91-44-3923 2323  
Fax : 91-44-3923 2324

### • Designated Exclusive email-id:

The Company has designated the following email-id exclusively for investor servicing.  
companysecretary@wabag.in  
This has also been displayed on the Company's website.

#### • Address for Correspondence

Shareholders may correspond with the Company at its Registered Office or with the Registrar and Transfer Agents, Karvy Computershare Private Limited at the above mentioned address in respect of all matters relating to transfer/dematerialisation of shares, queries

on the Annual Report, payment of dividend or any other queries relating to equity shares of the Company.

#### • Equity Shares in the Suspense Account

In terms of Clause 5A of the Listing Agreement, the Company reports the

following details in respect of equity shares issued pursuant to Initial Public Offer (IPO) and are lying in the "VA TECH WABAG LIMITED – Unclaimed Shares Demat Suspense account:

S.no	Particulars	Number of shareholders	Number of equity shares
1	Aggregate number of shareholders and the outstanding shares lying in the Suspense Account as on April 1, 2013	2	39
2	Number of shareholders who approached the issuer for transfer of shares from the Suspense Account during the year	-	-
3	Number of shareholders to whom shares were transferred from the Suspense Account during the year	-	-
4	Aggregate number of shareholders and the outstanding shares lying in the Suspense Account at the end of March 31, 2014	2	39

The voting rights on the shares outstanding in the suspense account as on March 31, 2014 shall remain frozen till the rightful owner of such shares claims the shares.

## Declaration on Code of Conduct

To

The members of VA TECH WABAG LIMITED

I hereby confirm that the Company has obtained from all the members of the Board and Senior Management Personnel, affirmation that they have complied with the Code of Conduct for Directors and Senior Management Personnel for the financial year 2013-14.

Brno, Czech Republic  
May 24, 2014

**Rajiv Mittal**  
Managing Director

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## Certification by CEO/CFO under Clause 49 V of the Listing Agreement

To  
The Board of Directors  
VA TECH WABAG LIMITED

1. We have reviewed the financial statements and the cash flow statement of VA TECH WABAG LIMITED for the year ended 31st March 2014 and to the best of our knowledge and belief:
  - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violate the Company's code of conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of Company's internal control systems pertaining to financial reporting and we have not come across any reportable deficiencies in the design or operation of such internal controls.
4. We have indicated to the Auditors and the Audit Committee:
  - i. that there are no significant changes in internal control over financial reporting during the year;
  - ii. that there are no significant changes in accounting policies made during the year; and
  - iii. that there are no instances of significant fraud of which we have become aware

Brno, Czech Republic  
May 24, 2014

**S. Varadarajan**  
*Chief Financial Officer*

**Rajiv Mittal**  
*Managing Director*





## Auditors' Certificate on Corporate Governance

To the Members,  
VA TECH WABAG LIMITED

We have examined the compliance of conditions of Corporate Governance by VA TECH WABAG LIMITED ("the Company") for the year ended on 31st March 2014, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company, for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above- mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Walker Chandiok & Co LLP**  
(Formerly Walker, Chandiok & Co)  
**Chartered Accountants**  
Firm Registration No. 001076N

per **Sumesh E S**  
Partner  
Membership No. 206931

Brno, Czech Republic  
May 24, 2014

# Independent Auditors' Report

To  
The Members of VA Tech Wabag Limited

## Report on the Financial Statements

1. We have audited the accompanying financial statements of VA TECH WABAG LIMITED, ("the Company"), which comprise the Balance Sheet as at 31 March 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements, that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2014;
  - ii) in the case of Statement of Profit and Loss, of the profit for the year ended on that date; and
  - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

## Emphasis of Matter

7. We draw attention to notes 3.3(a) and 3.3(b) to the accompanying financial statements which describe the uncertainty related to the outcome of litigations in connection with certain deductions being disallowed which, according to the management, is due to retrospective amendment of section 80-IA of the Income tax Act, 1961 pursuant to Finance Act, 2009. Our opinion is not qualified in respect of this matter.

## Report on Other Legal and Regulatory Requirements

8. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
9. As required by Section 227(3) of the Act, we report that:
  - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c. the financial statements dealt with by this report are in agreement with the books of account;
  - d. in our opinion, the financial statements comply with the Accounting Standards notified under the Companies Act, 1956 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 ; and

- e. on the basis of written representations received from the directors, as on 31 March 2014 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

For Walker Chandiok & Co LLP  
(formerly Walker, Chandiok & Co)  
Chartered Accountants  
Firm Registration No.: 001076N

per Sumesh E S  
Place : Brno, Czech Republic  
Date : 24 May 2014  
Membership No.: 206931  
*Partner*

# Annexure

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular program of physical verification of its fixed assets under which fixed assets are verified in a phased manner over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) In our opinion, a substantial part of fixed assets has not been disposed off during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies between physical inventory and book records were noticed on physical verification.
- (iii) (a) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(b) to 4(iii)(d) of the Order are not applicable.
- (b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(f) and 4(iii)(g) of the Order are not applicable.
- (iv) In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for purchase of fixed assets and inventory and for the sale of goods and services, except for controls around authorisation and review of accruing contract costs liabilities and its consequential impact on revenue recognition. However, we have not observed

any continuing failure to correct major weaknesses in the internal control system of the Company.

- (v) (a) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under Section 301 of the Act have been so entered.
- (b) Owing to the unique and specialized nature of the items involved and in the absence of any comparable prices, we are unable to comment as to whether the transactions made in pursuance of such contracts or arrangements have been made at the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975. Accordingly, the provisions of clause 4(vi) of the Order are not applicable.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act in respect of Company's products/services and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities, though there has been a slight delay in a few cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.
- (b) The dues outstanding in respect of income-tax, sales-tax, wealth tax, service tax, custom duty, excise duty, cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (₹)	Amount Paid Under Protest (₹)	Period to which the amount relates	Forum where dispute is pending
Rajasthan Sales Tax Act, 1994	Tax and penalty	888,468	-	2003-04, 2009-10 and 2010-11	Various Forums
Rajasthan VAT Act, 2003	Tax and penalty	3,305,061	-	2007-08 and 2008-09	Deputy Commissioner
Karnataka Value Added Tax	Tax, Interest and penalty	1,920,361	-	2007-08 to 2009-10	Various forums
Kerala Value Added Tax	Tax and penalty	4,161,767	-	2007-08	Appellate Tribunal
Central Sales Tax Act, 1956 read with the West Bengal VAT Act, 2003	Tax and penalty	15,000,000	-	2007-08	Senior Joint Commissioner
West Bengal VAT Act, 2003	Tax and interest	120,755,936	-	2008-09 to 2010-11	Various forums
Gujarat Value Added Tax	Tax, Interest and penalty	892,030	-	2009-10	Deputy Commissioner
Orrisa Value Added Tax Act, 2004	Tax and penalty	44,381,343	-	2007-08 to 2011-12	Deputy Commissioner

- (x) In our opinion, the Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and the immediately preceding financial year.
- (xi) In our opinion, the Company has not defaulted in repayment of dues to any financial institution or a bank or to debenture-holders during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly, provisions of clause 4(xiii) of the Order are not applicable.
- (xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.
- (xv) In our opinion, the terms and conditions on which the Company has given guarantee for loans taken by others from banks or financial institutions are not, prima facie, prejudicial to the interest of the Company.
- (xvi) The Company did not have any term loans outstanding during the year. Accordingly, the provisions of clause 4(xvi) of the Order are not applicable.
- (xvii) In our opinion, the Company has used funds raised on short-term basis for long-term investment. The Company

has borrowed funds from banks (against fixed deposits) on short term basis and such funds have been invested in construction of its buildings (long term asset).

- (xviii) During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable.
- (xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.
- (xx) The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.
- (xxi) No fraud on or by the Company has been noticed or reported during the period covered by our audit.

For **Walker Chandiok & Co LLP**  
(formerly Walker, Chandiok & Co)  
Chartered Accountants  
Firm Registration No.: 001076N

per **Sumesh E S**

Place : Brno, Czech Republic  
Date : 24 May 2014

Partner  
Membership No.: 206931



# BALANCE SHEET

₹ in Lakhs

	Note	As at 31 March 2014	As at 31 March 2013
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	4	532	531
Reserves and surplus	5	59,751	53,126
		<b>60,283</b>	<b>53,657</b>
Share application money pending allotment	6	22	4
<b>Non-current liabilities</b>			
Other long term liabilities	7	15,488	7,980
Long-term provisions	8	737	552
		<b>16,225</b>	<b>8,532</b>
<b>Current liabilities</b>			
Short-term borrowings	9	8,903	5,451
Trade payables	10	54,443	53,356
Other current liabilities	11	13,614	7,286
Short-term provisions	8	6,737	7,015
		<b>83,697</b>	<b>73,108</b>
<b>Total</b>		<b>1,60,227</b>	<b>1,35,301</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	12	9,275	2,743
Intangible assets	12	914	1,176
Capital work-in-progress		5	3,206
Non-current investments	13	1,842	1,536
Deferred tax assets, net	14	1,047	870
Long-term loans and advances	15	97	320
Other non-current assets	16	19,700	13,271
		<b>32,880</b>	<b>23,122</b>
<b>Current assets</b>			
Current Investments	17	2,000	-
Inventories	18	1,442	1,587
Trade receivables	19	92,368	78,233
Cash and bank balances	20	15,643	17,137
Short-term loans and advances	15	7,353	9,093
Other current assets	21	8,541	6,129
		<b>1,27,347</b>	<b>1,12,179</b>
<b>Total</b>		<b>1,60,227</b>	<b>1,35,301</b>
<b>Notes 1 to 42 form an integral part of these financial statements</b>			

This is the balance sheet referred to in our report of even date

For **Walker Chandiok & Co LLP**  
(formerly Walker, Chandiok & Co)  
Chartered Accountants

For and on behalf of the **Board of Directors of VA Tech Wabag Limited**

per **Sumesh E S**  
Partner

**Rajiv Mittal**  
Managing Director  
**S Varadarajan**  
Chief Financial Officer

**Sumit Chandwani**  
Director

**Rajiv Balakrishnan**  
Company Secretary

Place : Brno, Czech Republic  
Date : 24 May 2014

Place : Brno, Czech Republic  
Date : 24 May 2014

# STATEMENT OF PROFIT AND LOSS

₹ in Lakhs

	Note	Year ended 31 March 2014	Year ended 31 March 2013
<b>Revenue</b>			
Revenue from operations	22	1,15,224	1,05,717
Other income	23	1,163	1,256
<b>Total revenue</b>		<b>1,16,387</b>	<b>1,06,973</b>
<b>Expenses</b>			
Cost of sales and services	24	86,718	79,818
Decrease in inventories	25	145	1,905
Employee benefits expense	26	8,019	6,887
Other expenses	27	6,233	3,223
Finance costs	28	1,236	1,152
Depreciation and amortization expense	29	809	661
<b>Total expenses</b>		<b>1,03,160</b>	<b>93,646</b>
<b>Profit before tax</b>		<b>13,227</b>	<b>13,327</b>
<b>Tax expense</b>			
Current tax		4,546	4,328
Deferred tax		(177)	(12)
		4,369	4,316
<b>Profit for the year</b>		<b>8,858</b>	<b>9,011</b>
Earnings per share (Nominal value ₹2 per share)	30		
(In ₹)			
Basic		33.30	34.00
Diluted		32.93	33.62
<b>Notes 1 to 42 form an integral part of these financial statements</b>			

This is the statement of profit and loss referred to in our report of even date

For **Walker Chandiok & Co LLP**  
(formerly Walker, Chandiok & Co)  
Chartered Accountants

For and on behalf of the **Board of Directors of VA Tech Wabag Limited**

per **Sumesh E S**  
Partner

**Rajiv Mittal**  
Managing Director

**Sumit Chandwani**  
Director

**S Varadarajan**  
Chief Financial Officer

**Rajiv Balakrishnan**  
Company Secretary

Place : Brno, Czech Republic  
Date : 24 May 2014

Place : Brno, Czech Republic  
Date : 24 May 2014

# CASH FLOW STATEMENT

₹ in Lakhs

	Year ended 31 March 2014		Year ended 31 March 2013	
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before tax		13,227	13,327	
Adjustments for:				
Depreciation and amortization	809		661	
Interest expenses	545		572	
Interest and dividend income	(1,161)		(1,256)	
Unrealised forex gain, net	(556)		(369)	
(Profit)/Loss on sale of tangible assets, net	(2)		1	
Bad debts and provision for bad and doubtful debts	2,355		810	
Expense on Employee Stock Option Plan (ESOP)	127		-	
Expected losses on onerous contracts	1,078		-	
Provision for compensated absences and gratuity	235		233	
Provision for litigation	(81)		(89)	
Provision for liquidated damages	-		26	
Provision for warranty	(352)	2,997	2,380	2,969
Operating profit before working capital changes		16,224	16,296	
Adjustments for:				
(Increase)/ decrease in trade receivables	(15,934)		566	
Decrease/(Increase) in short term loans and advances	2,130		(2,737)	
Decrease in long term loans and advances	4		219	
Decrease in inventory	145		1,905	
Increase in other current assets	(1,310)		(3,059)	
Increase in non-current assets	(8,265)		(1,684)	
Increase in trade payables	1,087		3,740	
Decrease in short-term provisions	(750)		(940)	
(Decrease)/increase in long-term provisions	(43)		13	
(Decrease)/ increase in other current liabilities	6,261		(3,515)	
(Decrease)/Increase in other long term liabilities	7,508	(9,167)	3,224	(2,268)
Cash generated from operations		7,057	14,028	
Direct taxes paid		(5,430)	(2,829)	
Net cash generated from operating activities		1,627	11,199	
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of assets (including capital work in progress and capital advances)		(3,647)	(2,172)	
Proceeds on disposal of assets		30	16	
Purchase of non-current investments		(306)	(71)	
Purchase of current investments		(2,000)	-	
Movement in bank deposits		2,394	(551)	
Interest and dividend received		152	463	
Net cash used in investing activities		(3,377)	(2,315)	

# CASH FLOW STATEMENT

₹ in Lakhs

	Year ended 31 March 2014	Year ended 31 March 2013
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of share capital including share premium and share application money	147	196
Repayment of short term borrowings	(20,546)	(10,318)
Proceeds from short term borrowings	23,998	5,451
Interest paid to banks and others	(612)	(572)
Dividend paid	(1,857)	(1,588)
Dividend distribution tax paid	(316)	(258)
<b>Net cash used in financing activities</b>	<b>814</b>	<b>(7,089)</b>
<b>D. Net cash flows during the year</b>	<b>(936)</b>	<b>1,795</b>
<b>E. Cash and cash equivalents at the beginning</b>	<b>12,865</b>	<b>11,070</b>
<b>F. Cash and cash equivalents at the end</b>	<b>11,929</b>	<b>12,865</b>
Cash and cash equivalents comprise of:		
Cash on hand	38	87
Cheques on hand	5,714	5,831
Balances with banks - in current accounts	1,857	4,987
Balances with banks - in deposit accounts (maturity upto 3 months)	4,320	1,960
<b>Cash and cash equivalents as per note 20</b>	<b>11,929</b>	<b>12,865</b>

This is the Cash flow statement referred to in our report of even date

For **Walker Chandiok & Co LLP**  
(formerly Walker, Chandiok & Co)  
Chartered Accountants

For and on behalf of the **Board of Directors of VA Tech Wabag Limited**

per **Sumesh E S**  
Partner

**Rajiv Mittal**  
Managing Director

**Sumit Chandwani**  
Director

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Chief Financial Officer

**Rajiv Balakrishnan**  
Company Secretary

Place : Brno, Czech Republic  
Date : 24 May 2014

Place : Brno, Czech Republic  
Date : 24 May 2014

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

### 1 GENERAL INFORMATION

VA Tech Wabag Limited ('the Company'), its subsidiaries, associates and joint ventures (collectively referred to as 'the Group') is one of the world's leading companies in the water treatment field. The group's principal activities include design, supply, installation, and operational management of drinking water and waste water treatment plants. The shares of the Company are listed in the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).

All amounts in the financial statements are presented in Rupees in lakhs except per share data and as otherwise stated. Figures for the previous year have been regrouped / rearranged wherever considered necessary to conform to the figures presented in the current year.

The Company is in the business of execution of turnkey projects for water management and hence the requirements under paragraph 5(ii)(a), 5(ii)(b) and 5(ii)(d) of Part II of Schedule VI to the Companies Act, 1956 are not applicable.

### 2 SUMMARY OF ACCOUNTING POLICIES

#### 2.1 Basis of accounting

The financial statements are prepared under the historic cost convention on accrual basis of accounting in accordance with generally accepted accounting principles ("GAAP") applicable in India. GAAP comprises mandatory accounting standards prescribed by the Companies (Accounting Standards) Rules, 2006 issued by the Central Government in exercise of the power conferred under sub-section (1) (a) of Section 642 and the relevant provisions of the Companies Act, 1956 and 2013 (to the extent notified) and pronouncements of the Institute of Chartered Accountants of India. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. The management evaluates all recently issued or revised accounting standards on an ongoing basis.

#### 2.2 Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities on the date of the financial statements and the results of operations during the reporting periods. Significant estimates include percentage of completion of contracts, estimate of costs to complete, provision for doubtful receivables and loans and advances, income taxes, future obligations under employee benefit plans, estimated useful life of tangible and intangible assets, provision for warranty, liquidated damages and litigations. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimates and any revisions to accounting estimates is recognised prospectively in the current and future periods.

Assets and liabilities are classified as current or non-current as per Company's normal operating cycle and other criteria set out in schedule VI to the Act. Based on the nature of work, the Company has ascertained its operating cycle as upto twelve months for the purpose of current and non-current classification of assets and liabilities.

#### 2.3 Tangible assets and depreciation

Tangible assets are stated at acquisition cost less accumulated depreciation and impairment losses, if any. Cost of acquisition comprises of purchase price and directly attributable costs of bringing the asset to its working condition for the intended use and is net of refundable duties and taxes as applicable. Cost of fixed assets not ready for the intended use before such date is disclosed as capital work in progress.

Subsequent expenditure incurred on an item of tangible asset is added to the book value of that asset only if this increases the future benefits from the existing asset beyond its previously assessed standard of performance.

#### Summary of significant accounting policies and other explanatory information

Gains or losses that arise on disposal or retirement of an asset are measured as the difference between net disposal proceeds and the carrying value of an asset and are recognised in the statement of profit and loss when the asset is derecognised.

Depreciation on assets is provided on written down value method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

Tangible assets held for sale or retired from active use are stated at the lower of their net book value and net realisable value and shown separately in the financial statements. In addition, any expected loss is recognized immediately in the statement of profit and loss.

### 2.4 Intangible assets and amortization

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, the intangible assets are carried at cost less accumulated amortization and accumulated impairment, if any.

Software is stated at cost less accumulated amortization and are being amortised on a straight line basis over the estimated useful life of 5 years.

Gains or losses that arise on disposal or retirement of an intangible asset are measured as the difference between net disposal proceeds and the carrying value of an intangible asset and are recognised in the statement of profit and loss when the intangible asset is derecognised.

