November 11, 2023

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

NSE Symbol: **WABAG**

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

BSE Scrip Code: **533269**

Dear Sir/Madam,

Sub: Transcript of Analyst/Institutional Investor Conference Call on Q2 FY24 Financial Results as per the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Pursuant to Regulation 30(6) and 46 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcript of Analyst/Institutional Investor Conference Call on Q2 FY24 Results held on Tuesday, November 07, 2023.

The Transcript of Analyst/Institutional Investor Conference Call on Q2 FY24 Results is also available on the Company's website at www.wabag.com.

Kindly take the same on record.

Thanking You,

For **VA TECH WABAG LIMITED**

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KUMAR
SAMAL

Digitally signed by ANUP KUMAR SAMAL
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"VA Tech Wabag Limited

Post Announcement of H1 and Q2 FY24 Results Earnings Conference Call"

November 07, 2023

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

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

Moderator: Ladies and gentlemen, good evening and welcome everyone to this earnings call post announcement of H1 and Q2 FY24 Results of VA Tech Wabag Limited. On this call today from the management team, we have Mr. Rajiv Mittal, Chairman and Managing Director; Mr. Skandaprasad Seetharaman, Chief Financial Officer.

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

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

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

Rajiv Mittal: Thank you. Good evening, ladies and gentlemen. We extend a warm welcome to you all to the earnings call post announcement of H1 & Q2 FY24 results of VA Tech Wabag Limited. Joining me today for this earnings call is Mr. Skandaprasad Seetharaman, our Group CFO.

I'm proud to inform you all that Wabag has advanced in the annual survey of the world's top desalination plant suppliers published by GWI to become the fifth largest desalination player globally. This improved ranking is a testament to our consistent contribution to the cause of global water security and our technological capabilities in the water sector globally.

As we continue to build the growth from the previous quarter, delivering another quarter of strong results with profitable growth, I would like to discuss on the progress of our business strategy Wriddhi. Wriddhi denotes and focuses on profitable growth, success and advancement, global market leadership, free cash generation and improved valuation.

Wriddhi has driven focus on profitable cash-backed growth, and this is reflected in our improved margin profile and cash position, which we have consistently demonstrated of last many quarters.

The main cornerstones of Wriddhi are:

Go-to-Market. Basically, it is building a high capable teams focusing on marketing and development of advanced technology projects over tendered projects.

Second, focus on engineering, procurement, international and industrial projects. This will enable us to reduce the construction scope resulting in better cash flow and also time control.

Technology, Construction and Financial Partnerships. Construction partnerships should improve our EP shares; financial partnership should enable us to remain asset-light.

Focus on O&M. Annuity business with better margins, enables life cycle partnerships and its asset-light and high ROCE business segment.

Global delivery model is moving from entity structures to global competency based delivery structures.

While we have a Go-to-Marketing team, we will continue our focus on emerging markets like Kingdom of Saudi Arabia and rest of Middle East, Indian subcontinent, Africa and Southeast Asia, our core regions, which has significant market opportunities, and we will continue to invest in marketing efforts in these geographies. We are also in parallel, taking efforts to defocus from saturated regions, especially Europe, where we see markets to be more muted and invest the resources and time released from such markets to the emerging markets. We have already achieved breakthrough in new regions like Bangladesh and Senegal in last 1 year as a part of our Go-to-Market strategy and our focus on such emerging markets will continue.

All these sustained efforts have enabled us to secure a strong order backlog of over Rs.12,000 crores with a healthy mix of 58% EPC projects, which also includes EP projects, and 42% of O&M projects, most of which have secured payment terms. Along with the robust pipeline of orders, gives us the confidence of continuing our growth journey.

Our focus on EP projects and international and industrial projects as an advanced technology business leader, our order intake focus has been on plant in desalination, recycle, reuse and industrial effluent treatment segments. With our continued focus on emerging markets and effort of our agile go-to-marketing team, we have secured 55% of our order inflow in H1 from the international geographies. All these orders were won against strong international competition.

Now getting to the partnerships on construction and finance. Wabag over the years with its R&D centers in Europe and in India has built a complete range of technologies with over 125 IP rights internally developed and used. Wabag has always been on the forefront of adopting leading technologies and innovation to advance the efficiency and sustainability of water treatment. Recently, Wabag entered into a strategic partnership with 'Pani Energy' to implement the applied artificial intelligence for treatment plants with an aim to reduce the downtime, energy consumption and chemical usage.

The platform will also help us to expedite crucial decision-making processes including better control over plant operation and thus meeting the performance parameters at optimized cost. This initiative will further ensure that at all the plants, we will get access to advance technical and operational competencies, thereby reducing dependence on manual intervention.

Recently, we have entered into a strategic alliance with Al Jomaih Energy & Water, a leading developer of energy and water projects in Middle East to explore collaboration opportunities in water projects across the Kingdom of Saudi Arabia and broader Middle East region. This is a significant step towards our commitment to support water sustainability across the MEA region. We are also in the process of exploring many more such partnerships across the emerging markets with our strategic objective of being asset-light.

Focus on O&M, we are one of the earliest proponents of O&M business in Indian water sector. O&M business allows us to remain closer to the customer need and also is a very attractive, high-margin, asset-light, cash accretive business. In line with our strategy today, over 40% of our order backlog is long-term O&M, and we see the opportunity landscape to be continuously growing.

With one city, one operator model catching up across India, we expect to see a larger share of revenues being taken by O&M in line with our medium-term goals to take O&M business to 20% share of our total revenue.

A few words about our future focus. Wabag has embarked on the journey to explore and evaluate the growing opportunity in Green Hydrogen, Semiconductor, Manufactured Water and Bio-CNG space, the sector with great potential. Wabag has a strong in-house capability and also is looking for strategic partnership to further leverage these opportunities.

We are already a water-positive organization and with our focus on green energy production from biogas through innovative sludge management in our treatment plant, we aim to support group's ESG initiatives through reduction of greenhouse gases emission and thus providing a cleaner alternative to carbon emitting fuels and supporting India's G20 vision of a Greener planet.

Let's move to order intake in H1. In our H1, we have secured business from CIDCO of 270 MLD DBO project worth about Rs.420 crores, a breakthrough for us in the region. This project has been planned to cater to the future demands of Navi Mumbai and is expected to be built over 42 months, followed by operation and maintenance for 15 years.

