August 19, 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 Q1 FY24 Financial Results as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Pursuant to Regulation 30(6) and 46 read with Part A of Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcript of Analyst/Institutional Investor Conference Call on Q1 FY24 Results held on Monday, August 14, 2023.

The Transcript of Analyst/Institutional Investor Conference Call on Q1 FY24 Results is also available on the Company's website www.wabag.com.

Kindly take the same on record.

Thanking You,

For **VA TECH WABAG LIMITED**

ANUP KUMAR SAMAL
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Anup Kumar Samal
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"VA Tech Wabag Limited Q1 Earnings Conference Call"

August 14, 2023

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

Moderator: Good evening, and welcome, everyone, to this Earnings Call Post-Announcement of Q1 FY '24 Results of VA Tech Wabag Limited.

On the call from the Management Team, we have with us Mr. Rajiv Mittal – Chairman and Managing Director; and Mr. Skandaprasad Seetharaman – Chief Financial Officer.

Kindly note that during this call, the Company may make certain forward-looking statements concerning the business prospects 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 the transcript will be made available on the Company's website. We will start the opening remarks from the management, post which we will open up for the interactive Q&A.

I now hand over it to Mr. Mittal to take you all through the key "Business Highlights". 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 our Q1 FY '24 Results of VA Tech Wabag Limited. Joining me today for this earnings call is Mr. Skandaprasad Seetharaman, our Chief Financial Officer.

We started the year with another successful quarter. Our journey of profitable growth continued in this quarter as well. Our strategy of focusing on international geographies, industrial projects, advanced technology plants and EP, engineering and procurement business, has helped in execution excellence improving operating margins to double-digit levels in Q1, which was in line with our expectation.

We embarked on our business strategy, Wriddhi, with a focus on profitable cash-backed growth, free cash flow generation and quantum leap towards improved valuation, which has also been disseminated to all our stakeholders, both in the Annual Investors Meet held in May and Annual General Meeting for FY 22 - 23 held recently. Wriddhi denotes and focuses towards profitable growth, success and advancement, global market leadership, free cash generation, quantum leap and improved valuation.

The following are the cornerstones of Wriddhi: Agile go-to-market teams developing technology jobs; focus on EP, industrial and international projects to improve diversification, cash flow and time control; improved O&M business focus for better cash flow, margins and predictability; remain asset-light through partnership with financial, construction and technology partners; global delivery centers for competency based structure as against hierarchy-based hub-and-spoke model to achieve execution excellence.

In line with our strategy for the year Q1 FY '24, as has been the case over the last few years, almost half of our revenues flow from international geographies. Significant business of Europe entities will continue to be from Middle East and North Africa, our core markets. With a strategic view on further reducing our exposure to Europe, last year we have divested 2 of our European entities in Switzerland and Czech Republic. In summary, our continuing focus on international markets and developing geographies help us to deliver better margins consistently.

We also have stated strategy to grow the share of our O&M business. And in line, our order backlog as of end Q1 FY '24 is at 42% of the total order book. O&M business revenues have also started to show an upward trend with DBO orders slowly moving into O&M phase, and we will see further expansion of the same in the next few years. With more DBO and HAM projects on the anvil, long-term O&M are the future and we are well placed here.

We have channeled our focus as regards order intake in the past few years on the top of the water treatment value chain by pursuing projects in manufactured water space, desalination and recycle and reuse, which has helped us to remain advanced technology business leader.

You have seen in the last quarter the technology orders in desalination and wastewater treatment that were secured, and we continue to have a robust pipeline of orders, which makes us confident of delivering another successful year.

WABAG leads the way in transforming the sector towards a more environmentally conscious future by reducing greenhouse emission and resource recovery through innovative and sustainable solutions. We promote the efficient utilization of recycled water, harness green energy to power our plants, extract NPK-rich fertilizers from the sludge and thereby actively contribute to the circular economy.

We are committed to remain a water-positive Company to achieve our long-term objectives, aligning to the United Nations Sustainability Goals. In line with the same, we also act as an ambassador for the manufactured water initiative and circular economy in water treatment space to improve the awareness and acceptance of this concept.

With the objective, we conducted 2 conferences in this calendar year, one in Chennai and one in New Delhi. The Chennai conference was focused on manufactured water, a power-packed event hosted by us with 2 exclusive panel discussion attended by eminent expert panellists from government bodies, municipal and industrial sector on an important topic, "water recycle and reuse".