The amortization period and method are reviewed at each balance sheet date. If the expected useful life of the asset is significantly different from the previous estimates, the amortization period is changed accordingly. If there has been a significant change in the expected pattern of economic benefit from the asset, the method of amortization is changed to reflect the changed pattern. Such changes are accounted in accordance with Accounting Standard (AS) 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

### 2.5 Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. An asset's recoverable amount is the higher of an asset's or cash generating unit's net selling price and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows from continuing use that are largely independent of those from other assets or group of assets. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost and is accordingly reversed in the statement of profit and loss.

### 2.6 Investments

Investments that are readily realizable and are intended to be held for not more than one year from the date on which such investments are made are classified as current investments. All other investments are classified as long-term investments. Long-term investments are valued at cost. Provision is made for diminution in value to recognize a decline, if any, other than that of temporary in nature. Current investments are valued at lower of cost and fair market value. Gains or losses that arise on disposal of an investment are measured as the difference between disposal proceeds and the carrying value and are recognised in the statement of profit and loss.

### 2.7 Inventories

Inventory of stores and spares are stated at lower of cost and net realizable value and is determined on weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business less estimated cost to completion and applicable selling expenses.

Construction work in progress are contract costs incurred for a future activity on a contract and are recognized as an asset if it is probable that they would be recovered. The cost comprises of material and other expenses directly attributable to the contract.

### 2.8 Revenue recognition

Revenue is measured on the basis of consideration received or receivable by the Company for goods supplied and services provided, excluding trade discounts, VAT and other applicable taxes and are recognised upon the performance of service or transfer of risk to the customer.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

Revenue is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company, the costs incurred or to be incurred can be measured reliably, and when the criteria for each of the Company's different activities has been met. These activity-specific recognition criteria are based on the goods or solutions provided to the customer and the contract conditions in each case, and are as described below.

### **Operations and Maintenance**

The revenue from operations and maintenance for water and waste water treatment is recognised over the period during which the service is rendered.

### **Construction contracts**

Contract Revenue and Contract Costs in respect of construction contracts, execution of which is spread over different accounting periods is recognized as revenue and expense respectively by reference to the basis of percentage of completion method of the project at the Balance Sheet date.

Determination of revenues under the percentage of completion method by the Company is based on estimates (some of which are technical in nature) concerning the percentage of completion, which is a proportion of work certified to contract value, costs to completion, expected revenue from the contract and the foreseeable losses of completion.

Foreseeable losses, if any, which are based on technical estimates, are provided in the accounts irrespective of the work done.

Unearned revenue on contracts where progress billings exceed costs incurred plus recognized profits (less loss) is the gross advance amount received from customers for contract work and is presented as a liability for all contracts in progress.

### **Other revenues**

Income from interest is being accounted for on time proportion basis taking into account the amount outstanding and the applicable rate of interest. Dividend income is recognised when the right to receive is established by the reporting date.

Income from duty drawback and export benefit under duty free credit entitlements is recognized in the statement of profit and loss, when right to receive license as per terms of the scheme is established in respect of exports made and there is no significant uncertainty regarding the ultimate collection of the export proceeds, as applicable.

## **2.9 Cost of Sales and services**

Cost of sales and services comprise costs including estimated costs that are directly related to the contract, attributable to the contract activity in general and such costs that can be allocated to the contract and specifically chargeable to the customer under the terms of the contracts, which is charged to the statement of profit and loss account based on the percentage of revenue recognised as per accounting policy 2.8 above, in consonance with the concept of matching costs and revenue. Final adjustment is made on completion of the applicable project.

## **2.10 Taxation**

Provision for tax for the year comprises current income tax and deferred tax. Provision for current income tax is made based on the estimated tax liability in accordance with the relevant tax rates and tax laws.

Current tax is payable on taxable profits, which differ from profit or loss in the financial statements. Current tax is computed based on tax rates and tax laws that have been enacted or substantially enacted by the end of the reporting period.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax assets are reviewed by the Company at each

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

balance sheet date and the carrying amount of a deferred tax asset is written down to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised.

Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

The Company offsets deferred tax assets and deferred tax liabilities if the Company has a legally enforceable right to set off assets against liabilities representing current tax.

### 2.11 Borrowing cost

Borrowing cost includes interest incurred in connection with the arrangement of borrowings. Borrowings costs directly attributable to the construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they are incurred.

### 2.12 Foreign currency translations

Transactions in foreign currency and non-monetary assets are accounted for at the exchange rate prevailing on the date of the transaction duly approximated. All monetary items denominated in foreign currency are converted at the year-end exchange rate. The exchange differences arising on such conversion and on settlement of the transactions are dealt with in the statement of profit and loss.

Gain or loss on forward exchange contract, not in the nature of hedge, is calculated based on difference between forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate. The premium or discount arising at the inception of forward exchange contracts is amortised as income or expense over the life of contract and exchange differences on such contracts is recognised as income or expense in the reporting period in which the exchange rate change.

### 2.13 Retirement and other employee benefits

#### Provident fund

The Company makes contribution to the statutory provident fund in accordance with Employees Provident Fund and Miscellaneous Provisions Act, 1952, which is a defined contribution plan, and contribution paid or payable is recognized as an expense in the period in which it falls due.

#### Gratuity

Gratuity is a post employment benefit and is in the nature of a defined benefit obligation. The liability recognised in the balance sheet in respect of gratuity is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated at the balance sheet date by an independent actuary using the projected unit credit method. Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged or credited to the statement of profit and loss in the year in which such losses or gains are determined.

#### Compensated absences

Liability in respect of compensated absences becoming due or expected to be availed after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method. Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged or credited to the statement of profit and loss in the year in which such losses or gains are determined.

Accumulated compensated absences which are expected to be availed or encashed beyond 12 months from the end of the year end are treated as other long term employee benefits.

#### Superannuation Fund

Contribution made towards Superannuation Fund (funded by payments to ICICI Prudential Life Insurance) which is a defined contribution plan, is charged as expenses on accrual basis. There are no obligations other than the contribution made to respective fund.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

### 2.14 Employees Stock Option Plan

The accounting value of stock options is determined on the basis of "intrinsic value" representing the excess of the market price on the date of grant over the exercise price of the shares granted under the "Employees Stock Option Scheme" of the Company, and is being amortised as "Deferred employees compensation" on a straight-line basis over the vesting period in accordance with the Guidance Note 18 "Employee share-based payments" issued by the Institute of Chartered Accountants of India and the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 issued by the Securities and Exchange Board of India.

### 2.15 Contingent liabilities and provisions

A provision is recognised when the Company has a present obligation as a result of past event i.e., it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. A disclosure of the contingent liability is made when there is a possible or a present obligation that may, but probably will not, require an outflow of resources.

### 2.16 Cash and Cash equivalents

In the cash flow statement, cash and cash equivalent includes cash in hand, cheques on hand, balances with banks in current accounts and other short term highly liquid investments with original maturities of three months or less.

### 2.17 Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes, if any) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events including a bonus issue, bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares). For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

### 2.18 Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

## 3 OTHERS

### 3.1 Capital Commitments

The estimated amount of contracts to be executed on capital account and not provided for (net of advances) ` Nil (Previous year - `2,138 lakhs). Other commitments are cancellable at the option of the Company and hence not disclosed.

### 3.2 Guarantees

	₹ in Lakhs	
	As at 31 March 2014	As at 31 March 2013
Bank Guarantees/ Letter of Credit issued by the banks on behalf of the Company		
- Bank Guarantee	17,280	23,284
- Letter of Credit	12,783	14,533
Corporate Guarantees issued by the Company on behalf of its subsidiary/ third party		
- For VA Tech Wabag GmbH, Vienna	14,292	12,139
- For VA Tech Wabag Muscat LLC, Oman	777	4,248
- For VA Tech Wabag (Philippines) Inc	1,196	-
- For Ujams Waste Water Treatment Company (pty) Ltd	7,742	-
- For Ferrovia Agroman	41,886	-

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

### 3.3 Contingent liabilities

	As at 31 March 2014	As at 31 March 2013
Income tax impact on account of non-deductibility U/s 80-IA (Refer 'a' below)	2,422	2,422
Out of the above, Income tax demand contested in appeal	939	939
Interest U/s 234B on the tax liability referred above (Refer 'b' below)	2,263	1,968
Sales tax matters under dispute (Refer 'c' below)	1,913	395

- a) The Company had been claiming deduction under section 80-IA of the Income Tax Act, 1961 from the financial year ended 31 March 2002 as a developer of infrastructure projects in India. The Finance Act 2009 amended the provisions of Section 80-IA retrospectively with effect from 01 April 2000 to make it inapplicable for persons having a mere works contract with the government or statutory authority. The Company believes that this amendment is in line with the objective of the government of incentivising only a developer of infrastructure facility and not a mere works contractor.

The Company strongly opines that, being a developer of infrastructure turnkey development contracts starting from the conceptualisation to execution assuming significant financial commitment and risks, the Company would be treated as a developer and the amendment would not apply to it. Based on a legal opinion from a Senior Counsel, the Company has filed a writ petition in the High Court of Madras challenging the Constitutional validity of the retrospective amendment. Also, the Company has subsequently received favourable Appellate Orders from CIT (Appeals) from financial years 2001-02 to 2006-07 allowing the benefit under section 80-IA of the Income Tax Act, while, the Income Tax department has raised a demand for ₹939 lakhs denying benefit under section 80-IA for the financial year 2008-09. Considering these facts and as a matter of prudence, the Company has disclosed the total tax benefit so far claimed u/s 80-IA as contingent liability in the financial statement for 31 March 2014.

However, on a conservative basis the liability on account of possible denial of deduction prospectively from 01 April 2009 has been fully provided as current tax in the respective years.

- b) The Company, also based on an opinion taken from a professional firm believes that the interest under section 234B on account of 80-IA disallowance discussed in paragraph 'a' above amounting to ₹2,263 lakhs as at 31 March 2014 would not be payable as the Jurisdictional High Court rulings and various assessment orders commencing from financial year 2001-02 are in favour of the Company on this aspect and on this basis, the amount of interest has been disclosed as contingent liability.
- c) The additional liability assessed by sales tax authorities for various financial years from 2002-03 to 2011-12 amounts to ₹1,913 lakhs.

### 3.4 Transfer Pricing

As per the Transfer pricing norms introduced in India with effect from 1 April 2001, the Company is required to use certain specific methods in computing arm's length price of international transactions between the associated enterprises and maintain prescribed information and documents relating to such transactions. The appropriate method to be adopted will depend on the nature of transactions/class of transactions, class of associated persons, functions performed and other factors, which have been prescribed. The Transfer pricing study for the fiscal year ended 31 March 2014 is in progress and accordingly, the contracts may be amended subsequently and related adjustment, if any, will be quantified upon completion of this study. However, in the opinion of the Management, the outcome of the study will not have material impact on the Company's results.



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

₹ in Lakhs

	Year ended 31 March 2014		Year ended 31 March 2013	
	Nos.	Amount	Nos.	Amount
<b>4 SHARE CAPITAL</b>				
<b>Authorised</b>				
Equity Shares of ₹2 each	5,08,75,000	1,018	5,08,75,000	1,018
Preference shares of ₹10 each	48,25,000	482	48,25,000	482
<b>Issued, subscribed and fully paid up</b>				
Equity Shares of ₹2 each	2,65,92,130	532	2,65,45,772	531
	2,65,92,130	532	2,65,45,772	531

### a. Reconciliation of share capital (Equity)

Balance at the beginning of the year	2,65,45,772	531	2,64,86,585	530
Add : Issued pursuant to Employee Stock Option Plan	46,358	1	59,187	1
Balance at the end of the year	2,65,92,130	532	2,65,45,772	531

### b. Shareholders holding more than 5% of the aggregate shares in the Company

	Nos.	% holding	Nos.	% holding
Equity Shares of ₹2 each				
Mr. Rajiv Mittal (Managing Director)	48,54,703	18%	48,11,438	18%
IDFC Premier Equity Fund	19,37,417	7%	-	-
Emerging Markets Growth Fund Inc.	15,84,552	6%	15,84,552	6%
	83,76,672		63,95,990	

### c. Details of shares issued as fully paid up by way of bonus issues

Year	Face value	Bonus issue	Buy back of shares
Equity Shares			
31 March 2010	5	10,39,629	-

### d) Terms/ rights attached to equity shares

The Company has issued only one class of equity shares having a face value of ₹2 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors, if any, is subject to the approval of the shareholders in the ensuing Annual General Meeting, except interim dividend.

In the event of liquidation, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts, if any. The distribution will be in proportion to the number of equity shares held by the shareholders.

During the year ended 31 March 2014, the amount of dividend per share, recognised as distributions to the equity shareholders of face value ₹2 each was ₹8 (Previous year : ₹7).

### e) Shares reserved for issue under options

The Company had reserved issuance of Equity shares 960,813 of ₹2 each (Previous year : 899,131 shares of ₹2 each) for offering to eligible employees of the Company and its subsidiaries under Employees Stock Option Plan (ESOP).

### f) Employee share based plan

Employee share based plan- ESOP 2006 Scheme

In August 2006, the Board of Directors approved and the Company adopted the "ESOP 2006" (the "Plan") under which not more than 204,080 shares of the Company's equity shares was reserved for issuance to employees. The Board of Directors determined that the options granted under the Plan would vest not less than one year and not more than five years from the

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

date of grant. The exercise price of options shall be ₹200 (face value of ₹10 each) on the grant date. The exercise period of the options is 4 years.

Particulars	Number of options	Weighted average exercise price (₹)
Outstanding as at 01 April 2012	24,144	36
Exercised	6,321	36
Outstanding as at 31 March 2013	17,823	36
Exercised	11,814	36
Lapsed	875	36
Outstanding as at 31 March 2014	5,134	36

### Employee share based plan- ESOP 2010 Scheme

In August 2010, the Board of Directors approved and the Company adopted the “ESOP 2010” (the “Plan”) under which not more than 467,831 shares of the Company’s equity shares was reserved for issuance to employees. The Board of Directors determined that the options granted under the Plan would vest not less than one year and not more than five years from the date of grant. The exercise price of options shall be ₹900 (Face value of ₹5 each) on the grant date.

Particulars	Number of options	Weighted average exercise price (₹)
Outstanding as at 01 April 2012	9,08,926	360
Granted	1,06,927	360
Exercised	52,866	360
Lapsed	81,679	360
Outstanding as at 31 March 2013	8,81,308	360
Granted	2,32,700	360
Exercised	34,544	360
Lapsed	1,23,785	360
Outstanding as at 31 March 2014	9,55,679	360

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

The Company has calculated the employee compensation cost using the intrinsic value of the stock options. Had the Company used the fair value model to determine Compensation Costs, the impact on the reported net profit and earnings per share is presented below :

₹ in Lakhs

	Year ended 31 March 2014	Year ended 31 March 2013
Profit after tax	8,858	9,011
Add : Employee stock compensation under intrinsic value method	127	-
Less : Employee stock compensation under fair value method	237	137
Pro-forma profit	8,748	8,874
<b>Earnings per share</b>		
<b>Basic</b>		
- As reported	33.30	34.00
- Pro-forma	32.89	33.48
<b>Diluted</b>		
- As reported	32.93	33.62
- Pro-forma	32.52	33.12

₹ in Lakhs

	Year ended 31 March 2014	Year ended 31 March 2013
<b>5 RESERVES AND SURPLUS</b>		
<b>Capital reserves</b>		
Balance at the beginning of the year	250	250
Add : Additions made during the year	-	-
Balance at the end of the year	250	250
<b>Securities premium reserve</b>		
Balance at the beginning of the year	25,343	25,150
Add : Additions made during the year		
On exercise of employee stock options	128	191
Transferred from stock option outstanding account	2	2
Balance at the end of the year	25,473	25,343
<b>Stock option outstanding account</b>		
Balance at the beginning of the year	7	9
Add: Options granted during the year	127	-
Less: Options exercised during the year	(2)	(2)
Balance at the end of the year	132	7
<b>General reserve</b>		
Balance at the beginning of the year	2,403	1,502
Add : Additions made during the year		
Transfer on account of dividend	886	901
Balance at the end of the year	3,289	2,403
<b>Surplus in the statement of profit and loss</b>		
Balance at the beginning of the year	25,123	19,187
Add : Transferred from statement of profit and loss	8,858	9,011
Less : Final equity dividend proposed/ paid	(2,127)	(1,858)
Tax on proposed equity dividend	(361)	(316)
Transfer to general reserve	(886)	(901)
Balance at the end of the year	30,607	25,123
	59,751	53,126

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

₹ in Lakhs

	As at 31 March 2014		As at 31 March 2013	
	Nos.	Amount	Nos.	Amount
<b>6 SHARE APPLICATION MONEY PENDING ALLOTMENT</b>				
Equity Shares of ₹2 each	8,503	22	2,385	4
	<b>8,503</b>	<b>22</b>	<b>2,385</b>	<b>4</b>

Share application money pending allotment represents applications received towards subscription from employees under ESOP schemes. The equity shares are expected to be allotted against the share application money within a reasonable period, not later than three months from the Balance Sheet date. The Company has sufficient authorised capital to cover the share capital amount on allotment of above shares.

	As at 31 March 2014	As at 31 March 2013
<b>7 OTHER LONG TERM LIABILITIES</b>		
<b>Trade payables including acceptances</b>		
Dues to micro and small enterprises (Also refer note 10 (a))	-	-
Dues to others	12,900	6,373
Advance from customers	2,465	1,523
Others	123	84
	<b>15,488</b>	<b>7,980</b>

	As at 31 March 2014		As at 31 March 2013	
	Long-term	Short-term	Long-term	Short-term
<b>8 PROVISIONS</b>				
Proposed dividend to equity shareholders (Also refer note (a) below)	-	2,127	-	1,858
Dividend tax	-	361	-	316
Provision for warranty (Also refer note b(i) below)	156	2,523	231	3,093
Provision for liquidated damages (Also refer note b(ii) below)	-	719	-	999
Provision for litigations (Also refer note b(iii) below)	-	-	-	81
Provision for foreseeable losses on contracts (Also refer note b(iv) below)	228	850	-	-
Provisions for employee benefits (Also refer note (c) below)				
Gratuity	-	70	-	82
Compensated absences	353	87	321	92
Provision for taxation (Net of Advance tax ₹Nil; Previous year ₹14,460 lakhs)	-	-	-	494
	<b>737</b>	<b>6,737</b>	<b>552</b>	<b>7,015</b>

	As at 31 March 2014	As at 31 March 2013
<b>a. Details with respect to proposed dividend</b>		
Dividends proposed to		
Equity shareholders	2,127	1,858
Proposed dividend per share		
Equity shareholders (₹) - Face value of ₹2 each	8	7

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

₹ in Lakhs

	As at 31 March 2014	As at 31 March 2013
<b>b. Reconciliation of provision</b>		
<b>i. Provision for warranty</b>		
Balance at the beginning of the year	3,324	1,570
(Reversed)/ Created during the year, net	(352)	2,380
Utilised during the year	(293)	(626)
Balance at the end of the year	<b>2,679</b>	<b>3,324</b>

A provision is recognized for expected warranty claims on construction contracts completed, based on past experience of level of repairs and returns. It is expected that these costs would be predominately incurred within one year from the balance sheet date, which generally coincides with the completion of warranty period of the contract. The assumption used to calculate the provision for warranties are based on the company's current status of contracts under execution and information available about expenditure more probable to be incurred based on the company's warranty period for contracts completed.