Recently, we have secured AFD and BEI funded consortium order worth EUR 63 million for 345 MLD water treatment project from SONED, Tunisia. The project will be executed over a period of 30 months, followed by operation and maintenance of the plant for a period of 12 months. This plant, once completed, will be an important reference project and will further enhance water security of Capital City of Tunis.

The ordering activities are moving swiftly and we have placed quite a few bids, especially very large in Middle East region, and we expect to convert a good part of them. With this enhanced go-to-market focus on Middle East and Africa region, which is expected to pick up further pace over the next few quarters, we are confident of MEA being Wabag's next growth engine, which aligns our strategy to reduce our dependency on India.

It is also a moment of pride and celebration for the group that we are nearing our centenary year of existence. Wabag in next year 2024, will be our 100-year young and we are actively gearing up for the celebration and stepping into our next wave of growth.

I would like to express my sincere thanks to all the direct and indirect employees and all the stakeholders for their continued support. Now we can move into the financial highlights, and I would request Skanda to take you through the same. Over to you, Skanda.

Skandaprasad S: Thank you, Mr. Mittal. Good evening, friends. Trust, you had an opportunity to look at the results update presentation as circulated and uploaded on our website and stock exchanges. Let me take you through the key financial highlights for the half year and quarter ended 30th September 2023.

Our consolidated revenue for half year FY24 stood at Rs.1,218 crores and on a stand-alone basis, revenue from operations was Rs.1,113 crores. Our consolidated revenue for the quarter stood at Rs.665 crores and on a stand-alone basis, revenue from operations was Rs.604 crores.

The revenues delivered were in line with our expectations for H1, considering the strategic divestment of 2 European subsidiaries that we did last year in Switzerland and Czech Republic, and also a lower construction mix in the revenues on account of higher EP projects. The 2 large projects in Perur, Chennai, the 400 MLD desalination plant; and Pagla, Bangladesh, the sewage treatment plant funded by World Bank and AIIB booked at the end of FY23, reached effectiveness after customers completed their CPs towards the end of H1. These projects are now expected to start generating revenues in H2 with design and engineering activities followed by ordering, with the revenue expansion continuing in the next couple of years when the deliveries and construction will be in full swing. Thus, for H2 we are well prepared to grow year-over-year.

The consolidated EBITDA for half year FY24 was up at Rs.164 crores at 13.4%, over 200 bps improvement year-over-year. The standalone EBITDA also stood at a strong 13.8% for the half year and was up at Rs.153 crores.

Our strong margin profile is a direct reflection of the execution efficiencies and better mix of EP, industrial and international projects, along with growing O&M revenues. As you know, these are 2 of the cornerstones of Wriddhi, our strategy to progress on the path of profitable growth, positive cash flows and quantum improvement in our valuations. Wriddhi was put into action with an objective to enable the group on a transformational growth path and over the last couple of years, we are already seeing the right signs that our strategy is working well.

We have delivered another quarter and half year of profitable growth which is our PAT growing faster than the top line. The profit after tax for H1 stood at Rs.110 crores on a consolidated basis, up 43% year-over-year and on a stand-alone basis at Rs.101 crores, up 70% year-over-year.

We continue to remain asset light with our return on capital employed (ROCE) ranging over 20% for H1. Our stated strategy has been to remain asset-light and assume only a minority stake in the capital projects i.e. HAM and BOOT projects. We currently have 2 HAM projects, Digha Kankarbagh STPs, and Ghaziabad TTRO under construction, for which discussions with potential equity partners to assume majority stake is underway.

In order to expedite these projects on their progress, we have invested capital to the tune of about Rs.74 crores. Both these projects are currently heading to completion by H1 of next year before which we intend to induct equity partners to take over majority stake, which will in turn enable us to monetize in order to recover the capital invested by us in these project SPVs and deconsolidate the SPVs from our balance sheet.

On these HAM projects, as part of our group balance sheet today, we have consolidated a debt of Rs.64 crore and gross working capital of about Rs.220 crores. As mentioned earlier, this is only a temporary effect and will be removed soon with the induction of the equity partner. Excluding the effects of these HAM SPVs for H1, which is a temporary effect, as I mentioned earlier, our net cash position at H1 stood at Rs.130 crores.

Gross debt remained flat from March 2023. We generated operational cash flow of about Rs.70 crore and free cash flow of about Rs.60 crores, this signifies that our robust cash management efforts have yielded the desired results.

Mr. Mittal has already given a brief outline of our business strategy and our numbers in this quarter are also reflective of the same. We continue to remain a strong global player with around 44% of our H1 revenue coming from rest of the world and about 40% of our order backlog still coming from the overseas geographies.

Strong O&M outlook with over 40% of the order backlog coming from operation and maintenance business. The quality of the order book is excellent with a majority mix of multilateral and central government funded projects, industrial jobs backed by adequate payment securities largely in desalination and wastewater treatment, including recycled, reuse and industrial effluent treatment space.

Our go-to-market teams are focused on emerging markets where the growth and market opportunities are significantly higher, while we continue to strategically defocus from the European region. Our partnerships with developer entities in the Middle East geographies, construction partnerships across the globe to improve EP mix, financial partnerships with various marquee institutions to remain asset-light and bias towards digitalization and new age technologies like AI, make us a stronger player for the future. We expressed our heart filled thanks to our bankers, investors, fellow Wabagites and all other stakeholders for their continued support extended to us.

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

Moderator: First question is from the line of Mohit Kumar from ICICI Securities.

Mohit Kumar: Good evening sir and thanks for the opportunity. So good to see an improvement in EBITDA margin, which is substantial, but the first question on the revenue side, in H1, I think we have seen a decline in revenue of 10% odd. How do you see the revenue panning out for FY24? And if you can give some guidance for FY25. That will be very helpful.

Rajiv Mittal: I think, Mohit, we have been saying this in our earlier calls also and regularly, we have been informing through stock exchange. Last year, we have done 2 divestments of our European entities. And bulk of this top line decline you see is coming from these 2 entities.

The reason we have divested is because we will never be able to make money there, because the margins were very flat in Europe, especially in the Western and Central Europe. There's hardly any growth opportunity. Hence, we have divested that, and that is where the major decline is.

Last year, the numbers include these 2 entities and this year, this number does not include these 2 entities.

Number two, as we have said before, number of our projects which were under execution were slowing down and in the last month of last year, we had got some large projects, which were Bangladesh, Perur and other projects.