Pursuant to the excellent feedback we received for the Chennai conference, we conducted another conference on circularity for sustainability, recovering resources for a circular economy in New Delhi, which was supported by Namami Gange, Arth Ganga and Delhi Jal Board. The conference was extremely well received, attended by experts, including key personnel from

National Mission for Clean Ganga, Delhi Jal Board and various other subject matter experts and decision makers from government bodies, municipal and industrial sector. This event also hosted two panel discussions, one on waste to wealth, harnessing resources for a sustainable future; and other on fostering sustainability, industrial and municipal synergy in resource management.

At WABAG, we look at water security as a mission, not merely a business as our work touches millions of lives and intended to make the world a better place to live. Few examples of our reference projects promoting manufactured water, circular economy, sustainability and reuse include the largest operating municipal desalination plant in India on a DBO basis at Nemmeli, Chennai with a capacity of 110 MLD. Of course, you all would already know that the Company has secured 400 MLD JICA-funded desalination plant coming up in Perur, Chennai.

Our globally acclaimed 45-MLD TTRO plant in Koyambedu, Chennai, which was inaugurated in 2019 by Honourable Chief Minister of Tamil Nadu, has been a key milestone in Chennai's recycle and reuse journey. We are also executing a 40-MLD recycle reuse plant in Ghaziabad for Ghaziabad Nagar Nigam on HAM basis. It's worth noting that WABAG already has to its credit constructing a direct portable reuse plant built in Namibia almost 2 decades back.

Total resource recovery plant in Pappan Kalan, New Delhi, which we convert waste to well by treating sewage water to usable water, generate biogas from sewage, which powers the plant and also sludge is converted to manure and used for fertilizer, thereby making sewage as a resource and not a liability.

We also have been front-runner in the zero liquid discharge concept, which is fast gaining traction in the water treatment market. To our credit, we have recently commissioned a plant at Nagarnar, Chhattisgarh for NMDC and we are currently executing a large-scale industrial plant on ZLD for SIBUR. We have already active inquiries in the ZLD space, some of which are likely to be concluded in this fiscal.

There are only a few examples of our manufactured water and sustainability effort in action. We at WABAG are steady-fast and aligned to the objectives of India G20 Presidency theme, One Earth, One Family, One Future, which aims to create a cleaner, greener and bluer planet.

This quarter, we have secured an order worth of Rs. 420 crores from the City and Industrial Development Corporation of Maharashtra (CIDCO), for design, build and operate a water treatment plant with a capacity of 270 million liters per day at Raigad to be executed in 42 months, followed by a 15-year operation and maintenance. This project, once completed, will address the future water demand of Navi Mumbai and will also be a key reference in our journey.

Ordering activities, both in India and internationally are progressing largely as expected. We will continue our focus on technology-driven international orders, enhancing our presence in the industrial water treatment space while continuing our delivery of the best-in-class municipal water solutions.

We are confident that WABAG will continue to remain a frontrunner in the oil and gas segment, recycle and reuse of water and desalination solutions with our marquee references across the world. With a high-quality order book of over Rs. 12,500 crores and a strong order pipeline visibility, we are confident of continuing to generate value for our stakeholders in our growth story in the years to come.

Now we can move over to the key financials and operation highlights and I would request my colleague, 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. Let me take you through the key financial highlights and some operational updates for the quarter ended 30th June 2023.

Let me first start with some of the key operational updates. Starting with the India cluster, which comprises Indian subcontinent and Southeast Asia. Our current projects in the cluster span across wastewater treatment, recycle and reuse and desalination. Projects in the cluster have generally been progressing well and on expected lines.

At our AGCC project, SIBUR, the project has been progressing strictly and we have currently started delivering goods to site. We expect to finish majority of the supplies within this fiscal. The 53 MLD Reliance desalination project is in the construction and procurement stage and site activities have picked up in parallel and progressing swiftly.

In our 400-MLD Chennai desalination plant funded by JICA, the enabling work on the project has started to ensure condition precedents are met before commencement date is announced. The foundation stone-laying ceremony of the plant will be presided by the Honorable Chief Minister of Tamil Nadu and is scheduled to be held on 21st August 2023. In parallel, the engineering and procurement activities on the project have already commenced. Our 200-MLD Pagla STP in Bangladesh funded by World Bank and AIIB commenced recently, and the engineering and procurement activities have already started progressing swiftly.

Next, on to the Middle East and Africa cluster. MEA cluster has tremendous potential and we expect to continue putting in our efforts to convert a good amount of these opportunities going forward. The MARAFIQ STP project in the Kingdom of Saudi Arabia is complete, and the commissioning of the project is also completed. We are currently in the DLP phase.