<b>ii. Provision for liquidated damages</b>		
Balance at the beginning of the year	999	1,094
Created during the year, net	-	26
Utilised during the year	(280)	(121)
Balance at the end of the year	<b>719</b>	<b>999</b>

The Company provides performance guarantees to its customers which require it to complete projects within a specified timeframe. In the event of failure to complete a project as scheduled, or in case of a performance shortfall, the Company may generally be held liable for penalties in the form of agreed liquidated damages. The Company provides for liquidated damages when it reasonably expects that a delay in the completion of the project or a shortfall in the performance parameters might give rise to a claim from the customer. Liquidated damages are generally measured and recognized in accordance with the terms of the contracts with customers.

<b>iii. Provision for litigations</b>		
Balance at the beginning of the year	81	170
Reversed during the year, net	(81)	(89)
Balance at the end of the year	<b>-</b>	<b>81</b>

The Company provides for litigations, which is predominantly on account of disputes on statutory dues. The Company assesses each demand raised by the statutory authorities and based on responses and discussions with the attorneys and when there is a present obligation as a result of a past event, where the outflow of economic resources is probable and a reliable estimate of the amount of obligation, a provision for litigation is created. Instances when there is no present obligation or where the present obligation would probably not require outflow of resources or where the same cannot be reliably estimated, the same is disclosed as contingent liability in the financial statements. The Company reverses its provisions on receipt of a favourable order from the appropriate authority and when no further obligation is envisaged.

<b>iv. Provision for foreseeable losses on contracts</b>		
Balance at the beginning of the year	-	-
Created during the year	1,078	-
Balance at the end of the year	<b>1,078</b>	<b>-</b>

The Company provides for foreseeable losses on contracts when it is probable that total contract cost, including expected cost to complete, will exceed the economic benefits expected to be received under it.

### c) Employee benefits

#### i) Gratuity

In accordance with applicable Indian laws, the Company provides for gratuity, a defined benefit retirement plan ("the Gratuity Plan") covering eligible employees. The Gratuity Plan provides for a lump sum payment to vested employees on retirement (subject to completion of five years of continuous employment), death, incapacitation or termination of employment that are based on last drawn salary and tenure of employment. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation on the reporting date and the Company makes annual contribution to the gratuity fund maintained by ICICI Prudential Life Insurance



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

The following table sets out the funded status of the Gratuity Plan and the amounts recognized in the financial statement:

	₹ in Lakhs	
	As at 31 March 2014	As at 31 March 2013
<b>Change in projected benefit obligation</b>		
Projected benefit obligation at the beginning of the year	365	264
Service cost	57	44
Interest cost	28	22
Actuarial loss	10	42
Benefits paid	(19)	(7)
Projected benefit obligation at the end of the year	441	365
<b>Thereof</b>		
Unfunded	70	82
Partly or wholly funded	371	283
<b>Change in plan assets</b>		
Fair value of plan assets at the beginning of the year	283	204
Expected return on plan assets	28	21
Actuarial (loss)/ gain	(3)	5
Employer contributions	82	60
Benefits paid	(19)	(7)
Fair value of plan assets at the end of the year	371	283
<b>Reconciliation of present value of obligation on the fair value of plan assets</b>		
Present value of projected benefit obligation at the end of the year	441	365
Fair value of plan assets at the end of the year	371	283
Liability recognised in the balance sheet	70	82
<b>Components of net gratuity costs are</b>		
Current Service cost	57	44
Interest cost	28	22
Expected returns on plan assets	(28)	(21)
Recognized net actuarial loss	13	37
Net gratuity costs recognised in the income statement	70	82
<b>Principal actuarial assumptions used:</b>		
Discount rate	8.90%	7.90%
Long-term rate of compensation increase	7.50%	7.50%
Expected rate of return on plan assets	9.00%	9.00%
Average remaining life (in years)	25	23
Attrition rate	15.00%	15.00%

The Company assesses these assumptions with the projected long-term plans of growth and prevalent industry standards.

### (ii) Compensated absences

The Company permits encashment of compensated absences accumulated by their employees on retirement, separation and during the course of service. The liability in respect of the Company, for outstanding balance of privilege leave at the balance sheet date is determined and provided on the basis of actuarial valuation performed by an independent actuary. The Company doesn't maintain any plan assets to fund its obligation towards compensated absences.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

₹ in Lakhs

	As at 31 March 2014	As at 31 March 2013
<b>Principal actuarial assumptions used :</b>		
Discount rate	8.90%	7.90%
Long-term rate of compensation increase	7.50%	7.50%
Average remaining life	25	23
Attrition rate	15.00%	15.00%
Proportion of leave availment	20%	20%
Proportion of encashment on separation	80%	80%

<b>9 SHORT TERM BORROWINGS</b>		
<b>Secured</b>		
Term loans from banks		
Overdraft account/Packing credit	8,903	5,451
	<b>8,903</b>	<b>5,451</b>

- During the year the Company has availed packing credit in foreign currency for USD 8,000,000 (₹4,411 Lakhs) from Housing Development Finance Corporation (HDFC) bank and USD 4,820,000 (₹2,835 Lakhs) from Hongkong and Shanghai Banking Corporation (HSBC) bank at average interest rate of 1.47% and availed INR packing credit ₹974 Lakhs from HSBC bank, ₹6,860 Lakhs from HDFC bank and ₹2,078 Lakhs (Previous year USD 10,000,000 (₹5,451 Lakhs)) from Standard Chartered bank at average rate of interest of 7.44%. These packing credits are repayable within 180 to 270 days, as applicable, from the date of availment and is secured against foreign currency receivables
- During the year the Company has availed secured overdraft facility from Punjab National Bank, Chennai for ₹16,790 Lakhs and repaid ₹15,095 Lakhs. This overdraft facility availed at 9.50% - 9.75% rate of interest, which was secured against fixed deposits.

<b>10 TRADE PAYABLES</b>		
Dues to micro and small enterprises (Also refer note (a) below)	768	259
Dues to others	53,675	53,097
	<b>54,443</b>	<b>53,356</b>

**Dues to micro, small and medium enterprises pursuant to section 22 of the Micro, Small and Medium Enterprises Development Act (MSMED), 2006:**

i. Principal amount remaining unpaid	768	259
ii. Interest due thereon	10	-
iii. Interest paid by the Company in terms of Section 16 of MSMED Act, 2006, along with the amount of the payment made to the suppliers and service providers beyond the appointed day during the year	-	-
iv. Interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006	-	-
v. Interest accrued and remaining unpaid as at 31 March 2014	-	-
vi. Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act, 2006	-	-
	<b>778</b>	<b>259</b>

The above information is based on the information available with the Company. The above disclosure has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

₹ in Lakhs

	As at 31 March 2014	As at 31 March 2013
<b>11 OTHER CURRENT LIABILITIES</b>		
Billing in advance (Also refer note 31)	4,828	48
Advance from customers	5,956	3,230
Unpaid dividends	3	2
Statutory dues	215	183
Due to subsidiaries	166	2,166
Other payables	1,340	640
Employee related payables	1,106	1,017
	<b>13,614</b>	<b>7,286</b>

There are no amounts due for payment to the Investor education and protection fund under Section 205C of the Companies Act, 1956 as at the balance sheet date.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

12 Fixed Assets											₹ in Lakhs	
	TANGIBLE ASSETS										INTANGIBLE ASSETS	
	Freehold land	Buildings	Plant and machinery	Furniture and fittings	Electrical equipment	Office equipment	Computers	Vehicles	Total		Computer Software	
Gross block												
Balance as at 01 April 2012	1,698	-	186	409	218	123	917	553	4,104		1,742	
Additions	-	-	-	35	14	4	96	191	340		349	
Disposals	-	-	-	-	-	-	43	23	66		-	
Balance as at 31 March 2013	1,698	-	186	444	232	127	970	721	4,378		2,091	
Additions	-	3,653	56	1,738	466	646	180	264	7,003		197	
Disposals	-	-	-	-	7	-	39	77	123		-	
Disposals representing assets held for sale	-	-	40	266	94	26	-	-	426		-	
Balance as at 31 March 2014	1,698	3,653	202	1,916	597	747	1,111	908	10,832		2,288	
Accumulated depreciation/ amortization												
Balance as at 01 April 2012	-	-	35	228	98	54	748	248	1,411		527	
Depreciation/amortization for the year	-	-	21	34	17	10	84	107	273		388	
Reversal on disposal of assets	-	-	-	-	-	-	35	14	49		-	
Balance as at 31 March 2013	-	-	56	262	115	64	797	341	1,635		915	
Depreciation/amortization for the year	-	14	19	57	21	16	89	134	350		459	
Reversal on disposal of assets	-	-	-	-	5	-	39	51	95		-	
Reversal representing assets held for sale	-	-	33	220	60	20	-	-	333		-	
Balance as at 31 March 2014	-	14	42	99	71	60	847	424	1,557		1,374	
Net block												
Balance as at 31 March 2013	1,698	-	130	182	117	63	173	380	2,743		1,176	
Balance as at 31 March 2014	1,698	3,639	160	1,817	526	687	264	484	9,275		914	

## Notes

## a. Assets held for sale:

The Company has during the year moved into its new premises "Wabag house" and hence retired certain assets at its old premises from active use. These assets have been valued at lower of net book value and net realisable value. Also refer note 21.

## b. Capitalized borrowing costs:

The borrowing cost capitalized during the year ended 31 March 2014 is ₹133 lakhs (31 March 2013: ₹Nil).

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

₹ in Lakhs

	As at 31 March 2014	As at 31 March 2013
<b>13 NON-CURRENT INVESTMENTS</b>		
<b>Trade Investments (Valued at cost unless stated otherwise)</b>		
<b>Investments in equity instruments - Unquoted</b>		
<b>In Subsidiaries</b>		
VA Tech Wabag (Singapore) Pte Ltd (4,038,278 (Previous year : 3,419,626) equity shares of SGD 1 each)	1,540	1,235
VA Tech Wabag Muscat LLC (105,000 (Previous year : 105,000 ) equity shares of OMR 1 each)	124	124
VA Tech Wabag (Philippines) Inc. (8,570,200 (Previous year:8,570,200 equity shares of PHP 1 each)	90	90
VA Tech Wabag ( Spain ) S.L.U (3,000 (Previous year : 3,000) equity shares of Euro 1 each)	2	2
<b>In Joint Venture</b>		
International Water Treatment LLC (48,750 (Previous year : 48,750) equity shares of OMR 1 each)	69	69
<b>In Other Companies</b>		
First STP Private Limited (150,000 (Previous year :150,000) equity shares of ₹10 each)	15	15
Konark Water Infraprojects Private Limited (5,000 (Previous year : 5,000 ) equity shares of ₹10 each)	1	1
Aurangabad City Water Utility Company Limited (5,000 (Previous year : Nil ) equity shares of ₹10 each)	1	-
OEG Renew Waters (Thoothukudi) Private Limited* (2,600 (Previous year : Nil ) equity shares of ₹10 each)	-	-
	<b>1,842</b>	<b>1,536</b>
Aggregate amount of unquoted investments	1,842	1,536
Aggregate provision for diminution in value of investments	-	-
* Since the amount of investment is ₹26,000, the same is below the rounding off norm adopted by the Company.		
<b>Extent of Investment in Subsidiaries</b>		
VA Tech Wabag (Singapore) Pte Ltd	100%	100%
VA Tech Wabag Muscat LLC	70%	70%
VA Tech Wabag (Philippines) Inc.	100%	100%
VA Tech Wabag ( Spain ) S.L.U	100%	100%
<b>Extent of Investment in Joint Venture</b>		
International Water Treatment LLC	32.50%	32.50%
<b>Extent of Investment in Other Companies</b>		
First STP Private Limited	5%	5%
Konark Water Infraprojects Private Limited	10%	10%
Aurangabad City Water Utility Company Limited	10%	-
OEG Renew Waters (Thoothukudi) Private Limited	26%	-



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

₹ in Lakhs

	As at 31 March 2014	As at 31 March 2013
<b>14 DEFERRED TAXES ASSET, NET</b>		
The breakup of net deferred tax asset is as follows:		
Deferred tax asset arising on account of :		
- Provision for employee benefits, liquidated damages and losses	429	532
- Allowances for bad and doubtful debts	1,015	525
- Other provisions	-	100
	<b>1,444</b>	<b>1,157</b>
Less: Deferred tax liability arising on account of :		
- Timing difference between depreciation/ amortization as per financials and depreciation as per tax	(397)	(287)
	<b>1,047</b>	<b>870</b>

	As at 31 March 2014		As at 31 March 2013	
	Long-term	Short-term	Long-term	Short-term
<b>15 LOANS AND ADVANCES</b>				
<b>Capital advances</b>				
- Secured, considered good	-	-	190	-
- Unsecured, considered good	-	-	29	-
(A)	-	-	<b>219</b>	-
<b>Security deposits</b>				
- Unsecured, considered good	19	957	19	533
(B)	<b>19</b>	<b>957</b>	<b>19</b>	<b>533</b>
<b>Other loans and advances</b>				
(Unsecured, considered good)				
- Advances to supplier	-	4,116	-	7,143
- Advances to employees*	78	221	82	269
- Due from subsidiaries (Also refer note 32(c))	-	1,669	-	1,148
- Advance tax (Net of provision for tax ₹19,500 lakhs; Previous year ₹Nil )	-	390	-	-
(C)	<b>78</b>	<b>6,396</b>	<b>82</b>	<b>8,560</b>
<b>Total (A+B+C)</b>	<b>97</b>	<b>7,353</b>	<b>320</b>	<b>9,093</b>

\* No amount is due from officers of the company

	As at 31 March 2014	As at 31 March 2013
<b>16 OTHER NON-CURRENT ASSETS</b>		
Non-current bank balances (Refer note 20)	7,744	9,580
Long term trade receivables		
Customer retention - Unsecured, considered good	11,956	3,691
	<b>19,700</b>	<b>13,271</b>

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

₹ in Lakhs

	As at 31 March 2014	As at 31 March 2013
<b>17 CURRENT INVESTMENTS</b>		
Valued at lower of cost and fair value		
Investments in mutual funds - Unquoted		
- SBI Mutual Fund fixed maturity plan (10,000,000 units of ₹10 each)	1,000	-
- HDFC Mutual Fund fixed maturity plan (10,000,000 units of ₹10 each)	1,000	-
	<b>2,000</b>	<b>-</b>
Aggregate amount of		
-Unquoted investments	2,000	-
-Provision for diminution in value of investments	-	-
<b>18 INVENTORIES</b>		
Construction work-in-progress	798	1,224
Stores and spares	644	363
	<b>1,442</b>	<b>1,587</b>
<b>19 TRADE RECEIVABLES</b>		
(Unsecured considered good, unless stated otherwise)		
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured considered good	25,235	18,547
Doubtful	2,986	1,618
	<b>28,221</b>	<b>20,165</b>
Less : Allowances for bad and doubtful debts	(2,986)	(1,618)
(A)	<b>25,235</b>	<b>18,547</b>
Outstanding for a period less than six months from the date they are due for payment		
Other debts	62,677	50,346
Customer retention	4,456	9,340
(B)	<b>67,133</b>	<b>59,686</b>
<b>Total (A+B)</b>	<b>92,368</b>	<b>78,233</b>

	As at 31 March 2014		As at 31 March 2013	
	Current	Non-Current	Current	Non-Current
<b>20 CASH AND BANK BALANCES</b>				
Cash and cash equivalents				
Cash on hand	38	-	87	-
Cheques on hand	5,714	-	5,831	-
Balances with banks				
- in current accounts	1,857	-	4,987	-
- in deposit account (with maturity upto 3 months)	4,320	-	1,960	-
(A)	<b>11,929</b>	<b>-</b>	<b>12,865</b>	<b>-</b>
Other bank balances				
Unpaid dividend account	4	-	2	-
Deposits with maturity more than 3 months but less than 12 months*	3,154	-	4,270	-
Balances with bank held as				
Margin money	556	7,744	-	8,300
Bank deposits with maturity of more than 12 months	-	-	-	1,280
(B)	<b>3,714</b>	<b>7,744</b>	<b>4,272</b>	<b>9,580</b>
Less : Amounts disclosed as other non-current assets (Refer note 16)	-	7,744	-	9,580
(C)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (A+B-C)</b>	<b>15,643</b>	<b>-</b>	<b>17,137</b>	<b>-</b>

\* Deposits amounting to ₹1,695 Lakhs (Previous year ₹Nil) are subject to a charge to secure the Company's short term borrowings (Also refer note 9 (2))

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

₹ in Lakhs

	As at 31 March 2014	As at 31 March 2013
<b>21 OTHER CURRENT ASSETS</b>		
(Unsecured, considered good)		
Balance with government authorities	3,833	3,279
Tender deposits	257	483
Duty drawback and other duty free credit entitlement receivable	1,057	869
Assets held for sale (at lower of net book value and net realisable value) (Also refer note 12 (a))	93	-
Rent advance	293	282
Prepaid expenses	1,071	239
Interest accrued	1,930	921
Others	7	56
	<b>8,541</b>	<b>6,129</b>
	Year ended 31 March 2014	Year ended 31 March 2013
<b>22 REVENUE FROM OPERATIONS</b>		
Sale of services		
Export	31,808	18,504
Domestic	82,191	85,601
	<b>1,13,999</b>	<b>1,04,105</b>
Other operating revenues, net	1,225	1,612
	<b>1,15,224</b>	<b>1,05,717</b>
<b>23 OTHER INCOME</b>		
Interest income	1,000	1,194
Dividend income	161	62
Profit on sale of tangible assets	2	-
	<b>1,163</b>	<b>1,256</b>
<b>24 COST OF SALES AND SERVICES</b>		
Material costs	40,504	41,427
Civil costs	21,019	18,934
Erection and commissioning costs	4,300	3,881
Taxes and duties	4,852	1,513
Site establishment cost	2,920	2,234
Engineering costs	1,052	647
Project consultancy fee	562	321
Warranty expenses/(reversal)	(352)	2,380
Forseeable losses on contracts (Also refer note 8 b(iv))	1,078	-
Project travel	1,266	951
Insurance costs	244	442
Power and fuel	1,563	187
Liquidated damages	-	26
Other project expenses, net	7,710	6,875
	<b>86,718</b>	<b>79,818</b>

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

₹ in Lakhs

	Year ended 31 March 2014	Year ended 31 March 2013
<b>25 DECREASE IN INVENTORIES</b>		
Inventories at the beginning of the year		
Construction work-in-progress	1,224	3,140
Stores and spares	363	352
	<b>1,587</b>	<b>3,492</b>
Less: Inventories at the end of the year		
Construction work-in-progress	798	1,224
Stores and spares	644	363
	<b>1,442</b>	<b>1,587</b>
	<b>145</b>	<b>1,905</b>
<b>26 EMPLOYEE BENEFITS EXPENSE</b>		
Salaries and wages	6,727	5,897
Gratuity (Also refer note 8(c))	70	82
Contribution to provident and other defined contribution funds	349	319
Expense on Employee Stock Option Plan (ESOP) (Also refer note 4(f))	127	-
Staff welfare expenses	746	589
	<b>8,019</b>	<b>6,887</b>
<b>27 OTHER EXPENSES</b>		
Rent	353	325
Insurance	2	3
Power and fuel	108	113
Rates and taxes	10	3
Repairs and maintenance	345	243
Professional charges (Also refer note 39)	520	413
Communication expenses	134	128
Travelling and conveyance	425	570
Foreign currency loss, net	1,120	-
Provision for bad and doubtful debts, net	1,368	292
Bad debts	987	518
Advertisement	12	8
Loss on sale of tangible assets	-	1
Other selling expenses	100	51
Research and development expenses	-	5
Miscellaneous expenses	749	550
	<b>6,233</b>	<b>3,223</b>
<b>28 FINANCE COSTS</b>		
Interest expenses	545	572
Bank charges	691	580
	<b>1,236</b>	<b>1,152</b>
<b>29 DEPRECIATION AND AMORTIZATION</b>		
Depreciation of tangible assets (Refer note 12)	350	273
Amortization of intangible assets (Refer note 12)	459	388
	<b>809</b>	<b>661</b>