Now these are all multilaterally funded projects. One was by World Bank, other was by Japanese fund JICA, they all take some time and it is our stated policy that until financially the project is secured and letters of credit is open or advanced payments are made, we will not start the project. All these condition precedent were completed towards the end of first half. Now we have started the design and engineering work and maybe for next few months, design and engineering will continue post that the construction and ordering activities will start. So the visibility on H2 is definitely going to be better than the H2 of last year and overall, on a yearly basis, our top line will also be better than last year.

Mohit Kumar: Understood, sir. My second question is on the order inflow. The order inflow has also been tepid, and I think we had made an observation that this year could be as good as the last year. Do you think is it possible? And what is delaying the finalization of the tenders, especially in the Middle East?

Rajiv Mittal: Definitely, water is happening sector. Since last few years we have been seeing globally, there's a huge focus on water. This includes India also. Lot of money is getting allocated, projects are getting announced. Of course, these are being the government projects, implementation is a little slow and decision-making is slow but these are very firm orders and we have ourselves put in a very large bids, both in India and Middle East.

And some of them are definitely going to get converted during this financial year. This will give us a very solid start for the next financial year. In Middle East, each project values are much higher than the project values in India for a comparable size of project because there are rich specification in those countries. So Wabag is very well placed especially with advanced technology or you call it manufactured water projects where we are well placed and I'm sure very soon, we will be able to share some good news with you all.

Moderator: Next question is from the line of Kaushik Poddar from KB Capital Markets Pvt. Limited.

Kaushik Poddar: Yes. On the slide deck, can you please speak a little bit on the Slide number 10, which basically speaks about your future growth areas?

Rajiv Mittal: Just hold on, I'll get hold of my presentation. Give us 30 seconds. Yes, we got the presentation, which Slide number?

Kaushik Poddar: 10.

Rajiv Mittal: Yes, got it. Please continue.

Kaushik Poddar: Yes, I just want you to speak a bit on the 4 sub-segments of new initiatives.

Rajiv Mittal: Fantastic. Wabag is a technology-based pure-play water company. We have always mentioned and will continue to be a pure-play water company. We don't want to diversify into any other field. We have expertise, our domain knowledge is on this water, and we want to continue that. All the 4 initiatives you see here are only related to water. I want to make it very clear.

The number 1 is about biogas to either power or Bio-CNG. This initiative is nothing new. We have been building these plants over the last 2 decades. We were converting biogas to power to make the power neutral plants so that the power required to operate the plant is also coming from the power we generate from the biogas we produce in the treatment process. Now we are saying we will move to higher value chain, which is Bio-CNG. That definitely is a higher value chain compared to burning this biogas to convert into energy. That's number one initiative.

Number two, Green Hydrogen. The whole world is talking about green hydrogen. We are very clear. We want to remain as a water partner to the various developers and the industries who are going for green hydrogen. They require pure water so that there's no scaling happening of electrodes, which are there in water to produce hydrogen and we will be their partner to give them this pure water required for hydrogen production. That's our second initiative.

The third initiative, post-COVID lot of countries realized that they can't depend for cross-border importing of these chips. As a result, there was a huge supply chain issue in the semiconductor supply as a result on various electronic manufacturing goods. So each of these countries, including the developed world is today making their own facilities to produce these chips and this semiconductor is such a high level of water which is required, is extra purity water. We did a project a few years back in Middle East for one of the semiconductor manufacturing facilities.

Now of course, in the last 10 years, the technology has moved on, and we want to be part of it because not only it is right in our domain expertise, but we also have a past experience, we just want to enrich the technology what we have, either we want to do it in-house or we don't mind going and licensing something what is the best available in the market and be a supplier of a pure water, required for semiconductor manufacturing. It was a third initiative.

The last is about AI. Water is in demand. A lot of projects are happening, skilled, experience, manpower is going to be definitely in short supply. We are today a market leader not only in India, but globally. But still with the speed at which we are growing both the EPC business as well as O&M business, there will be high demand of skilled and experienced manpower.

We are trying to manage this growth by applying digitalization in our plant so that we can get the best performance in our plants, and these are not dependent on people. People will put the systems in place, put the programs in place and rest AI will do the job and will give the necessary instructions required to the operating team and will not tax on the skilled manpower’s time. All this will be repeatable, reproducible kind of knowledge, which will be stored in the AI platform. This is the last initiative we are working on.

Kaushik Poddar: And see, I was just going through your shareholding. I think promoters on, as of now are around on ~19% or something. I mean, you have been in the saddle for quite some time and can we see some kind of M&A sort of thing in the near future?

Rajiv Mittal: We don't work towards it; we keep our head low and do the business what we know. If there is ever an opportunity which comes our way, which is to the benefit of all the shareholders, we'll consider it, but there is no active movement towards that. Today, we are working as we discussed in both, my speech and Skanda's speech. We have embarked on this Wriddhi journey, which is our strategy, which we came up 2 years back, and we are working on it and with that, we are very confident going forward, we ourselves will improve the valuation of the company.

Kaushik Poddar: Great. And then the last question, I think 2-3 years back also, you used to hold out a projection for the whole year. So are you giving sign of projection for this fiscal?

Rajiv Mittal: For last 3 years since COVID, we have stopped giving any forward looking...

Kaushik Poddar: Before COVID, you used to give it. And right now, we are in normal stage. There is no COVID. So that from that point of view, I am holding you.

Rajiv Mittal: Absolutely, you're right. But somehow we have lost that touch of giving a forward-looking numbers. Maybe we'll have to think internally and if required, maybe in the last quarter, we can give some projection for the next financial year.

Moderator: Next question is from the line of Aman from Aman Investments.

Aman: Yes, thank you for the opportunity and congratulations on a good set of numbers and also for achieving a milestone of 5th largest desalination plant. Sir, I have just 2 questions. What is our outlook on the circular economy, which is going on? It's playing out? And what do you feel, what pressure do you feel, what opportunities we have in this cycle? And also on the theme of being global but acting local. If you can just comment on these things? And next question will be followed after the answer.

Rajiv Mittal: Okay. Too many things. Let's first talk about your circular economy. I think our business itself, whatever we have talked to you is all about recycle, reuse like we told you, the wastewater, which we treat, we recycle the water which is becoming a source for the industry and commercial establishments. The gas which we generate from wastewater treatment becomes a source for energy or CNG. And also the total water conservation, which we do in return, where we are recycling the water, are producing desalination water, we are releasing the good quality fresh water for the domestic users.