Our KFW-funded Zarat project, SWRO plant of 50-MLD capacity expandable to 100 MLD being executed for SONEDE in Tunisia and our 300-MLD independent STP at new Jeddah airport in Kingdom of Saudi Arabia, which is being built with the state-of-the-art Nereda

Technology, are in the final stages and swiftly progressing towards commissioning within financial year '24.

On the capital projects front, our NMCG HAM projects. In our 187-MLD KMDA STP projects being built in Arupara, Bally and Baranagar, commissioning activities have started and all plants are expected to be commissioned by Q3 FY '24. Our STP HAM project being built for BUDCO at Digha, Kankarbagh and 40 MLD Ghaziabad Nagar Nigam TTRO recycle/reuse projects has been moving steadily with the engineering and procurement activities substantially completed and construction activities under swift progress.

Now getting to the numbers for the quarter. Our consolidated revenues from operations stood at Rs. 553 crores. The consolidated EBITDA stood at 11.9%, Rs. 66 crores for the period, double-digit EBITDA, as we had promised, which was up 10% year-over-year. We have delivered another quarter of profitable growth, which is our PAT growing at a rate faster than top line.

The PAT attributable to owners stood at Rs. 50 crores on consolidated basis, up by 66% year-over-year. Return on capital employed stood at 19.6%, in line with our asset-light model and technology-focused approach. Mr. Mittal has already given a brief outline of our business strategy, and our numbers in this quarter are also reflective of the same.

In summary, we are a global leader in the high-technology water treatment business. We have grown profitably and consistently so, and we have a strong revenue visibility from a quality order book of over Rs. 12,500 crores. We express our heartfelt thanks to our bankers, investors, fellow WABAGites and all of the stakeholders for the continued support extended to us.

With this, we now open the floor for the interactive Q&A.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Mohit Kumar from ICICI Securities. Please go ahead.

Mohit Kumar: My first question is on the execution, sir. Why the execution is muted in the quarter and do you expect it to pick up in the balance 9 months?

Rajiv Mittal: I think in our presentation, we had mentioned today, our focus, as we had announced a few quarters back also, we are going towards more and more technology jobs, engineering and project jobs and less of construction jobs, which basically were passed through in our P&L. So, that is where we have been focusing in the last 4 to 6 quarters that we pick up more and more technology jobs. Naturally, the top line is expected grow not at the same pace. However, with the kind of order backlog we have, we would have definitely expected and we can understand the reason you're asking this question, anybody would expect a better Q1. But please note that a lot of these projects, Chennai desal, Bangladesh, all these projects came very, very late towards end of March. And any of these international jobs, for them to start generating revenues, will take at least 6 months because about 3 to 4 months goes in meeting the condition precedent and opening a foreign currency letter of credit. As we had mentioned that 'til we get the letter of credit, we will not start execution, which is what is happening as we speak now. So, you can see some traction in this second quarter, but the major effect you will see in H2 coming. But you can see the quality of the orders, which we are executing, which is giving a very decent EBITDA margins as well as the profit margin supported by good cash flow.

Mohit Kumar: Understood, sir. My second question is, is it on the order inflow prospect over the balance 9 months. Sir, FY '23 was fabulous on the back of Chennai water desalination. But as we go forward in FY '24, do you expect that number can possibly be achieved in fiscal year based on the order prospect, be domestic or Middle East?

Rajiv Mittal: Ya, I think very clearly, we said that the orders, which we are expecting is very, very good. We said about a solid pipeline of orders which we have. Some of the orders we are even a preferred bidder. And we see a very good traction of order intake even in this fiscal year. So, if all things go well, yes, we should be meeting or even exceeding our last year's number.

Moderator: The next question is from the line of Omkar Jahagirdar, an individual investor. Please go ahead.

Omkar Jahagirdar: Congratulations for WABAG for great operating profit margin of 11.87%. That is great. Momentum has already picked up, so congratulations for entire WABAG team. And my question is, sir, in last quarter 4 conference call, you had mentioned WABAG is having a very strong and robust pipeline of new projects. Even WABAG is already declared as a preferred bidder. Can we expect these much-awaited orders in next 2 to 4 weeks because we are we are nearby H1 end by September. So, another 6 weeks to go. So, are we expecting any major order in next 45 days where the momentum can continue?

Rajiv Mittal: See, we had mentioned when we had a personal interaction when in Mumbai that about Rs. 1,000 crores to Rs. 1,500 crores order, which already we are a preferred bidder, of which almost half of it we have already booked in the Q1 and balance we definitely expect to book in this Q2.