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

₹ in Lakhs

	Year ended 31 March 2014	Year ended 31 March 2013
<b>30 EARNINGS PER EQUITY SHARE</b>		
Nominal value of equity shares	2	2
Profit attributable to equity shareholders (A)	8,858	9,011
Weighted average number of equity shares outstanding during the year (B)	2,65,63,379	2,65,07,066
<b>Basic earnings per equity share (A/B) (in ₹)</b>	<b>33.30</b>	<b>34.00</b>
Dilutive effect on profit (C)	-	-
Profit attributable to equity shareholders for computing diluted EPS (D) = (A+C)	8,858	9,011
Dilutive effect on weighted average number of equity shares outstanding during the year (E)	3,53,996	2,90,385
Weighted average number of equity shares for computing Diluted EPS (F) = (B+E)	2,69,17,375	2,67,97,451
<b>Diluted earnings per equity share (D/F) (in ₹)</b>	<b>32.93</b>	<b>33.62</b>
<b>31 CONSTRUCTION CONTRACTS</b>		
In terms of the disclosures required to be made under the Accounting Standard (AS) 7 as notified in section 211 (3C) of the Companies Act, 1956, the amounts considered in the financial statements up to the balance sheet date are as follows:		
Contract revenue recognised	94,554	93,111
Aggregate amount of costs incurred and recognised profits and losses for all contracts in progress	2,51,705	3,06,214
Less : Progress billings	2,56,533	3,06,262
	<b>(4,828)</b>	<b>(48)</b>
Recognised as :		
Due to customers for construction contract work, recognised in current liabilities	(4,828)	(48)
	<b>(4,828)</b>	<b>(48)</b>
Advances received from customers for contracts related to work not yet performed included in 'Other long term liabilities' and 'Other current liabilities'	8,421	4,753
Retention on contracts included within 'Trade receivables' and 'Other non-current assets'	16,412	13,031

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

### 32 RELATED PARTIES (CONTD.)

#### a) Names of related parties and nature of relationship

Nature of relationship	Name of related party
Subsidiary companies	VA Tech Wabag Singapore (Pte) Ltd, Singapore VA Tech Wabag GmbH, Austria Wabag Wassertechnik AG, Switzerland VA Tech Wabag Deutschland GmbH, Germany VA Tech Wabag Brno Spol S.R.O, Czech Republic Engenharia Hidraulica de Macau, Limitada, Macao (Upto 31 December 2012) Wabag Water Services (Macao) Limited, Macao Wabag Water Services s.r.l, Romania VA Tech Wabag Tunisia s.a.r.l., Tunisia VA Tech Wabag (Hong Kong) Limited, Hong Kong Beijing VA Tech Wabag Water Treatment Technology Company Limited, China VA Tech Wabag Muscat LLC, Oman VA Tech Wabag (Philippines) Inc, Philippines VA Tech Wabag Algeria s.a.r.l., Algeria VA Tech Wabag Tecknolojisi Ve Ticaret Limited, Turkey VA Tech Wabag Egypt Limited, Egypt. VA Tech Wabag (Spain) S.L.U, Spain (Incorporated on 8 January 2013) VA Tech Wabag Ltd - Pratibha Industries Ltd JV (Incorporated on 4 September 2013) Ujams Wastewater Treatment Company (Pty) Limited, Namibia
Associates	Windhoek Goreangab Operating Company Limited, Namibia
Joint Venture	International Water Treatment LLC, Oman (Incorporated on 23 February (2013)
Key Management Personnel (KMP)	Mr. Rajiv Mittal – Managing Director Mr. S Varadarajan – Chief Financial Officer Mr. Shiv Narayan Saraf – Executive Director (Management Board) Mr. Amit Sengupta – Executive Director (Management Board) Mr. Rahul Jaiswal – President - Desalination Business Group (Upto 29 May 2013) Mr. Patrick Andrade – President - Industrial Water Group Mr. Krishna Narayan Gokhale - President - International Engineering Centre Mr. Rajneesh Chopra - Senior Vice President - Operations and Maintenance Business Group Mr. Srinivasan M S - Senior Vice President - Municipal Business Group



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

32 RELATED PARTIES (CONTD.)															
b) Transactions with related parties															
Related Party	2013-14							2012-13							₹ in Lakhs
	Pur- chase/ (Sale) of goods/ Assets	Render- ing of ser- vices	Invest- ment pur- chased/ (sold)	Remu- neration paid	Dividend Paid	Others - Expense / (In- come)	Reim- burse- ments received/ receiving	Pur- chase/ (Sale) of goods	Render- ing of services	Invest- ment pur- chased/ (sold)	Remu- neration paid	Dividend Paid	Others - Expense / (In- come)	Reim- burse- ments received/ receiving	
VA Tech Wabag GmbH, Austria	110	(1,403)	-	-	-	(138)	(112)	73	-	-	-	-	18	(27)	
Wabag Wassertechnik AG, Switzerland	76	-	-	-	-	(45)	(23)	-	-	-	-	-	2	(12)	
VA Tech Wabag Singapore (Pte) Ltd	-	-	305	-	-	-	-	-	-	-	-	-	-	-	
VA Tech Wabag (Philippines) Inc	(2,969)	-	-	-	-	(131)	(196)	-	(163)	-	-	-	24	(99)	
VA Tech Wabag Muscat LLC	96	-	-	-	-	(2)	(15)	-	(43)	-	-	-	-	(11)	
Beijing VA Tech Wabag Water Treatment Technology Company Limited, China	-	-	-	-	-	5	-	-	-	-	-	-	3	(3)	
VA Tech Wabag (Hong Kong) Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	(2)	
VA Tech Wabag Teknolojsi Ve Ticaret Limited, Turkey	-	-	-	-	-	(25)	(30)	-	-	-	-	-	-	(19)	
Wabag Water Services s.r.l, Romania	-	-	-	-	-	(159)	(12)	-	-	-	-	-	-	(10)	
VA Tech Wabag (Spain) S.L.U	-	-	-	-	-	65	-	-	-	2	-	-	-	(63)	
International Water Treatment LLC, Oman	(2,104)	-	-	-	-	-	(164)	-	(107)	69	-	-	-	(46)	
VA Tech Wabag Bron Spol.s.r.o	-	-	-	-	-	(100)	-	-	-	-	-	-	-	-	
VA Tech Wabag Limited Pratibha Industries Limited JV	(3,672)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Ujams Waste Water Treatment Company (pty) Ltd	-	-	-	-	-	(9)	-	-	-	-	-	-	-	-	
Key Management Personnel															
Rajiv Mittal	-	-	-	202	337	-	-	-	-	-	209	288	-	-	
Others	-	-	-	480	238	-	-	-	-	-	608	204	-	-	

₹ in Lakhs

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

### 32 RELATED PARTIES (CONTD.)

#### c) Balance with related parties

Related Party	2013-14				2012-13				₹ in Lakhs
	Investments <sup>1</sup>	Advances/ Amount recoverable <sup>1</sup>	Creditors/ Payables		Investments	Advances/ Amount recoverable <sup>1</sup>	Creditors/ Payables		
VA Tech Wabag Singapore (Pte) Ltd	1,540	960	-		1,235	960	-		-
VA Tech Wabag GmbH, Austria	-	1,371	-		-	-	-		2,160
WABAG Wassertechnik AG, Switzerland <sup>2</sup>	-	8	-		-	12	-		-
VA Tech Wabag (Philippines) Inc <sup>2</sup>	90	2,939	-		90	64	-		-
VA Tech Wabag Muscat LLC	124	-	142		124	30	-		-
Wabag Water Services s.r.l, Romania	-	153	-		-	10	-		-
VA Tech Wabag (Spain) S.L.U	2	388	24		2	61	-		-
International Water Treatment LLC	69	938	-		69	67	-		-
VA Tech Wabag Teknolojisi Ve Ticaret Limited, Turkey	-	50	-		-	11	-		-
VA Tech Wabag Limited Pratibha Industries Limited JV	-	3,431	-		-	-	-		-
Ujams Waste Water Treatment Company (pty) Ltd	-	9	-		-	-	-		-
Beijing VA Tech Wabag Water Treatment Technology Company Limited, China	-	-	-		-	-	-		6

#### Note:

- Also represents the maximum amount of investments/ loans/advances/ in subsidiaries in accordance with Clause 32 of the listing agreement subject to Note 2 below.
- The maximum amount of advances outstanding during the year is as below:
  - WABAG Wassertechnik AG, Switzerland - ₹140 Lakhs (Previous year ₹12 Lakhs)
  - VA Tech Wabag (Philippines) Inc - ₹2,939 Lakhs (Previous year ₹575 Lakhs)

### 33 DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE

#### Particulars of unhedged foreign currency exposure as at the reporting date

Particulars	In USD	In Euro	In OMR	In GBP	In CNY	In JPY	In MYR	In AED	In LKR	In QAR	In Rupee equivalent
a) Trade receivables including retention net of advances	244	7	13	-	-	5,892	11	-	-	1	20,860
(Previous year)	102	6	23	-	-	-	-	-	-	2	9,197
b) Project related creditors	36	18	10	-	-	-	-	2	8,683	1	8,338
(Previous year)	58	65	10	-	1	-	-	13	3,084	-	10,634

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

### 34 INTEREST IN JOINT VENTURE

The group has 32.5% (March 31, 2013: 32.5%) interest in International Water Treatment LLC, a joint venture, classified as a Jointly controlled entity domiciled in Oman which is involved in construction of a desalination plant. The joint venture was incorporated during February 2013 and commenced operations from April 2013. Hence there are no numbers reported for the previous period.

The aggregate amounts of each of the assets, liabilities, income and expenses related to the Company's interest in the jointly controlled entity is as follows:

₹ in Lakhs

Particulars	Amount
<b>Non-current assets</b>	
Property, plant and equipment	383
Deferred tax assets	-
	383
<b>Current assets</b>	
Trade receivables	4,939
Loans and advances and other current assets	723
Cash and cash equivalents	5,343
	11,005
<b>Total assets</b>	<b>11,388</b>
<b>Non current liabilities</b>	
Deferred tax liabilities	83
	83
<b>Current Liabilities</b>	
Provisions	146
Trade and other liabilities	10,088
	10,234
<b>Total liabilities</b>	<b>10,317</b>

#### Included in the Consolidated Statement of Profit and Loss

₹ in Lakhs

Particulars	Amount
<b>Income</b>	
Revenue from operations	21,524
Other income	63
Finance income	42
	21,629
<b>Expenditure</b>	
Cost of material	19,597
Employee benefits expense	210
Depreciation	314
Other expenses	283
Finance costs	83
	20,487
<b>Profit before tax</b>	<b>1,142</b>
Income tax expense	139
<b>Profit after tax</b>	<b>1,003</b>

#### Notes :

- Contingent liabilities of the above joint venture entity ₹Nil (Previous year ₹Nil)
- Capital commitments of the above joint venture entity ₹Nil (Previous year ₹Nil)

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

₹ in Lakhs

	Year ended 31 March 2014	Year ended 31 March 2013
<b>35 EARNINGS IN FOREIGN CURRENCY (ACCRUAL BASIS)</b>		
Export value on FOB basis	31,808	18,504
	<b>31,808</b>	<b>18,504</b>
<b>36 EXPENDITURE IN FOREIGN CURRENCY (ACCRUAL BASIS)</b>		
Professional charges	180	669
Travelling and conveyance	453	367
Site establishment cost	515	419
Overseas regional office expenses	94	78
Commission	-	93
Other project expenses, net	2,333	1,384
Erection and commissioning costs	-	382
	<b>3,575</b>	<b>3,392</b>
<b>37 VALUE OF IMPORTS ON CIF BASIS</b>		
Raw materials	6,947	14,455
Capital goods	36	-
	<b>6,983</b>	<b>14,455</b>
<b>38 DISCLOSURES IN RESPECT OF NON-CANCELLABLE OPERATING LEASES</b>		
The lease rentals charged for the years ended 31 March 2014 and 2013 and maximum obligations on long-term, non-cancellable operating leases payable as per the rentals stated in the respective agreements are as follows:		
The total of future minimum lease payments for each of the following periods:		
(i) Not later than one year	164	201
(ii) Due later than one year and not later than five years	115	351
(iii) Due later than five years	-	-
	<b>279</b>	<b>552</b>
Lease payments charged off to the statement of profit and loss	353	325
<b>39 PAYMENTS TO AUDITORS (included as part of professional charges)*</b>		
<b>As auditor</b>		
Statutory audit	23	23
Limited review	6	6
Tax audit	3	2
	<b>32</b>	<b>31</b>
<b>In other capacity</b>		
Other services	12	8
	<b>44</b>	<b>39</b>

\* excluding service tax

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

₹ in Lakhs

	Year ended 31 March 2014	Year ended 31 March 2013
<b>40 DIVIDEND REMITTED IN FOREIGN CURRENCY</b>		
Period to which it relates	2012-13	2011-12
Number of non - resident shareholders (No.)	2	Nil
Number of shares held on which dividend was due (Equity shares of ₹2 each)	9,475	Nil
Amount remitted (Euro 770.87, Previous year: Nil)	66,325	Nil
<b>41 AGGREGATE OF EXPENSES THAT HAVE BEEN BIFURCATED AND GROUPED UNDER DIFFERENT HEADS ARE PROVIDED BELOW:</b>		
Professional charges	1,082	734
Travelling and conveyance	1,691	1,521
Power and fuel	1,671	300
Rates and taxes	4,862	1,516
	<b>9,306</b>	<b>4,071</b>

### 42 SEGMENT REPORTING

The Company publishes standalone financial statements along with the consolidated financial statements in the annual report. In accordance with Accounting Standard 17, Segment Reporting, the Company has disclosed the segment information in the consolidated financial statements.

This is the summary of significant accounting policies and other explanatory information referred to in our report of even date.

For **Walker Chandiok & Co LLP**  
(formerly Walker, Chandiok & Co)  
Chartered Accountants

For and on behalf of the **Board of Directors of VA Tech Wabag Limited**

per **Sumesh E S**  
Partner

**Rajiv Mittal**  
Managing Director

**Sumit Chandwani**  
Director

**S Varadarajan**  
Chief Financial Officer

**Rajiv Balakrishnan**  
Company Secretary

Place : Brno, Czech Republic  
Date : 24 May 2014

Place : Brno, Czech Republic  
Date : 24 May 2014

# Consolidated Financial Section



# Independent Auditors' Report

To  
The Board of Directors of VA Tech Wabag Limited

1. We have audited the accompanying consolidated financial statements of VA Tech Wabag Limited, ("the Company") and its subsidiaries, associates and joint ventures (hereinafter collectively referred to as the "Group"), which comprise the consolidated Balance Sheet as at 31 March 2014, and the consolidated Statement of Profit and Loss and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Consolidated Financial Statements

2. Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditors' Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including

the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

6. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries, associates and joint ventures as noted below, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2014;
  - ii) in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
  - iii) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

## Emphasis of Matter

7. We draw attention to notes 3.3(a) and 3.3(b) to the accompanying financial statements which describe

the uncertainty related to the outcome of litigations in connection with certain deductions being disallowed which, according to the management, is due to retrospective amendment of section 80-IA of the Income tax Act, 1961 pursuant to Finance Act, 2009. Our opinion is not qualified in respect of this matter.

8. We draw your attention to note 36 of the summary of significant accounting policies and other explanatory information, regarding the policy for pension plan of WABAG Wassertechnik AG, Switzerland, subsidiary of the company. As further explained in note 36, consequent to change in classification of the employee benefit plan at such subsidiary, for its employees from a defined benefit plan to a defined contribution plan, during the year, the Company has reversed the excess provision (net of deferred taxes) of ₹925 lakhs, pertaining to previous years and disclosed an amount of ₹506 lakhs as exceptional items. Our opinion is not qualified in respect of this matter.

#### Other Matter

9. We did not audit the financial statements of certain subsidiaries, associates and joint ventures included in

the consolidated financial statements, whose financial statements reflect total assets (after eliminating intra-group transactions) of ₹90,339 lakhs as at 31 March 2014; total revenues (after eliminating intra-group transactions) of ₹112,072 lakhs and net cash outflows aggregating to ₹5,901 lakhs for the year then ended. These financial statements have been audited by other auditors whose audit reports have been furnished to us by the management, and our audit opinion on the consolidated financial statements of the Group for the year then ended to the extent they relate to the financial statements not audited by us as stated in this paragraph is based solely on the audit reports of the other auditors. Our opinion is not qualified in respect of this matter.