So that way, we are contributing to a circular economy by doing a total resource recovery from a wastewater that nothing will go waste, including the solid which is generated in the wastewater treatment, they go back to the farms as a fertilizer because they are rich in nitrogen, potash and phosphorus and even government is giving benefit to us if we sell it to the farmers. So in a way, our business is all about circular economies. Business is about resource recovery. So we are contributing to a large extent to this topic of circular economy.

Number two, you talked about a global company acting local. That has been our philosophy from day 1. We call it 'Go Local', which is global, but be local. Think global act local. That has been our mantra for many many years now and today, I think with all the units, that 25 units that we have across globe, each one has a certain capability to act themselves locally, and some support, which comes from the group, even our global delivery centers are moving towards that, having an establishment at various locations, which will deliver the projects. So I think we are very much fitting into ‘think global act local’.

Aman: Yes. Sir, the second question is on the order books. We have quite robust order book. There are 2 points to this question. If you can just give us a timeline on the completion of order books in the ranges of years? And secondly, going forward, what kind of growth do we see in this orderbook that's coming in? And what will be the mix of both industrial and municipal deal and the mix of India and abroad deal.

Rajiv Mittal: In one question you have so many questions. No problem. We'll take it one by one, if we remember it. See, I think basically, in the order book, you have 2 types of projects. One are construction, which are EP or EPC projects. The other is services, which is O&M projects. So you would see about 60% of that is construction EPC, EP projects and 40% will be about O&M projects. EPC projects, you can take average of about 36 months and O&M projects can be anything ranging from 5-7 years, going up to 15-20 years. So that is the duration of time.

What is the growth in order book you will have? We generally hope and plan to be very selective in what we take, looking at the cash flow and the profitability and payment security, as Skanda had explained, 15% to 20% growth we look at order book as we go forward. What will be the mix of industry projects to the municipal projects? We hope for 30% to 70% in the mix in industrial to municipal projects. I hope I've answered most of your questions.

Moderator: Next question is from the line of Khushbu Gandhi from Share India.

Khushbu Gandhi: Thank you sir for giving me the opportunity. So my first question is regarding the larger projects, which we have bided in Middle East, this you had given on your commentary. So can you quantify what amount of projects we have bided and when can we expect any order inflow from the same?

Rajiv Mittal: The orders which we would have bided in last few quarters would be in excess of USD1 billion. And we hope that we'll definitely convert some of them within this financial year.

Khushbu Gandhi: Okay. On the revenue front, post divestment of our 2 European subsidiaries. Can we get an amount, what was the revenue generated from these 2 European subsidiaries last financial year? During the last Q2?

Skandaprasad S: Yes. So for the first half on a comparable basis, about $10 million to $12 million. So on an annual basis, about anywhere between $20 million to $25 million would be the like-to-like comparison on these 2 subsidiaries.

Khushbu Gandhi: Okay. How much of the percentage of revenue was through EP business and how much through the EPC?

Rajiv Mittal: We have just started this strategic initiative, and we are just building up our EP pipeline. But I think you can say 1/3rd to 2/3rd.

Khushbu Gandhi: Yes. So 1/3rd of your revenue of Q2 was from EP business of the EPC revenue generation, right?

Skandaprasad S: Yes, roughly, see, don't evaluate us quarter-to-quarter. We are not in a product business. We are in a project business. Generally, about 1/3rd of our EPC revenues come from EP. And the remaining comes from EPC.

Moderator: Next question is from the line of Rahul Jain from JM Financial PMS.

Rahul Jain: Hi Sir, good evening and thank you for the opportunity. I just have 2 questions rest are being answered and addressed. I wanted to understand the revenue and EBITDA margin if we consider divestment of 2 subsidiaries, specifically for Q2. So I wanted to understand the growth and the margins which we made last year, specifically in Q2?

Skandaprasad S: See, Rahul, as I said, about $10 million to $12 million is the half yearly revenues, about $5 million to $6 million is the quarter revenues if you take, they are generally annuated revenues, about $5 million to $6 million every quarter. But as we said, the European business is very low in terms of their EBITDA. And that was one of the reasons why we also took the position to strategically divest. So this divestment, if at all, has only improved the EBITDA in line with our strategy.

Rahul Jain: Sir, my second question will be what is the order pipeline right now if we consider not only for India but also for the other countries you mentioned like Middle East, Africa, Southeast Asia, so can you give some number or in terms of MLD?

Rajiv Mittal: See, we can only say the order pipeline is really looking good. It's a solid pipeline, this is what makes us very bullish about our future. And rest all will depend whether the decision-making happens on time, how many of these projects get decided in this financial year and how many of those projects will get decided, we can win. But irrespective of that, we have enough volume today. And we definitely will add a substantial amount to already the big order book, which we are today projecting. We'll add to that by end of the year.

Moderator: Next question is from the line of Dhananjay Kumar Mishra from Sunidhi Securities.

Dhananjay Mishra: Good evening sir and thanks for the opportunity and congratulations on good margin performance and also in terms of profitability. So this consultation we have taken to exit Europe, is it temporary or maybe once things get stabilize in future, we may again look European region as a growth opportunity for us. So that is number one. and secondly, as you said that 1/3rd is construction and 2/3rd is EP. So in our order book, as you mentioned 60% is coming from EP plus EPC. So even in order book, the ratio is same as of now or it is different?

Rajiv Mittal: I think one thing is very clear that for now, we have exited these 2 subsidiaries for good. There is no consideration to look back, because from whatever knowledge we have of the last 30-40 years we have been in this market, we have not seen growth neither we are seeing any policies or anything which will bring some growth, except some focus areas which we talked earlier, if there's any semiconductor business, which is coming, which is very limited opportunity, we may look at it as a spot opportunity, but definitely not as a target market.

The short answer is no, no plan of looking back and going back to Europe. In fact, the resources that we have freed from these European subsidiaries, we have already invested in new emerging geographies. That's number one. Number two, about EP and EPC, yes, it's a stated objective that we want to increase our EP, advanced technology projects and reduce 'C', the construction portion to the extent possible, even by promoting some of the partnerships or collaboration with construction companies.

Number three, about the mix, 60% on EP or EPC and 40% on O&M. Again, with the type of projects we are getting and with the long-term O&M, we are getting, we would definitely like to further improve our O&M order book, which will give us a good margin, lower risk, great visibility and annuity business. So obviously, any time, if we get an opportunity to further enhance the O&M proportion in our order book we will always do that.