Omkar Jahagirdar: And sir, one more question. WABAG used to declare Rs. 45 crores to Rs. 50 crores net profit in quarter 3. But this time, WABAG has declared Rs. 50 crores of net profit in quarter 1 itself. So, can we expect that profit to go to Rs. 90 crores, Rs. 100 crores in quarter 4? And by that time, our top line revenue numbers will increase substantially? And I'll not be surprised to see top line revenue of Rs. 1,000 crores or more than Rs. 1,000 crores by quarter 4 results of WABAG.

Rajiv Mittal: I think all, what you are saying, is our guess also. But we have to be sensitive on the market conditions, how the project progresses, how we are able to convert the orders into revenue because there are a lot of other things which happen. So, our expectation is also we have told you we are already demonstrated in first quarter our profitability. But a lot of it depends on the project mix you have. Some of the big orders will come into play in the third and fourth quarter where initial margins we will have to see what are these margins. But if the project mix remains the same as it was in the Q1, yes, we will definitely show improved profitability in quarter 3 and 4.

Omkar Jahagirdar: And one last question on Russia project. As you again said, same thing, competition is very less and European companies have gone out for Russia bidding. So, WABAG will take advantage and improve business with good double-digit margin on this future project. When can we expect new order wins for Russia project as we are bidding Russia project from last 6 to 8 months?

Rajiv Mittal: See, obviously, it's a difficult market. Let's not kid ourselves because there are a lot of sanctions. A lot of suppliers do not support this market. So, we are keeping our eyes glued, but Russia is not the only market for us. All the other CIS countries also, we are focusing very well. And I'm sure from the CIS markets, we should get some good orders in this fiscal year.

Omkar Jahagirdar: And once again, congratulations to entire WABAG team for reporting good net profit and operating profit margin.

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

Sanjay Kohli: And once again, as everyone has been congratulating you on the margins and profitability this quarter. Just a couple of questions, starting with the CIDCO project. So, I missed some of the numbers. This is going to be Rs. 450 crores of design, build and operate and then you have 15 years where the revenue will flow in from this, right sir?

Rajiv Mittal: Correct.

Sanjay Kohli: And we wanted to know what would be the planned IRR for this project?

Rajiv Mittal: See, again to tell you, Sanjay, we don't work on IRR because investment is not by us. Client is going to invest in this project for us. We execute the project and collect our payments both on during the construction phase as well as during the operations phase. So, we work on operating margins because we have no investment, so we do not track IRR.

Sanjay Kohli: How are you on the skilled people that you're getting to execute all these projects? Are you facing some sort of shortage of engineering staff? And do you have a management training program in the scale of like L&T does for itself? If you can enlighten us what your thinking is on this, on the HR side of things.

Rajiv Mittal: Sanjay, we do not know what other companies do, but we definitely know what we do. Last 25 years, we have a training initiative in this Company. We have been taking graduate engineers. And slowly, we have gone down to diploma and now ITI. We take them for a 2-year course. We also help them to get further qualifications in their engineering. Plus, there is a government scheme, which is an apprentice scheme, which also we are a member of. So, training program, we take it very seriously. Not recently when we all are seeing skilled people resource constraint. We have been part of our culture for last 25 years. And this we are continuing every year, almost 100 people or more we take and train them and they become our future managers and leaders.

Sanjay Kohli: Just one short on the Egypt desal situation, how are we progressing there with the various projects going on and the bidding?

Rajiv Mittal: I think it's all very good. The prequalification is over. You'll be glad to know that your Company, WABAG, has been prequalified for the highest range of desalination plants in Egypt. But these projects require a lot of funding, which will take time. So, over a period of next decade, slowly this project will come. But this is a definite opportunity, which will come slowly over next 7 to 8 years, and we'll see them getting executed over a period of 10 years.

Moderator: The next question is from the line of Dhananjay Kumar Mishra from Sunidhi Securities. Please go ahead.

Dhananjay Mishra: Many congratulations on a strong operating performance. Sir, just wanted to know in our current order book, what proportion will be only E&P? Here, the margin is higher than the normal EPC project.

Rajiv Mittal: Generally, as of now, as we have started this initiative a few quarters back, almost 1/3 of our total construction book is EP.

Dhananjay Mishra: And what could be the margin difference? Let's say, in EPC, you're doing 10% kind of margin. So, what could be the margin difference if we only do EP?

Rajiv Mittal: One would expect anything between 20% to 30% because civil in EPC would be generally in the range of 20% to 30%, which is like a pass-through in our books. If you don't have the construction margin, we'd like to see it improve at least by 20%.

Dhananjay Mishra: So, 10% EBITDA margin will be 20%?