For Walker Chandiok & Co LLP  
(formerly Walker, Chandiok & Co)  
Chartered Accountants  
Firm Registration No.: 001076N

per Sumesh E S  
Place : Brno, Czech Republic  
Date : 24 May 2014  
Membership No.: 206931  
Partner

# CONSOLIDATED BALANCE SHEET

₹ in Lakhs

	Note	As at 31 March 2014	As at 31 March 2013
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	4	532	531
Reserves and surplus	5	83,563	71,004
		<b>84,095</b>	<b>71,535</b>
Share application money pending allotment	6	22	4
Minority interest		282	194
<b>Non-current liabilities</b>			
Long-term borrowings	7	4,496	261
Deferred tax liabilities	8	367	23
Other long term liabilities	9	15,734	8,149
Long-term provisions	10	2,143	3,030
		<b>22,740</b>	<b>11,463</b>
<b>Current liabilities</b>			
Short-term borrowings	7	11,329	7,958
Trade payables	11	86,195	68,902
Other current liabilities	12	23,714	16,152
Short-term provisions	10	15,196	12,852
		<b>1,36,434</b>	<b>1,05,864</b>
<b>Total</b>		<b>2,43,573</b>	<b>1,89,060</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Fixed assets</b>			
Tangible assets	13	10,806	3,668
Intangible assets	13	1,112	1,439
Capital work-in-progress		74	3,239
Intangible assets under development		6,846	1,537
Non-current investments	14	315	330
Deferred tax assets	8	1,070	1,147
Long-term loans and advances	15	97	407
Other non-current assets	16	19,725	13,286
		<b>40,045</b>	<b>25,053</b>
<b>Current assets</b>			
Current Investment	17	2,000	-
Inventories	18	3,502	4,053
Trade receivables	19	1,38,748	1,10,948
Cash and bank balances	20	37,016	28,665
Short-term loans and advances	15	9,946	11,149
Other current assets	21	12,316	9,192
		<b>2,03,528</b>	<b>1,64,007</b>
<b>Total</b>		<b>2,43,573</b>	<b>1,89,060</b>
<b>Notes 1 to 37 form an integral part of these consolidated financial statements</b>			

This is the consolidated balance sheet referred to in our report of even date

For **Walker Chandiok & Co LLP**  
(formerly Walker, Chandiok & Co)  
Chartered Accountants

For and on behalf of the **Board of Directors of VA Tech Wabag Limited**

per **Sumesh E S**  
Partner

**Rajiv Mittal**  
Managing Director

**Sumit Chandwani**  
Director

**S Varadarajan**  
Chief Financial Officer

**Rajiv Balakrishnan**  
Company Secretary

Place : Brno, Czech Republic  
Date : 24 May 2014

Place : Brno, Czech Republic  
Date : 24 May 2014

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS

₹ in Lakhs

	Note	Year ended 31 March 2014	Year ended 31 March 2013
<b>Revenue</b>			
Revenue from operations	22	2,23,860	1,61,885
Other income	23	1,286	1,324
<b>Total revenue</b>		<b>2,25,146</b>	<b>1,63,209</b>
<b>Expenses</b>			
Cost of sales and services	24	1,68,878	1,16,697
Decrease in inventories	25	915	967
Employee benefits expense	26	22,174	20,581
Other expenses	27	13,043	8,239
Finance costs	28	2,521	2,115
Depreciation and amortisation expense	29	1,501	1,091
<b>Total expenses</b>		<b>2,09,032</b>	<b>1,49,690</b>
<b>Profit before exceptional items and tax</b>		<b>16,114</b>	<b>13,519</b>
Exceptional items	36	506	-
<b>Profit before tax</b>		<b>16,620</b>	<b>13,519</b>
<b>Tax expense</b>			
Current tax		5,118	4,636
Deferred tax		140	(77)
		<b>5,258</b>	<b>4,559</b>
<b>Profit for the year before share of profit in associates</b>		<b>11,362</b>	<b>8,960</b>
Share of profit in Associate		63	76
<b>Profit for the year before Minority Interest</b>		<b>11,425</b>	<b>9,036</b>
Minority Interest		90	2
<b>Profit for the year attributable to equity shareholders</b>		<b>11,335</b>	<b>9,034</b>
"Earnings per equity share (Nominal value ₹2 per share) (In ₹)"	30		
Basic		42.61	34.08
Diluted		42.14	33.76
<b>Notes 1 to 37 form an integral part of these consolidated financial statements</b>			

This is the consolidated statement of profit and loss referred to in our report of even date

For **Walker Chandiok & Co LLP**  
(formerly Walker, Chandiok & Co)  
Chartered Accountants

For and on behalf of the **Board of Directors of VA Tech Wabag Limited**

per **Sumesh E S**  
Partner

**Rajiv Mittal**  
Managing Director

**Sumit Chandwani**  
Director

**S Varadarajan**  
Chief Financial Officer

**Rajiv Balakrishnan**  
Company Secretary

Place : Brno, Czech Republic  
Date : 24 May 2014

Place : Brno, Czech Republic  
Date : 24 May 2014

# CONSOLIDATED CASH FLOW STATEMENT

₹ in Lakhs

	Year ended 31 March 2014		Year ended 31 March 2013	
A. CASH FLOW FROM OPERATING ACTIVITIES				
Profit before exceptional items and tax		16,114		13,519
Adjustments for:				
Depreciation and amortisation	1,501		1,091	
Interest expenses	683		727	
Interest and Dividend income	(1,286)		(1,324)	
Unrealised forex loss, net	235		397	
(Profit)/Loss on sale of Tangible assets, net	59		(14)	
Bad debts and provision for bad and doubtful debts	2,482		898	
Expense on Employee Stock Option Plan (ESOP)	127		-	
Provision for foreseeable losses on contracts	1,655		-	
Provision for compensated absences and gratuity	421		777	
Provision for warranty, liquidated damages, litigations and others	3,296	9,173	7,445	9,997
Operating profit before working capital changes		25,287		23,516
Adjustments for:				
Increase in trade receivables	(30,517)		(2,993)	
(Increase)/ decrease in short term loans and advances	1,444		(3,910)	
(Increase)/ decrease in long term loans and advances	91		197	
Decrease in inventory	915		936	
Increase in other current assets	(2,023)		(4,080)	
Increase in other non current assets	(8,275)		(1,690)	
Increase in trade payables	17,293		5,133	
Decrease in provisions	(2,456)		(7,186)	
Increase/ (decrease) in other current liabilities	7,561		(1,675)	
Increase in other long term liabilities	7,585	(8,382)	3,360	(11,908)
Cash generated from operations		16,905		11,608
Direct taxes paid		(5,664)		(3,434)
Net cash generated from operating activities		11,241		8,174
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets (including capital work in progress)		(10,326)		(4,191)
Proceeds on disposal of fixed assets		69		58
Purchase of non-current investments		(1)		-
Purchase of current investments		(2,000)		-
Dividend from Associates		135		116
Movement in bank deposits		2,130		(539)
Interest and dividend received		277		531
Net cash from/(used in) investing activities		(9,716)		(4,025)

# CONSOLIDATED CASH FLOW STATEMENT

₹ in Lakhs

	Year ended 31 March 2014	Year ended 31 March 2013
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of share capital including share premium and share application money	147	196
Proceeds from issue of shares to minority shareholders of overseas subsidiaries	-	120
Repayment of Borrowings	(21,526)	(10,351)
Proceeds from Borrowings	29,133	6,092
Interest paid to Banks and others	(816)	(726)
Dividend paid	(1,857)	(1,588)
Dividend distribution tax paid	(316)	(258)
Dividend paid to minority shareholders of overseas subsidiaries	-	(28)
<b>Net cash from/(used in) financing activities</b>	<b>4,765</b>	<b>(6,543)</b>
<b>D. Net cash flows during the year</b>	<b>6,290</b>	<b>(2,394)</b>
Effects of foreign currency translation	2,355	274
<b>E. Cash and cash equivalents at the beginning</b>	<b>24,393</b>	<b>26,513</b>
<b>F. Cash and cash equivalents at the end</b>	<b>33,038</b>	<b>24,393</b>
<b>Cash and cash equivalents comprise of:</b>		
Cash on hand	102	380
Cheques on hand	5,714	5,831
Balances with banks - in current accounts	20,859	13,448
Balances with banks - in deposit accounts (maturity upto 3 months)	6,363	4,734
<b>Cash and cash equivalents as per note 20</b>	<b>33,038</b>	<b>24,393</b>

This is the Consolidated cash flow statement referred to in our report of even date

For Walker Chandiok & Co LLP  
(formerly Walker, Chandiok & Co)  
Chartered Accountants

per Sumesh E S  
Partner

Place : Brno, Czech Republic  
Date : 24 May 2014

For and on behalf of the Board of Directors of VA Tech Wabag Limited

Rajiv Mittal  
Managing Director

S Varadarajan  
Chief Financial Officer

Place : Brno, Czech Republic  
Date : 24 May 2014

Sumit Chandwani  
Director

Rajiv Balakrishnan  
Company Secretary



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

### 1. GENERAL INFORMATION

VA TECH WABAG LIMITED ('the Company'), its subsidiaries, associates and joint ventures as listed in note 2.2 (collectively referred to as 'the Group') is one of the world's leading companies in the water treatment field. The group's principal activities include design, supply, installation, and operational management of drinking water and waste water treatment plants. The shares of the Company are listed in the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).

All amounts in the financial statements are presented in Rupees in Lakhs except per share data and as otherwise stated. Figures for the previous year have been regrouped / rearranged wherever considered necessary to conform to the figures presented in the current year.

The Group is in the business of execution of turnkey projects for water management and hence the requirements under paragraph 5(ii)(a), 5(ii)(b) and 5(ii)(d) of Part II of Schedule VI to the Companies Act, 1956 are not applicable.

### 2. SUMMARY OF ACCOUNTING POLICIES

#### 2.1 Basis of accounting

The financial statements are prepared under the historic cost convention on accrual basis of accounting in accordance with generally accepted accounting principles ("GAAP") applicable in India except for intangible assets under development which have been valued at fair value of construction services rendered. GAAP comprises mandatory accounting standards prescribed by the Companies (Accounting Standards) Rules, 2006 issued by the Central Government in exercise of the power conferred under sub-section (1)(a) of Section 642 and the relevant provisions of the Companies Act, 1956 and 2013 (to the extent notified) and pronouncements of the Institute of Chartered Accountants of India. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. The management evaluates all recently issued or revised accounting standards on an on-going basis.

#### 2.2 Basis of Consolidation

The Consolidated financial statements include the financial statements of the Subsidiary companies and associates as listed below. The financial statements of the subsidiary undertakings and associates forming part of these consolidated financial statements are drawn up to 31 March 2014. Subsidiaries are all entities over which the Company has the ability to control the financial and operating policies. All material inter-company transactions and accounts are eliminated on consolidation.

The following subsidiaries, associates and joint ventures have been included in the consolidated financial statements:

Subsidiaries	Country of Incorporation	Percentage of Holding
VA TECH WABAG (Singapore) Pte Ltd	Singapore	100
VA TECH WABAG GmbH, Austria	Austria	100
WABAG Wassertechnik AG, Switzerland	Switzerland	100
VA TECH WABAG Deutschland GmbH, Germany	Germany	100
VA TECH WABAG Bmo Spol S.R.O, Czech Republic	Czech Republic	100
Wabag Water Services (Macao) Limited, Macao	Macao	100
WABAG Water Services s.r.l, Romania	Romania	100
Engenharia Hidraulica de Macau, Limitada, Macao (Upto 31 December 2012)	Macao	100
VA TECH WABAG Tunisia s.a.r.l., Tunisia	Tunisia	100
VA TECH WABAG Algeria s.a.r.l., Algeria	Algeria	100
Beijing VA TECH WABAG Water Treatment Technology Co. Limited	China	100
VA Tech Wabag Tecknolojisi Ve Ticaret Limited	Turkey	100
VA TECH WABAG (Hong Kong) Limited	Hong Kong	100
VA Tech Wabag Egypt Limited	Egypt	100
Ujams Wastewater Treatment Company (Pty) Ltd.	Namibia	82
VA TECH WABAG (SPAIN) S.LU. (Incorporated on 8 January 2013)	Spain	100

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

The following subsidiaries, associates and joint ventures have been included in the consolidated financial statements: (Contd.)

Subsidiaries	Country of Incorporation	Percentage of Holding
VA Tech Wabag Muscat LLC, Oman	Oman	70
VA Tech Wabag (Philippines) Inc	Philippines	100
VA Tech Wabag Limited Pratibha Industries Limited JV	Nepal	100
Associates		
Windhoek Goreangab Operating Company (Pty) Limited	Namibia	33
Joint Venture		
International Water Treatment LLC, Oman (Incorporated on 23 February 2013)	Oman	32.50

The group has completed the winding up process for its subsidiary in Macao, Engenharia Hidraulica de Macau, and Limitada (EHDML). EHDML was wound up on 31 December 2012. On deconsolidation of this subsidiary, the group recognised a gain of ₹96 lakhs representing the reclassification of accumulated foreign currency translation reserve in the subsidiary till date of winding up. The loss of the subsidiary upto 31 December 2012 amounting to ₹210 lakhs was included in the consolidated statement of profit and loss.

The subsidiary in Egypt has not completed the incorporation procedures and has not commenced commercial operations and hence has not been consolidated. The accounting period for the associate in Namibia is 01 January 2013 to 31 December 2013. However, for the purpose of inclusion in the consolidated financial statements of the parent, the accounts of the associate company in Namibia have been drawn up for the period from 01 April 2013 to 31 March 2014.

The group entered into a joint venture with Pratibha Industries Limited in Nepal to execute a project. Considering the fact that the group has control over the governing body and over the operating and financial decisions of the JV entity, the same has been treated as a subsidiary in the consolidated financials.

The group entered into a joint Venture with Cadagua S.A and Galfar LLC in Oman to construct a desalination water treatment plant for the Sultanate of Oman. The group has classified this as a joint venture and it has been consolidated accordingly.

### 2.3 Principles of consolidation:

The Consolidated financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under the accounting standards 21 (AS 21) on Consolidated Financial Statements, accounting standards 23 (AS 23) on Accounting for Investments in Associates in Consolidated Financial Statements and accounting standards 27 (AS 27) on Financial Reporting of Interests in Joint Ventures as specified in the Companies (Accounting Standard) Rules 2006 (as amended). The consolidated financial statements are prepared on the following basis - The financial statements of the parent company and its subsidiary have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transaction and unrealized profits in full. Unrealised losses resulting from intra-group transactions are also eliminated except to the extent recoverable value of related assets is lower than their cost to the Group. Profit or loss of subsidiaries acquired or disposed of during the year is recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Investments in Associates are accounted for using the equity method, under which the investment is initially recorded at cost, identifying any goodwill or capital reserve arising at the time of acquisition. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the share of net assets of the Associate. However, the share of losses is accounted for only to the extent of the cost of investment.

Subsequent profits of such Associates are not accounted for unless the accumulated losses (not accounted for by the

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

Group) are recouped. Where the associate prepares and presents consolidated financial statements, such consolidated financial statements of the associate are used for the purpose of equity accounting. In other cases, standalone financial statements of associates are used for the purpose of consolidation.

Interests in the assets, liabilities, income and expenses of the joint Ventures are consolidated using proportionate consolidation method. Intra group balances, intra-group transactions and unrealized profit or loss are eliminated to the extent of the Company's proportionate share, except where cost cannot be recovered.

Minorities' interest in net profits of consolidated Subsidiaries for the year is identified and adjusted against the income in order to arrive at the net income attributable to the shareholders of the Company. Their share of net assets is identified and presented in the consolidated balance sheet separately. Where accumulated losses attributable to the minorities are in excess of their equity, in the absence of the contractual/legal obligation on the minorities, the same is accounted for by the holding company, except where there is contractual/legal obligation on minority.

Excess of acquisition cost over the carrying amount of the parent company's share of equity of the acquiree at the date of acquisition is recognized as goodwill. In cases where the share of the equity in the acquiree as on the date of acquisition is in excess of acquisition cost, such excess of share in equity is recognised as 'Capital reserve' and classified under 'Reserves and Surplus'. The parent company's share of equity in the subsidiary is determined on the basis of book values of assets and liabilities as per the financial statements of the subsidiary as at the date of acquisition.

The construction cost incurred by the Group as part of the Build-Own-Operate-Transfer (BOOT) contract is considered as exchanged with the grantor against the right to operate and generate revenues from the project and the profit from such contract is considered as realized. Accordingly BOOT contract awarded to group companies where work is subcontracted to other group companies, the intra-group transactions on BOOT contract and the profits arising thereon are taken as realized and not eliminated on consolidation under AS 21.

The amounts shown in respect of reserves comprise the amount of relevant reserves as per the balance sheet of the parent company and its share in the relevant reserves of the subsidiary.

The financial statements of the entities used for the purpose of consolidation are drawn up to same reporting date as that of the Company i.e. year ended 31 March 2014.

As far as practicable, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented, to the extent possible, in the same manner as the Company's standalone financial statements. Differences in accounting policies are disclosed separately.

As per Accounting Standard 21 - Consolidated Financial Statements notified by Companies (Accounting Standards) Rules, 2006 (as amended), only the notes involving items which are material need to be disclosed. Materiality for this purpose is assessed in relation to the information contained in the consolidated financial statements. Further, additional statutory information disclosed in separate financial statements of the subsidiary or the parent having no bearing on the true and fair view of the consolidated financial statements is not disclosed in the consolidated financial statements.

### 2.4 Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities on the date of the consolidated financial statements and the results of operations during the reporting periods. Significant estimates include percentage of completion of contracts, revenues recognised under BOOT contracts, estimate of costs to complete, provision for doubtful receivables and loans and advances, income taxes, future obligations under employee benefit plans, estimated useful life of tangible and intangible assets, provision for warranty, liquidated damages and litigations. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimates and any revisions to accounting estimates is recognised prospectively in the current and future periods.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

Assets and liabilities are classified as current or non-current as per Group's normal operating cycle and other criteria set out in schedule VI to the Act. Based on the nature of work, the Company has ascertained its operating cycle as upto twelve months for the purpose of current and non-current classification of assets and liabilities.

### 2.5 Tangible assets and depreciation

Tangible assets are stated at acquisition cost less accumulated depreciation and impairment losses, if any. Cost of acquisition comprises of purchase price and directly attributable costs of bringing the asset to its working condition for the intended use and is net of refundable duties and taxes. Cost of tangible assets not ready for the intended use before such date is disclosed as capital work in progress.

Subsequent expenditure incurred on an item of tangible asset is added to the book value of that asset only if this increases the future benefits from the existing asset beyond its previously assessed standard of performance.

Gains or losses that arise on disposal or retirement of an asset are measured as the difference between net disposal proceeds and the carrying value of an asset and are recognised in the Statement of profit and loss when the asset is derecognised.

Depreciation on assets is provided on written down value method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

Tangible assets held for sale or retired from active use are stated at the lower of their net book value and net realisable value and shown separately in the financial statements. In addition, any expected loss is recognized immediately in the statement of profit and loss.

### 2.6 Intangible assets and amortisation

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, the intangible assets are carried at cost less accumulated amortisation and accumulated impairment, if any.

Software is stated at cost less accumulated amortisation and are being amortised on a straight line basis over the estimated useful life of 5 years.

Gains or losses that arise on de-recognition or retirement of an intangible asset are measured as the difference between net disposal proceeds and the carrying value of an intangible asset and are recognised in the Statement of profit and loss when the intangible asset is derecognised.

The amortisation period and method are reviewed at each balance sheet date. If the expected useful life of the asset is significantly different from the previous estimates, the amortisation period is changed accordingly. If there has been a significant change in the expected pattern of economic benefit from the asset, the method of amortisation is changed to reflect the changed pattern. Such changes are accounted in accordance with Accounting Standard (AS) 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

#### Intangibles under development

The right to operate and generate revenues from projects under BOOT contract are capitalized as an intangible asset under development based on the cumulative construction costs incurred by the group including related margins (refer accounting policy on revenue recognition). This intangible asset arising out of BOOT contract will be amortised over the operating period of 21 years.

### 2.7 Impairment of assets

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows from continuing use that are largely

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount and the reduction is treated as an impairment loss and is recognised in the Statement of profit and loss.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost and is accordingly reversed in the statement of profit and loss.

### 2.8 Investments

Investments that are readily realizable and are intended to be held for not more than one year from the date on which such investments are made are classified as current investments. All other investments are classified as long term investments. Long term investments are valued at cost. Provision is made for diminution in value to recognize a decline other than temporary in the value of the investments. Current investments are valued at lower of cost and fair market value. Gains or losses that arise on disposal of an investment are measured as the difference between disposal proceeds and the carrying value and are recognised in the Statement of profit and loss.

### 2.9 Inventories

Inventory of stores and spares are stated at lower of cost and net realizable value and is determined on weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business less estimated cost to completion and applicable selling expenses.

Construction work-in-progress are contract costs incurred for a future activity on a contract and are recognized as an asset if it is probable that they would be recovered. The cost comprises of material and other expenses directly attributable to the contract.

### 2.10 Revenue recognition

Revenue is measured on the basis of consideration received or receivable by the Group for goods supplied and services provided, excluding trade discounts, VAT and other applicable taxes and are recognised upon the performance of service or transfer of risk to the customer.

Revenue is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group, the costs incurred or to be incurred can be measured reliably, and when the criteria for each of the Group's different activities have been met. These activity-specific recognition criteria are based on the goods or solutions provided to the customer and the contract conditions in each case, and are as described below.