Dhananjay Mishra: And sir, second question related to HAM project, where we invested close to Rs.74 crores as equity. So are we holding 100% in this? And once we exit or we become minority shareholders or you said that Rs.220 crores of the working capital will reduce, right?

Skandaprasad S: Correct, Dhananjay. So as of now, we are the equity holders in these 2 projects. But as you rightly said, as soon as we get the equity partner inducted into these SPVs we will go down to a minority stake, which is about 26%. In terms of working capital, this is basically the long-term receivables in the HAM projects which we will have to consolidate. It is an accounting requirement, though, we are executing the projects, the monies are coming in through the mix of debt and equity. We have to consolidate this, and it is our stated strategy to remain asset light, and that is where we are working to, as soon as possible, induct the equity partner so that we can deconsolidate these SPVs.

Rajiv Mittal: And Dhananjay, just to tell you, this is, again, the strategy like we have one more project in Kolkata, again, a Namami Gange project, exactly the same we did. And finally, we brought in a equity partner, today our equity share is only 26% and the partner is having 74%. So it is not on our books. Our cash is also back with us and this we are investing in new projects. If we are going towards completion of the project, the partners can also get confidence and we can get a much better deal when we are going towards completion of the project.

Dhananjay Mishra: Okay. Lastly, you said that this Bangladesh and Chennai project will contribute significantly in H2. On a full year basis, we will be doing some growth. So any chances of missing growth on a full year basis because we have done a 12% decline in first half.

Rajiv Mittal: Let's make one thing very clear. First, that is our endeavour, that is our plan. But in the project business, anything can happen. But today, we are confident that our H2 definitely will be better than last year H2. There's no doubt about it.

But one thing is clear that our profitability, our EBITDA, our PAT, our cash will 100% be better than last year. There's no doubt about it. The mix is good. The strategy is working. The divestment which we have done on nonperforming business will not eat away into our margins and cash and this HAM project will find somebody for equity investment. So all this will definitely have a positive effect on the bottom line as well as on the cash flow. These are 2 important elements. Yes, growth will happen but it is not important for the company as long as we grow on EBITDA and PAT and cash.

Skandaprasad S: Just to add to Mr. Mittal, Dhananjay, if you see, we have margins which are better than last year already about 13%, we are already net cash in H1, not just on an annual basis. We are also growing on cash even during the quarters and the first half of the year. So I'm sure you understand, as Mr. Mittal said, growth will be there, plus in any case we will concentrate on profitable growth and cash back profitable growth.

Dhananjay Mishra: Okay sir, wish you a very happy Diwali and also best of luck for your next year on completing 100 years and I think we will see better time.

Rajiv Mittal: Definitely, Dhananjay, with all of us doing the right things, we all will see better times and all the best also to you and your family for Diwali.

Moderator: Next question is from the line of Darshit from RoboCapital.

Darshit: Thank you for taking my questions, so like most of them have been answered. Just one thing that I needed an overview like for the next 2-3 years, like you said that we can expect 15% to 20% growth of order book going forward. So would that be appropriate to understand that it will be for the next like 2-3 years Income?

Rajiv Mittal: Yes, definitely, with the kind of order pipeline and our positioning there, yes, that's a fair assumption to have.

Darshit: Okay. And the same thing for order inflow and revenue EBITDA for the...

Rajiv Mittal: Just all related to each other.

Moderator: The next question is from the line of Sandip Sabharwal from Ask

Sandip Sabharwal: I had 2 questions. One that you have already reached 13% operating margins. So with the O&M also kicking in majorly from next year, where do you see this trending up to. Secondly, there was a resignation by the Deputy CEO, who just joined last year. So can you just comment on that and on the management strength, how you're going to handle growth as the company grows?

Rajiv Mittal: The first one. It's not a Deputy CEO, it was deputy Managing Director. I think when people move from different city to another city, it always is an issue for them to settle down, their families to settle down. So it was for a personal reason that there was a resignation and we are very thankful for the time he stayed with us, contributed to us, we are appreciative of that and thankful of whatever value he could add.

But saying that we have a huge strength of management and top leadership here. We have been continuously recruiting good people at all the levels, even at the senior management, we have recently recruited a head of desalination, we have recently recruited director sales and marketing for MEA region. And this all activities, what we discussed is definitely, a part of this initiative, where new people are coming, new teams are forming with renewed energy they are going after the market and we call it go-to-market teams and all that.

I think this definitely has helped us to build this. And it's always a continuous process for a growing company like that. There will be always recruitment going on both at the senior level and at the middle level. Plus, we have also a huge HR initiative where we give lot of importance to our homegrown talent. So a lot of youngsters you find here were occupying a very senior and a responsible position, most of them are homegrown talent.

Sandip Sabharwal: All right. And on the margin front?

Rajiv Mittal: Margin is definitely whatever we are giving you, these are after all these corrections, divestment and less of construction, which used to be passed through in our books. So whatever margins you are seeing definitely sustainable if we find more EPs coming in, more O&M is coming in, definitely, there is scope for margin improvement.

Sandip Sabharwal: And any of your large projects which are facing any kind of slowdown?

Rajiv Mittal: Not at all. None of them.

Moderator: The next question is from the line of Omkar Jahagirdar an Individual Investor.

Omkar Jahagirdar: A very good evening and congratulations for Wabag team for generating excellent operating profit margin for quarter 2. And my question just now only got answered but let me ask this question as every time you used to say, if the project mix remain the same, we will definitely show improved profitability. But do you think near future also Wabag keep on getting overseas orders to maintain margin at a higher level? Because earlier, our margin was 8%/9%/10%, but now, it is very good at 12%-13%. Do you think this margin will be sustainable next 6 months as well as the near future also?

Rajiv Mittal: Short answer is yes. Just now I answered. These margins, whatever you are seeing is definitely sustainable, and you must understand that this has not just happened by the way, there is some strategy gone into it, there's an implementation of strategy, which has gone into it. Just to name, we just talked the C portion, the construction portion we are reducing, which used to be passed through for us and second, also some of these European subsidiaries, which were not giving us the desired EBITDA margins, we have divested that.

So these are the 2 big reasons where we are growing the margin, also the product mix. And as you rightly said, our stated goal is to move more international, more into advanced technology projects, and if we are successful in implementing what we have planned, definitely margins will improve, and this present margin should not be a cause of any worry that it is not sustainable. It is sustainable and we will continue to meet on these quarterly calls, and we can review this.

Moderator: The next question is from the line of Amit Kumar from Determined Investments.

Amit Kumar: Thank you and good evening team. I'm just trying to reconcile your order book, you had mentioned around Rs.12,500 crores in the previous quarter, it has gone down to around Rs.12,100 crores in this particular quarter with an execution of around Rs.665 crores sales for this particular quarter. So order booking has only been about Rs.250 crores this quarter, is it? Or have you sort of reconciled the order book, some order has gone out for whatever reason, if you can just sort of help me understand that?

Rajiv Mittal: This quarter, we have announced the order of Tunisia, which is about EUR 63 million. That is the order, which we will have a portion of that, and that is what we have taken in our books. In the first quarter, we had to take out the Swiss, which was order backlog, which Switzerland had, which was taken out, so I think this is the order which is today that your company has, which is executable orders.

Amit Kumar: All right. And just sort of also trying to understand, I mean let's take the example of this Chennai project, which you've recently won a big project, Rs.4,000 crores, how do you break this down between EPC and O&M. Does this go entirely into your O&M book? How do you break this Rs.4,000 crores? How do you book it over? What is the time frame? If you can just use that as an example to just explain that, please?

Rajiv Mittal: I don't have the exact numbers. But on a broad basis, this is 42-month project. And you can say starting from October because that's a start date for the project after meeting all the conditions precedent as we discussed earlier. And 2/3rd of this order is going to be the construction portion, which will be executed over 42 months and 1/3rd after that will be an O&M order, which will be executed over the next 20 years. So this is a broad breakup of this total order.

Amit Kumar: As I understand it, that means you'll book around Rs.2,600 crores – Rs.2,700 crores over the next 3.5 years and then the remaining Rs.1,300 crores – Rs.1,400 crores over a 20-year period, so about Rs.70-odd crores on an annualized basis. Is that understanding correct?

Rajiv Mittal: Absolutely correct. This all have an escalation formula. So we will have some escalation going forward. But broadly, what you're saying is correct.

Amit Kumar: All right. Just sort of one understanding further on this. So that's how you break it when you say 56% EPC and 44% O&M for this project, 2/3rd would be part of your EPC order book and the remaining would be part of your O&M order book? Is that an understanding correct?

Rajiv Mittal: Absolutely right.

Amit Kumar: All right. Just one sort of small follow-up on this. So as far as this particular project is concerned, given the fact that you are incrementally focusing more on the EP side, so for this project also, you will handle the EP? Construction would be outsourced? Or are you managing the construction part yourself?

Rajiv Mittal: No, no. This is the EPC order, the C part will flow through our books, but we don't do construction. We will have to manage construction; designs will be done by us. But actually, site work will be done by our subcontractors. And these subcontractors, we will appoint them and manage them and get the work done on time and to our quality.

Moderator: The next question is from the line of Sanjay Kohli from Goldstone Capital.

Sanjay Kohli: Good evening to all and thank you for the opportunity. Firstly, the margins are certainly upside surprise, in fact, I think everyone here on the call is referring to the margins is around 13%, probably for the half year, people are saying, but the margins are even better than that, 14% plus. And sir, since you've indicated, these are going to be sustainable. This is very very encouraging. So on my question, the first quarter there was a mention of the disinvestment proceeds of the European business. So looking at the balance sheet, is that number in the region of about Rs.90 crores to Rs.100 crores? In the last call there was a mix up here. I've got Rs.900 crores. So it's probably Rs.900 million or Rs.900 crores. Could you just clarify on this?

Skandaprasad S: See, the divestment was done for 2 European subsidiaries. One is in Switzerland and one in Czech Republic. The cumulative proceeds were about EUR 5 million- EUR 5.5 million or close to EUR 6 million. And we recorded these gains in quarter 1, which is the proceeds minus the assets, which is about EUR 2 million – EUR 2.5 million.

Sanjay Kohli: Sorry. So in rupee terms, how much? and they were to come into the balance sheet in this quarter, right? Or everything was there in the first quarter?

Rajiv Mittal: So this is already out of the balance sheet of the first quarter. We have recorded a gain of about Rs.14 crores. You would see in the Investor Presentation, there is a line called 'gains from divestment of subsidiaries'. The gain is about Rs.14 crores which is roughly about EUR 2 million.

Sanjay Kohli: Yes, Rs.14 crores the gain I recall, but what about the divestment proceeds? What were they going to be? And to what extent were they to be realized in this quarter?

Skandaprasad S: No, no. All these were already realized in the last quarter, Sanjay, and that is why we also booked the profit. See by divestment, we mean we have done 100% share sale, and we received the proceeds, we deconsolidated the subsidiary and recorded the gains between the net asset value and the inflows. So the inflows are already done in the last quarter, and all the gains have been booked. So none of these subsidiaries either P&L or balance sheet is showing up either in quarter 1 or quarter 2 of this year.

Sanjay Kohli: Right. So okay, I was under the impression that they're being sold and their proceeds are going to be realized, which will come in as hard cash over here, which then you're going to utilize for future initiatives?

Skandaprasad S: The cash has already come in, and that is where we said it is in our Austrian entity because this was held as Austria as the holding company and we have already said that whatever we divest resources, time that is released from here, we will put it into the emerging markets.

Sanjay Kohli: Sir leave aside the accounting for the gain, what was the amount of the cash which is to come in to the consolidated entity?

Skandaprasad S: About EUR 5 million for Swiss and about EUR 1 million – EUR 1.5 million for the Czech Republic entity, and it was last year and the Swiss entity was this year, and it is about EUR 5 million.

Sanjay Kohli: I don't know where I've got this number probably my error.

Rajiv Mittal: You can take it off-line with one of our guys, we can take you through. So EUR 1 million was last financial year and about EUR 5 million was in first quarter of this financial year.

Sanjay Kohli: Okay, sure. I thought the proceeds were much, much bigger amount. So that's...

Rajiv Mittal: It's a small subsidiary, doing local business in their own countries.

Moderator: The next question is from the line of Nikhil Abhyankar from ICICI Securities.

Nikhil Abhyankar: Sir, thanks for the opportunity. Sir, we were expecting a desalination project in Mumbai as well. So do we have any update on that?

Rajiv Mittal: There's no update. We don't see any tender coming in. We have been hearing this for the last 2 years, but I don't see this proceeding. So probably now elections are going on in Mumbai, then maybe the general elections will come. We hope to see this in the next financial year.