#### Operations and Maintenance

The revenue from operations and maintenance for water and waste water treatment is recognised over the period during which the service is rendered.

#### Construction contracts

Contract Revenue and Contract Costs in respect of construction contracts, execution of which is spread over different accounting periods is recognized as revenue and expense respectively by reference to the basis of percentage of completion method of the project at the Balance Sheet date.

For the Company, determination of revenues under the percentage of completion method is based on estimates

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

(some of which are technical in nature) concerning the percentage of completion, which is a proportion of work certified to contract value, costs to completion, expected revenue from the contract and the foreseeable losses of completion.

For overseas entities, determination of revenues under the percentage of completion method is based on estimates concerning the percentage of completion, which is determined by the proportion that contract costs incurred for the work performed bear to the estimated total contract costs up to the balance sheet date.

Foreseeable losses, if any, which are based on technical estimates, are provided in the accounts irrespective of the work done.

Unearned revenue on contracts where progress billings exceed costs incurred plus recognized profits (less loss) is the gross advance amount received from customers for contract work and is presented as a liability for all contracts in progress.

Revenue relating to construction services rendered in connection with BOOT projects undertaken by the group is recognized during the period of construction and is measured at fair value of consideration receivable using percentage of completion method. After the completion of construction period, revenue relating to collections of such projects from users of facilities is accounted when the amount is due and recovery is certain.

### Other revenues

Income from interest is being accounted for on time proportion basis taking into account the amount outstanding and the applicable rate of interest. Dividend income is recognised when the right to receive is established by the reporting date.

Income from duty drawback and export benefit under duty free credit entitlements is recognized in the Statement of profit and loss, when the right to receive license as per terms of the scheme is established in respect of exports made and there is no significant uncertainty regarding the ultimate collection of the export proceeds, as applicable.

### 2.11 Cost of Sales and Services

Cost of sales and services comprise costs including estimated costs that are directly related to the contract, attributable to the contract activity in general and such costs that can be allocated to the contract and specifically chargeable to the customer under the terms of the contracts, which is charged to the statement of profit and loss account based on the percentage of revenue recognised as per accounting policy (2.9) above, in consonance with the concept of matching costs and revenue. Final adjustment is made on completion of the applicable project.

### 2.12 Taxation

Provision for tax for the year comprises current income tax and deferred tax. Provision for current income tax is made based on the estimated tax liability in accordance with the relevant tax rates and tax laws.

Current tax is payable on taxable profits, which differ from profit or loss in the financial statements. Current tax is computed based on tax rates and tax laws that have been enacted or substantially enacted by the end of the reporting period.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax assets are reviewed by the Group management at each balance sheet date and the carrying amount of a deferred tax asset is written down to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised.

Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

The Group offsets deferred tax assets and deferred tax liabilities if there is a legally enforceable right to set off assets against liabilities representing current tax.

### 2.13 Borrowing costs

Borrowing cost includes interest incurred in connection with the arrangement of borrowings. Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they are incurred.

### 2.14 Foreign currency translations

Transactions in foreign currency and non-monetary assets are accounted for at the exchange rate prevailing on the date of the transaction duly approximated. All monetary items denominated in foreign currency are converted at the year-end exchange rate. The exchange differences arising on such conversion and on settlement of the transactions are dealt with in the statement of profit and loss.

Gain or loss on forward exchange contract, not in the nature of hedge, is calculated based on difference between forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate. The premium or discount arising at the inception of forward exchange contracts is amortized as income or expense over the life of contract and exchange differences on such contracts is recognised as income or expense in the reporting period in which the exchange rate change. Any profit or loss arising on cancellation or renewal of forward foreign exchange contracts is recognised as income or expense for the year upon such cancellation or renewal.

### 2.15 Translation of integral and non-integral foreign operations

The group classifies all its foreign operations as either “integral foreign operations” or “non-integral foreign operations”.

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the Company itself. The assets and liabilities of a non-integral foreign operation are translated into the reporting currency at the exchange rate prevailing at the reporting date. Items of profit and loss are translated at the average exchange rates for the year. The exchange differences arising on translation are accumulated in the foreign currency translation reserve. On disposal of a non-integral foreign operation, the accumulated foreign currency translation reserve relating to that foreign operation is recognized in the statement of profit and loss.

### 2.16 Retirement and other employee benefits

#### Provident fund

The Parent Company makes contribution to the statutory provident fund in accordance with Employees Provident Fund and Miscellaneous Provisions Act, 1952, which is a defined contribution plan, and contribution paid or payable is recognized as an expense in the period in which it falls due.

#### Gratuity

Gratuity is a post-employment benefit and is in the nature of a defined benefit obligation. The liability recognised in the balance sheet in respect of gratuity is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated at the balance sheet date by an independent actuary using the projected unit credit method. Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged or credited to the statement of profit and loss in the year in which such losses or gains are determined.

#### Compensated absences

Liability in respect of compensated absences becoming due or expected to be availed after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method. Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

or credited to the profit and loss account in the year in which such losses or gains are determined. Accumulated compensated absences which are expected to be availed or encashed beyond 12 month from the end of the year end are treated as other long term employee benefits.

### Superannuation Fund

Contribution made towards Superannuation Fund (funded by payments to ICICI Prudential Life Insurance) which is a defined contribution plan, is charged to revenue on accrual basis. There are no obligations other than the contribution made to respective fund.

### Overseas entities

#### Post employment benefits

##### ■ Defined contribution

The group's contribution towards defined contribution plan is accrued in compliance with the requirement of the domestic laws of the countries in which the consolidated entities operate in the year of which the contributions are done. Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

##### ■ Defined benefit liability

Management estimates the defined benefit liability annually. The actual outcome may vary due to estimation uncertainties. The estimate of its defined benefit liability is based on standard rates of inflation, medical cost trends and mortality. It also takes into account the Group's specific anticipation of future salary increases.

Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Estimation uncertainties exist particularly with regard to medical cost trends, which may vary significantly in future appraisals of the Group's defined benefit obligations.

### 2.17 Employees stock option plan

The accounting value of stock options is determined on the basis of "intrinsic value" representing the excess of the market price on the date of grant over the exercise price of the shares granted under the "Employees Stock Option Scheme" of the Company, and is being amortised as "Deferred employees compensation" on a straight-line basis over the vesting period in accordance with the Guidance Note 18 "Employee share-based payments" issued by the Institute of Chartered Accountants of India and the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 issued by the Securities and Exchange Board of India.

### 2.18 Contingent Liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. A disclosure is made for a contingent liability when there is a:

- a) possible obligation, the existence of which will be confirmed by the occurrence/non-occurrence of one or more uncertain events, not fully within the control of the Company;
- b) present obligation, where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- c) present obligation, where a reliable estimate cannot be made.

### 2.19 Provisions

A provision is recognised when the Group has a present obligation as a result of past event i.e., it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

current best estimates. A disclosure of the contingent liability is made when there is a possible or a present obligation that may, but probably will not, require an outflow of resources.

### 2.20 Cash and Cash equivalents

In the cash flow statement, cash and cash equivalent includes cash in hand, demand deposits with banks, cheques on hand, balances with banks in current accounts and other short term deposits with banks, other short term highly liquid investments with original maturities of three months or less.

### 2.21 Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes, if any) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events including a bonus issue, bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares). For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

### 2.22 Segment reporting

#### Identification of segments

The Group is engaged in the construction and maintenance of water treatment plants which is considered as a single business segment. However, the entities in the group are organized and managed separately according to their respective geographical location. The analysis of geographical segments is based on the areas in which major operating divisions of the Group operate.

#### Unallocated items

Unallocated items include general corporate income and expense items which are not allocated to any business segment.

#### Segment accounting policies

The Group prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group as a whole.

### 2.23 Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased asset, is classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

## 3. OTHERS

### 3.1 Capital commitments

The estimated amounts of contracts to be executed on capital account and not provided for (net of advances) ₹3,927 (Previous year - ₹2,138 lakhs). Other commitments are cancellable at the option of the Group and hence not disclosed.

### 3.2 Guarantees

	₹ in Lakhs	
	As at 31 March 2014	As at 31 March 2013
Bank Guarantees/ Letter of Credit issued by the banks on behalf of the Group		
- Bank Guarantee	58,328	48,222
- Letter of Credit	12,783	14,533
Corporate Guarantees issued by the Company on behalf of third party		
- For Ferrovia Agroman	41,886	-

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

### 3.3 Contingent liabilities

	₹ in Lakhs	
	As at 31 March 2014	As at 31 March 2013
Income tax impact on account of non-deductibility U/s 80-IA (Refer 'a' below)	2,422	2,422
-Out of the above, Income tax demand contested in appeal	939	939
Interest U/s 234B on the tax liability referred above (Refer 'b' below)	2,263	1,968
Sales tax matters under dispute (Refer 'c' below)	1,913	395
Tax liability of the permanent establishment in Algeria (Refer 'd' below)	3,702	-

- a) The Company had been claiming deduction under section 80-IA of the Income Tax Act, 1961 from the financial year ended 31 March 2002 as a developer of infrastructure projects in India. The Finance Act 2009 amended the provisions of Section 80-IA retrospectively with effect from 01 April 2000 to make it inapplicable for persons having a mere works contract with the government or statutory authority. The Company believes that this amendment is in line with the objective of the government of incentivising only a developer of infrastructure facility and not a mere works contractor.

The Company strongly opines that, being a developer of infrastructure turnkey development contracts starting from the conceptualisation to execution assuming significant financial commitment and risks, the Company would be treated as a developer and the amendment would not apply to it. Based on a legal opinion from a Senior Counsel, the Company has filed a writ petition in the High Court of Madras challenging the Constitutional validity of the retrospective amendment. Also, the Company has subsequently received favourable Appellate Orders from CIT (Appeals) from financial years 2001-02 to 2006-07 allowing the benefit under section 80-IA of the Income Tax Act, while, the Income Tax department has raised a demand for ₹939 lakhs denying benefit under section 80-IA for the financial year 2008-09. Considering these facts and as a matter of prudence, the Company has disclosed the total tax benefit so far claimed u/s 80-IA as contingent liability in the financial statement for 31 March 2014.

However, on a conservative basis the liability on account of possible denial of deduction prospectively from 01 April 2009 has been fully provided as current tax in the respective years.

- b) The Company, also based on an opinion taken from a professional firm believes that the interest under section 234B on account of 80-IA disallowance discussed in paragraph 'a' above amounting to ₹2,263 lakhs as at 31 March 2014 would not be payable as the Jurisdictional High Court rulings and various assessment orders commencing from financial year 2001-02 are in favour of the Company on this aspect and on this basis, the amount of interest has been disclosed as contingent liability.
- c) The additional liability assessed by sales tax authorities for various financial years from 2002-03 to 2010- 11 amounts to ₹1,913 lakhs.
- d) During the year, VA Tech Wabag Deutschland GmbH, has received a demand order from the General Directorate of Taxes in Algeria for an amount of ₹3,702 Lakhs. The subsidiary noted that there were prima facie errors on the order and has approached the relevant authority regarding the same. The subsidiary, based on expert opinion, is of the belief that there is a good chance that the tax demand received would be overturned as the subsidiary has fulfilled all its tax liabilities. Hence this has been disclosed as a contingent liability.

### 3.4 Transfer Pricing

As per the Transfer pricing norms, the Company is required to use certain specific methods in computing arm's length price of international transactions between the associated enterprises and maintain prescribed information and documents relating to such transactions. The Company has completed the transfer pricing study for the fiscal year ended 31 March 2013. For the year ended 31 March 2014, the Company is in the process of getting an independent evaluation done for certain transactions to determine whether the transactions with associated enterprises were undertaken at "arm's length price". Based on the transfer pricing study, the Management believes that all transactions with associate enterprises are at arm's length price and accordingly, there is no transfer pricing adjustments for the year under consideration.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

₹ in Lakhs

	As at 31 March 2014		As at 31 March 2013	
	Nos.	Amount	Nos.	Amount
<b>4 SHARE CAPITAL</b>				
<b>Authorised share capital</b>				
Equity Shares of ₹2 each	5,08,75,000	1,018	5,08,75,000	1,018
Preference shares of ₹10 each	48,25,000	482	48,25,000	482
<b>Issued, subscribed and fully paid up</b>				
Equity Shares of ₹2 each	2,65,92,130	532	2,65,45,772	531
	<b>2,65,92,130</b>	<b>532</b>	<b>2,65,45,772</b>	<b>531</b>

### a. Reconciliation of share capital (Equity)

Balance at the beginning of the year	2,65,45,772	531	2,64,86,585	530
Add : Issued pursuant to Employee Stock Option Plan	46,358	1	59,187	1
Balance at the end of the year	<b>2,65,92,130</b>	<b>532</b>	<b>2,65,45,772</b>	<b>531</b>

### b. Shareholders holding more than 5% of the aggregate shares in the Company

	Nos.	% holding	Nos.	% holding
Equity Shares of ₹2 each				
Mr. Rajiv Mittal (Managing Director)	48,54,703	18.26%	48,11,438	18.13%
IDFC Premier Equity Fund	19,37,417	7.29%	-	-
Emerging Markets Growth Fund Inc.	15,84,552	5.96%	15,84,552	5.97%
	<b>83,76,672</b>		<b>63,95,990</b>	

### c. Details of shares issued as fully paid up by way of bonus issues

Year	Face value	Bonus issue	Buy back of shares
Equity Shares			
31 March 2010	5	10,39,629	-

### d) Terms/ rights attached to equity shares

The Company has issued only one class of equity shares having a face value of ₹2 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors, if any, is subject to the approval of the shareholders in the ensuing Annual General Meeting, except interim dividend.

In the event of liquidation, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts, if any. The distribution will be in proportion to the number of equity shares held by the shareholders.

During the year ended 31 March 2014, the amount of dividend per share, recognised as distributions to the equity shareholders of face value ₹2 each was ₹8 (Previous year : ₹7).

### e) Shares reserved for issue under options

The Company had reserved issuance of Equity shares 960,813 of ₹2 each (Previous year : 899,131 shares of ₹2 each) for offering to eligible employees of the Company and its subsidiaries under Employees Stock Option Plan (ESOP).

### f) Employee share based plan

#### Employee share based plan- ESOP 2006 Scheme

In August 2006, the Board of Directors approved and the Company adopted the "ESOP 2006" (the "Plan") under which not more than 204,080 shares of the Company's equity shares was reserved for issuance to employees. The Board of Directors determined that the options granted under the Plan would vest not less than one year and not more than five years from the date of grant. The exercise price of options shall be ₹200 (face value of ₹10 each) on the grant date. The exercise period of the options is 4 years.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

Particulars	Number of options	Weighted average exercise price (₹)
Outstanding as at 1 April 2012	24,144	36
Exercised	6,321	36
Outstanding as at 31 March 2013	17,823	36
Exercised	11,814	36
Lapsed	875	36
Outstanding as at 31 March 2014	5,134	36

### Employee share based plan- ESOP 2010 Scheme

In August 2010, the Board of Directors approved and the Company adopted the “ESOP 2010” (the “Plan”) under which not more than 467,831 shares of the Company’s equity shares was reserved for issuance to employees. The Board of Directors determined that the options granted under the Plan would vest not less than one year and not more than five years from the date of grant. The exercise price of options shall be ₹900 (Face value of ₹5 each) on the grant date. The exercise period of the options is 4 years. The company has calculated the value of options using fair value for the years ended 31 March 2011 and 31 March 2012, which is lower than the exercise price.

Particulars	Number of options	Weighted average exercise price (₹)
Outstanding as at 1 April 2012	9,08,926	360
Granted	1,06,927	360
Exercised	52,866	360
Lapsed	81,679	360
Outstanding as at 31 March 2013	8,81,308	360
Granted	2,32,700	360
Exercised	34,544	360
Lapsed	1,23,785	360
Outstanding as at 31 March 2014	9,55,679	360

The Company has calculated the employee compensation cost using the intrinsic value of the stock options. Had the Company used the fair value model to determine Compensation Costs, the impact on the reported net profit and earnings per share is presented below :

	Year ended 31 March 2014	Year ended 31 March 2013
Profit after tax	11,335	9,034
Add : Employee stock compensation under intrinsic value method	127	-
Less : Employee stock compensation under fair value method	237	137
Pro-forma profit	11,225	8,897
<b>Earnings per share</b>		
<b>Basic</b>		
- As reported	42.61	34.08
- Pro-forma	42.20	33.56
<b>Diluted</b>		
- As reported	42.14	33.76
- Pro-forma	41.73	33.20



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

₹ in Lakhs

	As at 31 March 2014	As at 31 March 2013
<b>5 RESERVES AND SURPLUS</b>		
<b>Capital reserves</b>		
Balance at the beginning of the year	13,948	13,948
Add : Additions made during the year	-	-
Balance at the end of the year	<b>13,948</b>	<b>13,948</b>
<b>Securities premium reserve</b>		
Balance at the beginning of the year	25,343	25,150
Add : Additions made during the year		
On exercise of employee stock options	128	191
Transferred from stock option outstanding account	2	2
Balance at the end of the year	<b>25,473</b>	<b>25,343</b>
<b>Stock option outstanding account</b>		
Balance at the beginning of the year	7	9
Add : Options granted during the year	127	
Less : Options exercised during the year	(2)	(2)
Balance at the end of the year	<b>132</b>	<b>7</b>
<b>General reserve</b>		
Balance at the beginning of the year	2,403	1,502
Add : Additions made during the year		
Transfer on account of dividend	886	901
Balance at the end of the year	<b>3,289</b>	<b>2,403</b>
<b>Surplus in the statement of profit and loss</b>		
Balance at the beginning of the year	27,526	21,567
Add : Change in accounting policy (Refer note 36 )	419	-
Add : Transferred from statement of profit and loss	11,335	9,034
Less : Final equity dividend proposed/ paid	(2,127)	(1,858)
Tax on proposed equity dividend	(361)	(316)
Transfer to general reserve	(886)	(900)
Transfer to other reserves	(11)	(1)
Balance at the end of the year	<b>35,895</b>	<b>27,526</b>
<b>Other Reserves</b>		
Balance at the beginning of the year	8	7
Add : Transferred from statement of profit and loss	11	1
Balance at the end of the year	<b>19</b>	<b>8</b>
Foreign currency translation reserve	4,807	1,769
	<b>83,563</b>	<b>71,004</b>

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

₹ in Lakhs

	As at 31 March 2014		As at 31 March 2013	
	Nos.	Amount	Nos.	Amount
<b>6 SHARE APPLICATION MONEY PENDING ALLOTMENT</b>				
Equity Shares of ₹2 each	8,503	22	2,385	4
	<b>8,503</b>	<b>22</b>	<b>2,385</b>	<b>4</b>

Share application money pending allotment represents applications received towards subscription from employees under ESOP schemes. The equity shares are expected to be allotted against the share application money within a reasonable period, not later than three months from the Balance Sheet date. The Company has sufficient authorised capital to cover the share capital amount on allotment of above shares.