Nikhil Abhyankar: Okay. And also the new initiatives that you have announced, what will be the market for these initiatives? Will it be domestic or the international market? Also the orders that you're expecting from Middle East, where exactly are they from? Saudi, UAE or somewhere from Egypt or something?

Rajiv Mittal: This initiative is not any local. These are global initiatives, whether it's manufactured water, whether it's a Bio-CNG, whether it is hydrogen, semiconductor, all these are global initiatives. These markets are developing. As we all know, hydrogen is something with all the governments across the globe are pushing for it to reduce their carbon content and go for renewable clean fuels. So this is happening, but still it is economically not viable. So the scale has to still come in and which I believe over the next 2-3 years, we will see this picking up like Solar did. Once we get the scale, it will be more economically viable. Same will happen when new manufacturing industries start producing semiconductor, they will need this water. This will all happen. So these are initiatives not for next year or this year. These are initiatives for next 5 to 10 years which we have to work on it and have this as a backup for our future growth.

Nikhil Abhyankar: Understood. Just the final question, so you mentioned earlier in the call that you also sold stake in Kolkata HAM project. So can you just mention what was the valuation at which it was sold? How much was the equity invested and at what valuation that we sell?

Rajiv Mittal: It's not stake sold or anything.

Nikhil Abhyankar: Monetizing the finance...

Rajiv Mittal: We invest. We also have another equity investor who takes the majority equity and we take a minority equity and on a project which may be about a Rs.500 crores project, our stake in that equity would be about Rs.15 crores – Rs.20 crores and the partner state would be Rs.60 crores-Rs.70 crores. And rest is all debt we take, which is at that SPV level. This project Kolkata is funded by IFC Washington and Tata Cleantech. So we have some good investors there who have invested in it. And we expect that early next year, we should start getting our revenues from it because we are nearing completion.

Nikhil Abhyankar: Sir, I only wanted to understand how much was the equity invested from our end and how much did we get from the investor for selling 76% stake?

Rajiv Mittal: That's what I said, Nikhil that about Rs.17 crores – Rs.18 crores is investment from us and about Rs.55 crores – Rs.60 crores is from the investor.

Moderator: We have the next question from the line of Manish from Equity at Work Family Office.

Manish: Sir, for last many quarters, may be 6-7 quarters, you have been constantly guiding for profitable growth, right, underpinned by profit, cash flow and margins, right?

Skandaprasad S: Correct.

Manish: So my question to you is, for a holistic unified growth to take place in a company, you need a decent top line growth as well, right?

Rajiv Mittal: This is a very good question, and I thank you that you raised this question for other investors and analysts, because the top line growth depends on what is top line consisting of. If top line is just a pass-through in your P&L, which does not give you margin, then I don't know why top line is important for a holistic growth.

Because like we told you, continuously, we are talking for last 2 hours that construction portion is not our domain expertise, not something we like to do, neither we add value, and hence, there is no margin on it. So it's like a pass-through. So if I add another Rs.1,000 crores of construction on my top line, which does not give me bottom line, do you see that the company is not growing, number one.

Number two, the European subsidiaries, which we divested. Again, they may be giving us annually about EUR 20 million – EUR 25 million top line. But if they are not contributing to the EBITDA and bottom line and the cash, why should we say that company is not growing, because company is growing in the right direction. We can grow for the breadth of it.

But today, we are growing for the depth of it. So I think this has to be very clearly understood that company is growing, our projects are growing, but we are doing things which we are good at and where we can add value. We are not doing things which are non-value-add activities.

Manish: So I completely agree with you. The company is growing, there is no question about it. But the growth is at the expense of a degrowth in the top line, right?

Rajiv Mittal: Why you say expense of, I don't see it is at an expense of. When we are not having a equal top line or a little lower top line, but our bottom line has grown, our EBITDA margins have grown, our cash flows have grown, I think this is growth in the right direction. And this is what is demonstrative that our strategy is working, the efficiency in the organization is working. We are not wasting our time working on non-value-added activities.

Manish: So going forward in the second half, what kind of top line growth can one anticipate?

Rajiv Mittal: This is what we said that in H2 we are anticipating even in spite of construction volumes will be lower, our European subsidiaries volume will not be there, still we are saying that we will grow in H2. And obviously, the bottom line will grow faster and much higher than the top line growth, and that's what we call it as a profitable growth which is demonstrative of the efficiency and the strategy, what we have planned is working. All our ratios are improving and compared to last full year, we will still grow. For you, top line is important, you can also consider even on top line, we will grow.

Manish: Okay. That's good to hear. Sir 2nd question is, are we contemplating a plan or a strategy in terms of reducing our dependence on municipal orders or municipal, because our revenue is about 60% of the...

Rajiv Mittal: Not at all. See, what you have to consider, always the volume, and like manufactured water we are talking about, desalination, somebody talked about Mumbai, Chennai and other places, recycle of used water, these are all municipal initiatives. What is important is to focus on orders which have a payment security, because municipal orders, people always linked to delays in payments and we work on multilaterally funded orders, get this very clear.

You can see our order book, 98% of them will be either multilaterally funded, sovereign guarantees like Namami Gange, AMRUT and all those or internationally LC backed up orders. So municipal orders are not reduced, orders are reduced where we don't have payment security, we don't have good cash flows, we don't have good margins, we cannot use our proprietary advanced technologies. Those orders will be reduced. But overall, municipal orders will not be reduced.

Manish: Sir, how is our new AI partner 'Pani Energy' will help in growing or sort of underpinning the business going ahead?

Rajiv Mittal: I did mention in my speech, if you want I'll repeat, because of the scarcity of good resources, experience, knowledgeable resources we are trying to build into AI platform which is reproducible, repeatability is ensured. So all the projects can get the same information, same level of service, same data though we are not depending on individuals. Otherwise, if I have 20 plants or 30 plants, I need 30 good resources. Here, if I have 3-4 good resources, they can build this AI platform, and all my 30 projects can get the same level of support.

Moderator: The next question is from the line of Aman from Aman Investments.

Aman: Yes. Thank you for the opportunity again. So only 2 questions I had. First, from your experience this financial year, if you can just quote us 2 or 3 surprises that you had planned and gone out very well. And some setbacks, you had thought before and 2 or 3 setbacks, if you have faced in the recent times, if you can just quote your experiences?

Rajiv Mittal: See, so far, you have seen from the results, most of what we thought, what we planned, what we prayed for it, most of it has been delivered, and you can see at the quality of the numbers. If you want to get a word setback, I would not say it's a setback, but for sake of responding to you, I think this large projects normally, it takes about 3 months for it to become effective but this took almost 5 to 6 months to become effective, which is delayed our revenue generation of this new order. If you would like to call this as a setback, maybe that is a setback.

But numbers are postponed by one quarter, but they are not disappeared. As I said, all condition precedent is achieved. And from this quarter, we'll start booking revenues, especially for engineering and technology part of it. And from next quarter, we'll start booking some revenues also for construction and procurement.

Aman: Perfect. Sir, on the second question, last time, we are moving with an entrepreneurial spirit now from previous years. How do we see the spirit going forward? And also what kind of penetration is India in sewage water treatment? And going forward, what kind of levels do you want India to see going forward because we think there is enough healthy balance sheet with state government, well-funded and these are very much basic requirements as a demographic goals ahead. If you can just comment on that, the penetration level as well as your perspective about the entrepreneurial story of Wabag?

Rajiv Mittal: Aman, you are getting into too much details, we are getting very late today. So I think all this, we can discuss. You can connect with any one of us, connect through our company secretary. We'll put you across our marketing team or a technology team which can give you all these details what you're looking for.

Aman: Perfect. Okay, sir. And just one thing I wanted to understand, we are very optimistic about the new ventures of green hydrogen, all are surrounding water only. What opportunity do you see water playing in these sectors and how big sector can become going forward and also what role will water play in this. If you can just quote, spending of capex goes Rs.100, water infrastructure will be costing this much? Any percentage or any ballpark number you're seeing going forward in these emerging sectors which you are venturing into?

Skandaprasad S: Yes. I think Aman just considering the time again. Let's get into this details. You can connect with our IR agency or with our IR representative and we'll be glad to support you on these aspects to the extent.

Aman: Just final one thing is Namami Gange project being success for us, and going forward, we'll be seeing more successes in this project?

Rajiv Mittal: I think you should answer this question when you go to any of the Ganga, whether it's Haridwar or Banaras, anywhere and you look at the quality of the water, what you experienced earlier and what you are experiencing now and also look at the Ghats where you used to visit before and what you visit now, you can answer yourself.

Moderator: The next question is from the line of Prashantkumar Hazariwala an Individual Investor.

Prashantkumar H. Good evening sir, congratulations for a good margin improvement. My question is regarding this HAM project. Like how it works, because I can’t get into this, like you said you will sell 76% of all equity and hold 25%. How its revenue will work in our favour?

Rajiv Mittal: Very short, Prashant, and if you want details, you can also connect with our team. But very short, these are all initiatives coming from government of India with the sovereign security, which is backed by World Bank financing, it comes from the Ministry of Jal Shakti. 40% of the cost of the project is funded by government of India. 60% is expected to be funded by a private player like us, where we have 25% equity and 75% debt. In the 25% equity, which we have to fund 25% of 25% equity, which Wabag takes and 75% of the equity, which another equity investor takes. And the balance debt is taken by debt company in a case where I described it was IFC Washington and Tata Cleantech to the debt, and we are nearing completion of this project in Kolkata. There are 3 sewage treatment plants, and I'm sure the revenues will start flowing from early next year.

The revenues will start flowing once you complete the job and plant goes on operation. It's a 15-year quarterly EMIs which government will pay, will take care of your investment as well as your operation and maintenance costs.

Prashantkumar H. We will get only 25% of the revenue, right?

Rajiv Mittal: No. We are doing a complete 100% EPC, construction is in our scope. O&M for 15 years is in our scope, what you're talking about 25% is the financial income, the IRR is what we will get 25% and other equity holder will get 75%. But 100% of O&M, 100% of EPC, we will get. This is our core business.

Management: Just to clear this. So this is construction and EPC operations. So we will get our operating profit from that construction, plus we will get 25% from whatever revenue we can generate for next 15 years, right?

Rajiv Mittal: And also operating profit on our O&M for 15 years.

Prashantkumar H. That will be 25% of it, right. 75%...

Rajiv Mittal: No, no, operation is by us. So 100% of O&M cost, operating margins will belong to us. Only the financial margins, 25% will come to us. 75% will go to the partner.

Prashantkumar H. So what do you mean by financial margin?

Skandaprasad S: So Prashant, just to clarify, again, for us, this is like any other EPC and O&M project. So the SPV gets the project. It gives us the EPC. It gives us the O&M. So for us, we make 100% of margins on the EPC and the O&M. The equity that we'll have to put into this SPV will give certain IRR, which we said we will only invest 25% of the required equity and 75% will be a majority equity partner. So income in the nature of IRR or dividend will be only to the extent of 25% to us and 75% to the equity partner. And what you also have to note is that we will not keep this capital for the entire period. This will be released in 2 or 3 years after the commissioning of the plant. So that way, we also recycle the capital and keep putting it into new projects.

Moderator: The next question is from the line of P. Jha, an individual investor.

P. Jha: Thank you for the opportunity. Is Chennai project, as I heard it has 2 components, the construction and the annual maintenance. So therefore the construction part of it, Rs.2,500 crores approximately, what would be the margin of the company in this?

Rajiv Mittal: It will be generally in the nature of our EPC margins because there's a C part of it. So those will be typical, those kind of margins you can expect on the EPC project.

P. Jha: So we can safely presume that it will be a lower margin work. And so the real margin...

Rajiv Mittal: No, no. We should not talk about lower margin because construction is involved, the C is going to be passed through. So it's not a lower margin. It's the scope is different. If C was not there, then it's like an EP margin. If C is there it's like an EPC margin.

P. Jha: Fair point. So could it be in double-digit numbers, very rough estimate?

Rajiv Mittal: Generally, these are competitive information. We don't, you can get in touch with our people. We can do one to one.

Moderator: We have no further questions, ladies and gentlemen. I would now like to hand the conference over to Mr. Mittal for closing comments. Over to you, sir.

Rajiv Mittal: Thank you, everyone, for your active participation in our H1 & Q2 FY24 earnings call. We have uploaded the analyst presentation in our website. In case you have any further queries, you may get in touch with our Adfactors, IR advisers i.e. our investor relation adviser based in Mumbai or you feel free to get in touch with us directly. Before closing this call, on behalf of the Wabag family, I would like to wish each and every one of you a very happy, prosperous, and safe Diwali in advance, a very good festive season ahead. Thank you so much.

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