	As at 31 March 2014		As at 31 March 2013	
	Long-term	Short-term	Long-term	Short-term
<b>7 BORROWINGS</b>				
<b>Secured</b>				
Term loans from banks				
Overdraft account/Packing credit	2,056	9,479	5	7,908
Working capital loan repayable on demand	-	1,680	-	50
	<b>2,056</b>	<b>11,159</b>	<b>5</b>	<b>7,958</b>
<b>Unsecured</b>				
Term loans				
From banks	-	170	-	-
From other parties	2,440	-	256	-
	<b>4,496</b>	<b>11,329</b>	<b>261</b>	<b>7,958</b>

- During the year the company has availed packing credit in foreign currency for USD 8,000,000 (₹4,411 Lakhs) from Housing Development Finance Corporation (HDFC) bank and USD 4,820,000 (₹2,835 Lakhs) from Hongkong and Shanghai Banking Corporation (HSBC) bank at average interest rate of 1.47% and availed INR packing credit ₹974 Lakhs from HSBC bank, ₹6,860 Lakhs from HDFC bank and ₹2,078 Lakhs (Previous year USD 10,000,000 (₹5,451 Lakhs) from Standard Chartered bank at average rate of interest of 7.44%. These packing credits are repayable within 180 to 270 days, as applicable, from the date of availment and is secured against foreign currency receivables
- During the year the company has availed secured overdraft facility from Punjab National Bank, Chennai for ₹16,790 Lakhs and repaid ₹15,095 Lakhs. This overdraft facility availed at 9.50% - 9.75% rate of interest, which was secured against Fixed deposits.
- VA Tech Wabag GmbH, has secured overdraft facilities for an amount of Rs. 2,056 Lakhs (Previous Year - Nil) which is repayable after one year and is secured by parent company guarantee.
- Certain subsidiaries in the group have obtained working capital loans repayable on demand amounting to Rs. 1,680 Lakhs (Previous Year - 2,270 Lakhs) which is repayable on demand. These loans are secured against hypothecation of vehicle and bank guarantees.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

- 5 Certain subsidiaries in the group had secured overdraft facilities for an amount of Rs. 575 Lakhs (Previous Year - Rs. 242 Lakhs). These loans are secured against trade receivables.
- 6 VA Tech Wabag Tunisia s.a.r.l., had availed unsecured overdraft facilities for an amount of Rs. 170 Lakhs during the year (Previous year Nil)
- 7 Ujams wastewater treatment company (Pty) Limited has availed an unsecured loan of Rs. 359 Lakhs (Previous Year Rs. 256 Lakhs) from a minority shareholder (Veolia Water Solutions & Technologies South Africa (Pty) Limited) repayable after one year.
- 8 Ujams wastewater treatment company (Pty) Limited has availed another unsecured loan of Rs. 2,081 Lakhs (Previous Year Nil) from a financial institution DEG-Deutsche Investition repayable after one year.

₹ in Lakhs

	As at 31 March 2014	As at 31 March 2013
<b>8 DEFERRED TAXES</b>		
Deferred tax asset arising on account of:		
- Provision for employee benefits, liquidated damages and losses	1,313	1,391
- Allowances for bad and doubtful debts	1,015	525
- Unutilised tax losses	-	62
<b>Total deferred tax asset</b>	<b>2,328</b>	<b>1,978</b>
Deferred tax liability arising on account of:		
- Timing difference between depreciation/amortisation as per financials and depreciation as per tax	536	370
- Receivables and other assets	1,126	491
<b>Total deferred tax liability</b>	<b>1,662</b>	<b>861</b>
Foreign exchange fluctuation	37	7
<b>Total Deferred tax asset, net</b>	<b>703</b>	<b>1,124</b>
Disclosed as		
Deferred tax asset	1,070	1,147
Deferred tax liability	367	23
<b>9 OTHER LONG TERM LIABILITIES</b>		
Trade payables including acceptances		
Dues to micro and small enterprises (Also, refer note 11 (a))	-	-
- Dues to others	13,101	6,513
- Advance from customers	2,465	1,544
Others	168	92
	<b>15,734</b>	<b>8,149</b>

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

₹ in Lakhs

	As at 31 March 2014		As at 31 March 2013	
	Long-term	Short-term	Long-term	Short-term
<b>10 PROVISIONS</b>				
Proposed dividend to equity shareholders(Also refer note (a) below)	-	2,127	-	1,858
Dividend tax	-	361	-	316
Provision for warranty, liquidated damages, litigations and others (Also refer note (b) below)	509	10,944	552	9,832
Provision for foreseeable losses on contracts (Also refer note (c) below)	228	1,427	-	-
Provisions for gratuity, anniversary and severance payments (Also refer note (d) below and note 36)	1,406	70	2,478	82
Provision for taxation (net of advance tax ₹952 lakhs ; previous year ₹15,343 lakhs)	-	267	-	764
	2,143	15,196	3,030	12,852

₹ in Lakhs

	As at 31 March 2014	As at 31 March 2013
<b>a. Details with respect to proposed dividend</b>		
Dividends proposed to		
Equity shareholders	2,127	1,858
Proposed dividend per share		
Equity shareholders (₹) - Face value of ₹2 each	8	7
<b>b. Reconciliation of provision</b>		
Provision for warranty, liquidated damages, litigations and others		
Balance at the beginning of the year	10,384	9,591
Created during the year, net	2,442	7,174
Utilised during the year	(2,227)	(6,652)
Foreign exchange fluctuation	854	271
Balance at the end of the year	11,453	10,384

### Provision for warranty, liquidated damages, litigations and others

A provision is recognized for expected warranty claims on construction contracts completed, based on past experience of level of repairs and returns. It is expected that these costs would be predominately incurred within one year from the balance sheet date, which generally coincides with the completion of warranty period of the contract. The assumption used to calculate the provision for warranties are based on the company's current status of contracts under execution and information available about expenditure more probable to be incurred based on the company's warranty period for contracts completed.

The Company provides performance guarantees to its customers which require it to complete projects within a specified timeframe. In the event of failure to complete a project as scheduled, or in case of a performance shortfall, the Company may generally be held liable for penalties in the form of agreed liquidated damages. The Company provides for liquidated damages when it reasonably expects that a delay in the completion of the project or a shortfall in the performance parameters might give rise to a claim from the customer. Liquidated damages are measured and recognized in accordance with the terms of the contracts with customers.

The Company provides for litigations, which is predominantly on account of disputes on statutory dues. The Company assesses each demand raised by the statutory authorities and based on responses and discussions with the attorneys and when there is a present obligation as a result of a past event, where the outflow of economic resources is probable and a reliable estimate of the amount of obligation, a provision for litigation is created. Instances when there is no present obligation or where the present obligation would probably not require outflow of resources or where the same cannot be reliably estimated, the same is disclosed as contingent liability in the financial statements. The Company reverses its provisions on receipt of a favourable order from the appropriate authority and when no further obligation is envisaged.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

₹ in Lakhs

	As at 31 March 2014	As at 31 March 2013
<b>c. Provision for foreseeable losses on contracts</b>		
Balance at the beginning of the year	-	-
Created during the year	1,655	-
Balance at the end of the year	1,655	-

The Company provides for foreseeable losses on contracts when it is probable that total contract cost, including expected cost to complete, will exceed the economic benefits expected to be received under it.

### d. Employee benefits

The Status of all the plans (for the year ended 31 March 2014) are set out in the following tables:

₹ in Lakhs

Particulars	Gratuity	Anniversary	Severance Payments
<b>Defined benefit obligation 1 April 2013</b>	365	71	1,130
Current service cost	57	4	38
Interest cost	28	3	41
Actuarial (gain)/losses	10	(1)	(32)
Benefits paid	(19)	(6)	(57)
Foreign exchange fluctuation	-	15	200
<b>Defined benefit obligation 31 March 2014</b>	<b>441</b>	<b>86</b>	<b>1,320</b>
<b>Defined benefit obligation 31 March 2014</b>			
Represented by :			
- Unfunded	70	86	1,320
- Partly or Wholly Funded	371	-	-
<b>Total</b>	<b>441</b>	<b>86</b>	<b>1,320</b>
<b>Reconciliation of the Plan Assets</b>			
Fair value of plan assets as at start of the year	283	-	-
Expected return on plan assets	28	-	-
Actuarial losses	(3)	-	-
Contributions by the Group	82	-	-
Benefits paid	(19)	-	-
Foreign exchange fluctuation	-	-	-
<b>Fair value of plan assets at Year End</b>	<b>371</b>	<b>-</b>	<b>-</b>
<b>Reconciliation of the liability:</b>			
Defined benefit obligation	441	86	1,320
Fair value of plan assets	(371)	-	-
<b>Defined benefit plans</b>	<b>70</b>	<b>86</b>	<b>1,320</b>
Classified as:			
<b>Provisions</b>	<b>70</b>	<b>86</b>	<b>1,320</b>
<b>Expense recognized:</b>			
Service costs	57	4	38
Interest costs	28	3	41
Expected return on plan assets	(28)	-	-
Actuarial (gains)/losses	13	(1)	(32)
Foreign exchange fluctuation	-	13	200
<b>Total expense recognized in the income statement</b>	<b>70</b>	<b>19</b>	<b>247</b>
<b>Actuarial Assumptions:</b>			
Discount rate	8.90%	3.50%	3.50%
Expected rate of return on plan assets	9.00%	NA	NA
Expected rate of salary increases	7.50%	3.00%	3.00%
Attrition Rate	15.00%	NA	NA

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

The Status of all the plans (for the year ended 31 March 2013) are set out in the following tables:

₹ in Lakhs

Particulars	Gratuity	Anniversary	Severance Payments
<b>Defined benefit obligation 1 April 2012</b>	264	80	1,308
Current service cost	44	4	85
Interest cost	22	4	55
Actuarial (gain)/losses	42	(12)	129
Benefits paid	(7)	(6)	(479)
Foreign exchange fluctuation	-	1	32
<b>Defined benefit obligation 31 March 2013</b>	<b>365</b>	<b>71</b>	<b>1,130</b>
<b>Defined benefit obligation 31 March 2013</b>			
Represented by :			
- Unfunded	82	71	1,130
- Partly or Wholly Funded	283	-	-
<b>Total</b>	<b>365</b>	<b>71</b>	<b>1,130</b>
<b>Reconciliation of the Plan Assets</b>			
Fair value of plan assets as at start of the year	204	-	-
Expected return on plan assets	21	-	-
Actuarial gains/ (losses)	5	-	-
Contributions by the Group	60	-	-
Benefits paid	(7)	-	-
Foreign exchange fluctuation	-	-	-
<b>Fair value of plan assets at Year End</b>	<b>283</b>	<b>-</b>	<b>-</b>
<b>Reconciliation of the liability:</b>			
Defined benefit obligation	365	71	1,130
Fair value of plan assets	(283)	-	-
<b>Defined benefit plans</b>	<b>82</b>	<b>71</b>	<b>1,130</b>
Classified as:			
<b>Provisions</b>	<b>82</b>	<b>71</b>	<b>1,130</b>
<b>Expense recognized:</b>			
Current and Past service cost	44	(2)	85
Interest costs	22	4	55
Expected return on plan assets	(21)	-	-
Actuarial (gains)/losses	37	(12)	129
Foreign exchange fluctuation	-	2	30
<b>Total expense recognized in the income statement</b>	<b>82</b>	<b>(8)</b>	<b>299</b>
<b>Actuarial Assumptions:</b>			
Discount rate	7.90%	3.50%	3.50%
Expected rate of return on plan assets	9.00%	NA	NA
Expected rate of salary increases	7.50%	3.00%	3.00%
Attrition Rate	15.00%	NA	NA



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

₹ in Lakhs

	As at 31 March 2014	As at 31 March 2013
<b>11 TRADE PAYABLES</b>		
Dues to micro and small enterprises (Also, refer note (a) below)	768	259
Dues to others	85,427	68,643
	<b>86,195</b>	<b>68,902</b>

a) For details of disclosure pursuant to section 22 of Micro, Small and Medium Enterprises Development Act (MSMED), 2006 refer note 10(a) of the annual standalone financial statements.

<b>12 OTHER CURRENT LIABILITIES</b>		
Billing in advance	5,705	5,541
Advance from customers	12,970	6,717
Unpaid dividends	3	2
Statutory dues	1,920	1,087
Other payables	1,780	1,078
Employee related payables	1,336	1,727
	<b>23,714</b>	<b>16,152</b>

There are no amounts due for payments to the Investor education and protection fund under Section 205C of the Companies Act, 1956 as at the balance sheet date.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

### 13 TANGIBLE AND INTANGIBLE ASSETS

₹ in Lakhs

	TANGIBLE ASSETS							INTANGIBLE ASSETS		
	Freehold land	Buildings	Plant and machinery	Furniture and fittings	Electrical equipment	Office equipment	Computers	Vehicles	Total	Computer Software
<b>Gross block</b>										
Balance as at 01 April 2012	1,698	5	417	557	232	661	1,521	976	6,067	3,059
Additions	-	3	19	66	14	85	180	325	692	486
Disposals	-	-	-	27	7	22	220	157	433	36
Foreign exchange fluctuation	-	-	(2)	1	-	7	7	2	15	22
<b>Balance as at 31 March 2013</b>	<b>1,698</b>	<b>8</b>	<b>434</b>	<b>597</b>	<b>239</b>	<b>731</b>	<b>1,488</b>	<b>1,146</b>	<b>6,341</b>	<b>3,531</b>
Additions	-	3,705	246	2,287	466	801	253	380	8,138	242
Disposals	-	-	-	52	7	84	181	177	501	346
Disposals representing assets held for sale*	-	-	40	266	94	26	-	-	426	-
Foreign exchange fluctuation	-	2	44	15	3	99	90	65	318	219
<b>Balance as at 31 March 2014</b>	<b>1,698</b>	<b>3,715</b>	<b>684</b>	<b>2,581</b>	<b>607</b>	<b>1,521</b>	<b>1,650</b>	<b>1,414</b>	<b>13,870</b>	<b>3,646</b>
<b>Accumulated depreciation/amortization</b>										
Balance as at 01 April 2012	-	-	111	307	108	289	1,168	468	2,451	1,603
Depreciation/amortization for the year	-	-	43	52	17	116	161	201	590	501
Reversal on disposal of assets	-	-	-	25	5	30	207	123	390	35
Foreign exchange fluctuation	-	-	2	1	-	6	10	3	22	23
<b>Balance as at 31 March 2013</b>	<b>-</b>	<b>-</b>	<b>156</b>	<b>335</b>	<b>120</b>	<b>381</b>	<b>1,132</b>	<b>549</b>	<b>2,673</b>	<b>2,092</b>
Depreciation/amortization for the year	-	14	123	282	21	90	187	211	928	573
Reversal on disposal of assets	-	-	-	36	5	68	164	122	395	324
Reversal representing assets held for sale*	-	-	33	220	60	20	-	-	333	-
Foreign exchange fluctuation	-	-	19	12	1	55	67	37	191	193
<b>Balance as at 31 March 2014</b>	<b>-</b>	<b>14</b>	<b>265</b>	<b>373</b>	<b>77</b>	<b>438</b>	<b>1,222</b>	<b>675</b>	<b>3,064</b>	<b>2,534</b>
<b>Net block</b>										
Balance as at 31 March 2013	1,698	8	278	262	119	350	356	597	3,668	1,439
Balance as at 31 March 2014	1,698	3,701	419	2,208	530	1,083	428	739	10,806	1,112

#### a. Assets held for sale:

\* The Company has during the year moved into its new premises "Wabag house" and hence retired certain assets at its old premises from active use. These assets have been valued at lower of net book value and net realisable value. Also refer note 21.

#### b. Capitalized borrowing costs:

The borrowing cost capitalized during the year ended 31 March 2014 is ₹133 Lakhs (31 March 2013: Nil).

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

₹ in Lakhs

	As at 31 March 2014	As at 31 March 2013
<b>14 NON-CURRENT INVESTMENTS</b>		
Trade Investments (Valued at cost unless stated otherwise)		
Investments in Associate Companies		
Windhoek Goreangab Operating Company (Pty) Limited (The group holds 33 shares of 1 Namibian dollar each, representing 33% of the Share capital (Previous year: 33 Shares))	298	314
In Other Companies		
First STP Private Limited (150,000 (Previous year :150,000) equity shares of ₹10 each)	15	15
Konark Water Infraprojects Private Limited (5,000 (Previous year : 5,000 ) equity shares of ₹10 each)	1	1
Aurangabad City Water Utility Company Limited (5,000 (Previous year : Nil ) equity shares of ₹10 each)	1	-
OEG Renew Waters (Thoothukudi) Private Limited * (2,600 (Previous year : Nil ) equity shares of ₹10 each)	-	-
	<b>315</b>	<b>330</b>
Aggregate amount of unquoted investments	315	330
Aggregate provision for diminution in value of investments	-	-
* Since the amount of investment is ₹26,000, the same is below the rounding off norm adopted by the company.		
Extent of Investment in Other Companies		
First STP Private Limited	5%	5%
Konark Water Infraprojects Private Limited	10%	10%
Aurangabad City Water Utility Company Limited	10%	-
OEG Renew Waters (Thoothukudi) Private Limited	26%	-

₹ in Lakhs

	As at 31 March 2014		As at 31 March 2013	
	Long-term	Short-term	Long-term	Short-term
<b>15 LOANS AND ADVANCES</b>				
Capital advances				
- Secured, considered good	-	-	190	-
- Unsecured, considered good	-	-	29	-
(A)	-	-	219	-
Security deposits				
- Unsecured, considered good	19	957	37	533
(B)	19	957	37	533
Other loans and advances (Unsecured, considered good)				
- Advances to supplier	-	7,809	-	10,128
- Advances to employees*	78	790	82	339
- Advance tax (Net of provision for tax ₹19,500 lakhs; Previous year ₹23 lakhs)	-	390	-	149
- Others	-	-	69	-
(C)	78	8,989	151	10,616
<b>Total (A + B + C )</b>	<b>97</b>	<b>9,946</b>	<b>407</b>	<b>11,149</b>

\* No amount is due from officers of the company

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

₹ in Lakhs

	As at 31 March 2014	As at 31 March 2013
<b>16 OTHER NON-CURRENT ASSETS</b>		
Non-current bank balances (Refer Note 20)	7,744	9,580
Long term trade receivables		
Customer retention - Unsecured, considered good	11,956	3,691
Others	25	15
	<b>19,725</b>	<b>13,286</b>
<b>17 CURRENT INVESTMENTS</b>		
Valued at lower of cost and fair value		
Investments in mutual funds - Unquoted		
- SBI Mutual Fund fixed maturity plan (10,000,000 units of ₹10 each)	1,000	-
- HDFC Mutual Fund fixed maturity plan (10,000,000 units of ₹10 each)	1,000	-
	<b>2,000</b>	<b>-</b>
Aggregate amount of		
-Unquoted investments	2,000	-
-Provision for diminution in value of investments	-	-
<b>18 INVENTORIES</b>		
Construction work-in-progress	2,858	3,645
Stores and spares	644	408
	<b>3,502</b>	<b>4,053</b>
<b>19 TRADE RECEIVABLES</b>		
(Unsecured considered good, unless stated otherwise)		
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured considered good	19,496	20,994
Doubtful	3,127	1,742
	<b>22,623</b>	<b>22,736</b>
Less : Allowances for doubtful debts	(3,127)	(1,742)
(A)	<b>19,496</b>	<b>20,994</b>
Outstanding for a period less than six months from the date they are due for payment		
Other debts		
Unsecured considered good	1,13,917	79,660
Doubtful	411	330
	<b>1,14,328</b>	<b>79,990</b>
Less : Allowances for doubtful debts	(411)	(330)
(B)	<b>1,13,917</b>	<b>79,660</b>
Customer retention		
Unsecured considered good	5,335	10,294
Doubtful	197	178
	<b>5,532</b>	<b>10,472</b>
Less : Allowances for doubtful debts	(197)	(178)
(C)	<b>5,335</b>	<b>10,294</b>
<b>TOTAL (A + B + C)</b>	<b>1,38,748</b>	<b>1,10,948</b>

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

₹ in Lakhs

	As at 31 March 2014		As at 31 March 2013	
	Current	Non-current	Current	Non-current
<b>20 CASH AND BANK BALANCES</b>				
Cash and cash equivalents				
Cash on hand	102	-	380	-
Cheques on hand	5,714	-	5,831	-
Balances with banks				-
- in current accounts	20,859	-	13,448	
- in deposit account (with maturity upto 3 months)	6,363	-	4,734	-
(A)	33,038	-	24,393	-
Other bank balances				
Unpaid dividend account	4	-	2	-
Deposits with maturity more than 3 months but less than 12 months*	3,154	-	4,270	-
Balances with bank held as				
Margin money	820	7,744	-	8,300
Bank deposits with maturity of more than 12 months	-	-	-	1,280
(B)	3,978	7,744	4,272	9,580
Less : Amounts disclosed as Other non-current assets (Refer Note 16) (C)	-	7,744	-	9,580
<b>Total (A+B-C)</b>	<b>37,016</b>	<b>-</b>	<b>28,665</b>	<b>-</b>

\* Deposits amounting to ₹1,695 Lakhs (Previous year ₹Nil) are subject to a charge to secure the Company's short term borrowings (Also refer note 7 (2))

₹ in Lakhs

	As at 31 March 2014	As at 31 March 2013
<b>21 OTHER CURRENT ASSETS</b>		
(Unsecured, considered good)		
Balances with statutory authorities	5,940	5,520
Prepaid expenses	2,144	1,124
Rental deposits and advance	418	333
Assets held for sale (at lower of net book value and net realisable value) (Also refer note 13(a))	93	-
Interest accrued & other deposits	3,721	2,215
	12,316	9,192

₹ in Lakhs

	Year ended 31 March 2014	Year ended 31 March 2013
<b>22 REVENUE FROM OPERATIONS</b>		
Sale of services	2,23,015	1,60,216
Other operating revenues, net	845	1,669
	2,23,860	1,61,885
<b>23 OTHER INCOME</b>		
Interest income	1,125	1,324
Dividend income	161	-
	1,286	1,324

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

₹ in Lakhs

	Year ended 31 March 2014	Year ended 31 March 2013
<b>24 COST OF SALES AND SERVICES</b>		
Material, engineering and civil costs	1,28,164	87,889
Service costs and other project expenses	40,714	28,808
	<b>1,68,878</b>	<b>1,16,697</b>
<b>25 DECREASE IN INVENTORIES</b>		
Inventories at the beginning of the year		
Construction work-in-progress	3,645	4,622
Stores and spares	408	367
	<b>4,053</b>	<b>4,989</b>
Less: Inventories at the end of the year		
Construction work-in-progress	2,858	3,645
Stores and spares	644	408
	<b>3,502</b>	<b>4,053</b>
Foreign exchange fluctuation	364	31
	<b>915</b>	<b>967</b>
<b>26 EMPLOYEE BENEFITS EXPENSE</b>		
Salaries and wages	18,285	16,688
Contribution to defined benefit plans (also refer note 10(d))	421	777
Contribution to provident and other defined contribution funds	966	829
Expense on Employee Stock Option Plan (ESOP)	127	-
Staff welfare expenses	2,375	2,287
	<b>22,174</b>	<b>20,581</b>
<b>27 OTHER EXPENSES</b>		
Rent	1,451	1,336
Insurance	296	288
Power and fuel	224	211
Rates and taxes	148	135
Repairs and maintenance	787	780
Professional charges (Also refer note 33)	1,851	1,564
Communication expenses	398	383
Traveling and Conveyance	1,102	1,097
Foreign exchange losses, net	2,050	-
Bad debts and provision for bad debts	2,482	898
Advertisement	258	235
Loss on sale of assets	59	-
Other selling expenses	105	63
Research and development expenses	205	63
Miscellaneous expenses	1,627	1,186
	<b>13,043</b>	<b>8,239</b>



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

₹ in Lakhs

	Year ended 31 March 2014	Year ended 31 March 2013
<b>28 FINANCE COSTS</b>		
Interest expenses	683	727
Bank charges	1,838	1,388
	<b>2,521</b>	<b>2,115</b>
<b>29 DEPRECIATION AND AMORTISATION EXPENSE</b>		
Depreciation of tangible assets (Also refer note 13)	928	590
Amortisation of intangible assets (Also refer note 13)	573	501
	<b>1,501</b>	<b>1,091</b>
<b>30 EARNINGS PER SHARE (EPS)</b>		
Nominal value of equity shares	2	2
Profit attributable to equity shareholders (A)	11,335	9,034
Weighted average number of equity shares outstanding during the year (B)	2,65,63,379	2,65,07,066
<b>Basic earnings per share (A/B) (in ₹)</b>	<b>42.61</b>	<b>34.08</b>
Dilutive effect on profit (C)	-	-
Profit attributable to equity shareholders for computing diluted EPS (D) = (A+C)	11,335	9,034
Dilutive effect on weighted average number of equity shares outstanding during the year (E)	3,53,996	2,90,385
Weighted average number of equity shares for computing Diluted EPS (F) = (B+E)	2,69,17,375	2,67,97,451
<b>Diluted earnings per share (D/F) (in ₹)</b>	<b>42.14</b>	<b>33.76</b>
<b>31 CONSTRUCTION CONTRACTS</b>		
In terms of the disclosures required to be made under the Accounting Standard (AS) 7 as notified in section 211(3C) of the Companies Act, 1956, the amounts considered in the financial statements up to the balance sheet date are as follows:		
Contract revenue recognised	1,90,061	1,33,037
Aggregate amount of costs incurred and recognised profits and losses for all contracts in progress	3,66,993	3,89,535
Less : Progressive billings	3,40,185	3,83,916
	<b>26,808</b>	<b>5,619</b>
Recognised as :		
Due from customers for construction contract work, recognised in Trade receivables	32,551	11,160
Due to customers for construction contract work, recognised in current liabilities	(5,743)	(5,541)
	<b>26,808</b>	<b>5,619</b>
Advances received from customers for contracts related to work not yet performed included in 'Other long term liabilities' and 'Other current liabilities'.	15,435	8,261
Retention on contracts included within 'Trade receivables' and 'Other non-current assets'.	17,291	14,163

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

₹ in Lakhs

	Year ended 31 March 2014	Year ended 31 March 2013
<b>32 DISCLOSURES IN RESPECT OF NON-CANCELLABLE OPERATING LEASES</b>		
The lease rentals charged for the years ended 31 March 2014 and 2013 and maximum obligation on long-term, non-cancellable operating leases payable as per the rentals stated in the respective agreements are as provided below:		
The total of future minimum lease payments for each of the following periods:		
(i) Not later than one year	654	583
(ii) Due later than one year not later than five years	615	1,095
(iii) Due later than five years	-	-
<b>Total</b>	<b>1,269</b>	<b>1,678</b>
Lease payments charged off to the statement of profit and loss	1,451	1,336
<b>33 PAYMENTS TO AUDITORS (INCLUDED AS PART OF PROFESSIONAL CHARGES)*</b>		
<b>As auditor</b>		
Statutory audit	23	23
Limited review	6	6
Tax audit	3	2
	<b>32</b>	<b>31</b>
<b>In other capacity</b>		
Other services	31	28
	<b>31</b>	<b>28</b>
	<b>63</b>	<b>59</b>
* excluding service tax		
<b>34 REMUNERATION TO KEY MANAGERIAL PERSONNEL</b>		
The following table describes the compensation to key managerial personnel which comprises of directors and other managerial personnel. Refer note 32 of the annual standalone financials for details.		
Rajiv Mittal	202	209
Others	480	608
<b>Total</b>	<b>682</b>	<b>817</b>
<b>35 DIVIDEND REMITTED IN FOREIGN CURRENCY</b>		
Period to which it relates	2012-13	2011-12
Number of non - resident shareholders	2	Nil
Number of shares held on which dividend was due (Equity shares of ₹2 each)	9,475	Nil
Amount remitted (Euro 770.87 ,Previous year - Nil)	66,325	Nil

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

### 36 EXCEPTIONAL ITEMS

WABAG Wassertechnik AG, Switzerland, (Swiss Subsidiary) has established a contractual relationship with BVG Collective Foundation and Swiss Life, Zurich (BVG Collective Foundation), for administering the retirement benefit plan for its employees. Besides the usual contributions, this plan also has an embedded component of insured benefit that satisfies the local requirements of return on assets. During the year, the Board reviewed the structure of this arrangement, and noted that the substance of arrangement with BVG Collective Foundation fully absolves the Swiss Subsidiary from actuarial or investment risks. Inasmuch as, once the annual contributions are made and the non-refundable annual insurance premium is paid, the liability to meet pension pay outs get vested in BVG Collective Foundation, the said Plan is a Defined Contribution Plan. This change in classification from a defined benefit plan to a defined contribution plan in the current year by the Swiss subsidiary for the preparation of Consolidated Financial Statements and the corresponding accounting treatment is consistent with the accounting principles followed by the Swiss Subsidiary in compliance with generally accepted accounting principles in Switzerland.

Since Swiss Subsidiary does not carry any further legal or constructive obligation to pay further contributions if the BVG Collective Foundation does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods, the provisions (net of deferred taxes) rendered as excess (Current Year NIL, Previous Years 2009-10 to 2012-13 INR 925 Lacs )have been written back and disclosed as Exceptional income during the year to the extent of ₹506 lacs representing charges for the year ended 31 March 2010 to 31 March 2013 and an increase in the retained earnings to the extent of ₹419 Lacs representing the change for the year ended 31 March 2008 and 31 March 2009 which was adjusted against opening retained earnings on initial consolidation.

The number of employees of Swiss Subsidiary covered by the retirement benefit plan is 40 (previous year 40), and the corresponding number for the group as a whole is 1,736 (previous year 1,575). The employee benefit costs of Swiss Subsidiary represents 1.18% of total employee benefit costs charged to consolidated profit and loss.

### 37 SEGMENT REPORTING

Considering the risk/return profiles of the segments between product and geography, the Group has identified geography as primary segment in accordance with Accounting Standard (AS) 17 Segment Reporting"" issued by Companies (Accounting Standard) Rules, 2006. The Group does not have any secondary segment.

Year ended 31 March 2014

₹ in Lakhs

Particulars	India	Rest of world	Unallocated	Total
<b>Revenue</b>				
External sales	82,191	1,51,126	-	2,33,317
Other operating income	-	-	845	845
Inter-segment sales	-	(10,302)	-	(10,302)
<b>Total revenue</b>	<b>82,191</b>	<b>1,40,824</b>	<b>845</b>	<b>2,23,860</b>
<b>Results</b>				
Segment result	14,963	38,259	-	53,222
Other operating income	-	-	845	845
Unallocated corporate expenses	-	-	36,718	36,718
<b>Operating profit</b>	<b>14,963</b>	<b>38,259</b>	<b>(35,873)</b>	<b>17,349</b>
Interest and finance charges			2,520	2,520
Interest and dividend income			1,285	1,285
Exceptional item			506	506
<b>Profit before tax</b>	<b>14,963</b>	<b>38,259</b>	<b>(36,602)</b>	<b>16,620</b>
Income taxes			5,258	5,258
<b>Profit after tax</b>	<b>14,963</b>	<b>38,259</b>	<b>(41,860)</b>	<b>11,362</b>
Share of profit in Associate	-	63	-	63
Minority Interest	-	90	-	90
<b>Profit for the year attributable to equity shareholders</b>	<b>14,963</b>	<b>38,232</b>	<b>(41,860)</b>	<b>11,335</b>
<b>Other information</b>				

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

₹ in Lakhs

Particulars	India	Rest of world	Unallocated	Total
Segment assets	96,115	1,20,837	-	2,16,952
Unallocated corporate assets			26,621	26,621
<b>Total assets</b>	<b>96,115</b>	<b>1,20,837</b>	<b>26,621</b>	<b>2,43,573</b>
Segment liabilities	63,888	85,167	-	1,49,055
Unallocated corporate liabilities			10,119	10,119
<b>Total liabilities</b>	<b>63,888</b>	<b>85,167</b>	<b>10,119</b>	<b>1,59,174</b>
Capital expenditure				10,524
Depreciation and amortisation				1,501
Other Non cash expenditure, net				8,275

### Year ended 31 March 2013

₹ in Lakhs

Particulars	India	Rest of world	Unallocated	Total
<b>Revenue</b>				
External sales	85,601	74,816	-	1,60,417
Other operating income	-	-	1,669	1,669
Inter-segment sales	-	(201)	-	(201)
<b>Total revenue</b>	<b>85,601</b>	<b>74,615</b>	<b>1,669</b>	<b>1,61,885</b>
<b>Results</b>				
Segment result	15,741	27,001	-	42,742
Other operating income	-	-	1,669	1,669
Unallocated corporate expenses	-	-	30,016	30,016
<b>Operating profit</b>	<b>15,741</b>	<b>27,001</b>	<b>(28,347)</b>	<b>14,395</b>
Interest and finance charges			2,200	2,200
Interest and dividend income			1,324	1,324
<b>Profit before tax</b>	<b>15,741</b>	<b>27,001</b>	<b>(29,223)</b>	<b>13,519</b>
Income taxes			4,559	4,559
<b>Profit after tax</b>	<b>15,741</b>	<b>27,001</b>	<b>(33,782)</b>	<b>8,960</b>
Share of profit in Associate	-	76	-	76
Minority Interest	-	2	-	2
<b>Profit for the year attributable to equity shareholders</b>	<b>15,741</b>	<b>27,075</b>	<b>(33,782)</b>	<b>9,034</b>
<b>Other information</b>				
Segment assets	87,717	77,539		1,65,256
Unallocated corporate assets			23,804	23,804
<b>Total assets</b>	<b>87,717</b>	<b>77,539</b>	<b>23,804</b>	<b>1,89,060</b>
Segment liabilities	56,115	54,603		1,10,718
Unallocated corporate liabilities			6,609	6,609
<b>Total liabilities</b>	<b>56,115</b>	<b>54,603</b>	<b>6,609</b>	<b>1,17,327</b>
Capital expenditure				1,178
Depreciation and amortisation				1,091
Other Non cash expenditure, net				8,208

This is the summary of significant accounting policies and other explanatory information referred to in our report of even date.

For **Walker Chandiok & Co LLP**  
(formerly Walker, Chandiok & Co)  
Chartered Accountants

For and on behalf of the **Board of Directors of VA Tech Wabag Limited**

per **Sumesh E S**  
Partner

**Rajiv Mittal**  
Managing Director

**Sumit Chandwani**  
Director

**S Varadarajan**  
Chief Financial Officer

**Rajiv Balakrishnan**  
Company Secretary

Place : Brno, Czech Republic  
Date : 24 May 2014

Place : Brno, Czech Republic  
Date : 24 May 2014

# FINANCIAL DETAILS OF SUBSIDIARY COMPANIES FOR THE YEAR ENDED ON 31 MARCH 2014

S. No.	Name of the Company	Capital	Reserves	Total Assets	Total Liabilities	Details of Investment (Except in case of Investment in Subsidiary)	Turnover	Profit before Taxation	Provision for Taxation	Profit after Taxation	Proposed Dividend
		₹ in Lakhs	₹ in Lakhs	₹ in Lakhs	₹ in Lakhs	₹ in Lakhs	₹ in Lakhs	₹ in Lakhs	₹ in Lakhs	₹ in Lakhs	₹ in Lakhs
1	VA TECH Wabag (Singapore) Pte. Ltd	1,919.10	1,071.67	3,952.32	961.56	-	47.38	452.65	-	452.65	-
2	VA TECH Wabag (Hongkong) Ltd	1,908.18	(225.68)	1,685.58	3.08	-	4.84	(11.75)	-	(11.75)	-
3	Beijing VA TECH Wabag Water Treatment Technology Co. Ltd	1,677.07	(1,763.25)	202.48	288.67	-	25.68	(392.27)	65.95	(458.22)	-
4	VA TECH Wabag GmbH	822.56	19,584.92	49,979.96	29,572.48	224.90	42,032.24	41.55	1.16	40.38	-
5	VA TECH Wabag Deutschland GmbH	189.39	(733.57)	1,476.09	2,020.27	-	195.76	(45.71)	-	(45.71)	-
6	VA TECH Wabag Algerie SARL	1,036.66	(1,809.57)	409.90	1,182.81	-	866.82	(734.64)	-	(734.64)	-
7	WABAG Wassertechnik AG	562.64	2,089.81	8,492.86	5,840.41	-	14,984.73	565.15	131.01	434.15	-
8	VA TECH WABAG BRNO spol. S.r.o	60.98	1,675.82	6,050.14	4,313.34	-	8,615.52	556.83	107.46	449.37	-
9	VA TECH WABAG Tunisie S.A.R.L	4.47	94.09	1,534.91	1,436.35	-	860.43	(136.57)	0.33	(136.89)	-
10	Wabag water services (Macao) Ltd	1.74	285.30	652.28	365.24	-	1,313.85	141.59	13.04	128.55	-
11	WABAG Water Services S.R.L	8.23	3,063.31	7,858.62	4,787.08	-	17,135.75	1,162.47	186.32	976.15	-
12	VA TECH Wabag Teknolojisi ve Ticaret Limited	1,252.59	(1,012.79)	1,403.99	1,164.18	-	4,361.64	25.35	-	25.35	-
13	VA Tech Wabag Muscat LLC	233.02	190.15	619.04	195.87	-	1,033.49	166.07	14.23	151.84	-
14	VA Tech Wabag (Philippines) Inc	114.49	763.84	6,202.98	5,324.64	-	7,568.79	732.92	219.88	513.04	-
15	VA TECH Wabag Egypt Ltd	36.44	-	-	-	-	-	-	-	-	-
16	Ujams Wastewater Treatment Company (Pty) Limited	786.11	77.71	7,790.47	6,926.65	-	5,681.64	247.24	-	247.24	-
17	VA TECH WABAG (SPAIN) S.L	2.47	(279.42)	167.51	444.46	-	70.60	(226.26)	10.04	(236.30)	-
18	VA Tech Wabag Limited Pratibha Industries Limited JV*	-	0.36	4,446.27	4,445.90	-	6,267.10	0.36	-	0.36	-

\* The Company entered into a Joint Venture with Pratibha Industries Limited in Nepal to execute a project. Considering the fact that the group has control over the governing body and over the operating and financial decisions of the JV entity, the same has been treated as a subsidiary.

Note: Exchange rate used for Balance Sheet items is the rate as on 31st March 2014 and for Profit and Loss account items is the average rate for the Financial Year 2013-14

Name of the Company	Rate for Balance Sheet Items	Rate for Profit & Loss Account
	₹	items ₹
1 Euro	82.26	80.95
1 SGD	47.52	47.93
1 HKD	7.71	7.78
1 CNY	9.70	9.81
1 PHP	1.34	1.39
1 OMR	155.35	156.76
1 NAD	5.66	5.97
1 NPR	0.63	0.62

## Global Offices

### HEAD OFFICES

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Website: <http://www.wingoc.com.na/>

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#### Beijing VA TECH WABAG

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