Rajiv Mittal: 10% will become 12%, 12.5%. That's a 20% improvement in the margin.

Dhananjay Mishra: Yes. 20% improvement in overall margin. And this Chennai project, which is a desalination project. So, total amount was Rs. 4,400 crores, that was including GST?

Rajiv Mittal: Yes.

Dhananjay Mishra: So, this is a net amount, the Rs. 3,667 crores, right?

Rajiv Mittal: This is total amount, yes.

Dhananjay Mishra: And what kind of contribution we are expecting from this Chennai project and this Bangladesh project in this year?

Rajiv Mittal: It's too early. This project has just started. We have just bid, this being in our home and we are the most experienced bidder with having been more than 10 years' experience of building this plant and operating this plant in the same location. So, we would expect the margins to improve. But as the project starts, we'll definitely keep you informed during our various quarter-on-quarter calls.

Moderator: The next question is from the line of Sriharsha from Alpha Capital Ventures. Please go ahead.

Sriharsha: My question is on the share of loss from associates and joint ventures of 58 million. My actual question is, what are the reasons for the losses? And is the profitability of the joint ventures going to improve in the subsequent quarters?

Skandaprasad S: So, Harsha, from an accounting perspective, when you have an associate entity, you consolidate the profits as it is earned. And once the dividend is declared by that entity, the net worth is reduced. So, you will see that we have a dividend of about Rs. 90 - 91 million and the contra effect is in the share of profit losses from associates. So, it is not any loss from the entity. It is only between 2 boxes that it moves.

Moderator: The next question is from the line of Rucheeta Sharad Kadge from iWealth. Please go ahead.

Rucheeta Kadge: So, sir, my question was regarding the execution part itself. So, earlier, sir, we used to execute around 30% of the order book. And I believe right now, yes, we are concentrating more on the E&P side of the business. But even with that, sir, what is the kind of execution are we looking at?

Rajiv Mittal: Yes, I think 30% of the order book will depend on what is the composition of your order book. Now as we said in my speech earlier, that 42% is O&M. And O&M is something which is not executable till we finish the EPC. So, generally, what earlier EPCs we have taken 3, 4 years back, those are the projects which are now coming for O&M, so this is executable. But then again, it's executable over a period of 5, 7, 10, 15 years. The only part, which is executable in the next 3, 3.5 years is the EPC part, which is about 60% of the order book. So, that's how you have to analyze that how 30% of what you will calculate because as our O&M is going to keep on increasing the order book, it's not necessary that 30% of the total order book we will be able to execute.

Rucheeta Kadge: And sir, on the margin front, currently, we are doing around 12% of EBITDA margin. So, going ahead, do we expect this margin to get better from this? Or like there will be aspects of operating leverage that may come going ahead, right? Because below, all the other costs looks fixed in nature. So, on basis of that, sir?

Rajiv Mittal: The first thing, as you rightly said, below EBITDA, we don't have much cost. We don't have debt, so we don't have much interest. We don't have assets; we don't have depreciation. The only thing between EBITDA and PAT is only the tax, which is fixed. So, as we said in the fourth quarter also, our aim is to maintain these kinds of margins at least for next few quarters going forward. And from the order backlog we have, we are very confident that we can maintain this kind of margins. And then our aim will be as more and more EPs will start increasing in our order book, we would like to even improve this operating margins.

Rucheeta Kadge: So, sir, what I was trying to say here is that below your gross margin, like your employee cost, that aspect is fixed. So, just the cost of raw material, which is variable in nature. So, in that aspect, I was asking that if your sales is going to improve going ahead, your margin should improve further. So, usually, what we have seen is March being your best quarter in terms of sales. So, right now, if you've done a 12% like EBITDA margin, that can inch up to 15%, 16% if the gross margin is kind of similar. So, I wanted to understand.

Rajiv Mittal: I think fully agree with the way you have analysed it. Fixed cost being fixed. If top line is increasing, the margin should improve. There is no doubt about it what you are saying. But also at the same time, we'll have to just check the mix of the projects, which is contributing to the revenue. So, if the project mix remains same, yes, margin will improve. But as new projects, larger projects come in, sometimes the mix of projects may not allow us to substantially increase the margins as we go towards the second half. But as we go along, as I said before, we will keep you posted in every quarter as we see and we are confirming to you what is going to be our project mix, depending on the pace of execution.

Moderator: The next question is from the line of Rahul Jain from JM Financial PMS. Please go ahead.

Rahul Jain: My first question. So, on the order front, any order got canceled or deleted during the quarter?

Rajiv Mittal: No, I think what we told you, and we have also made the announcement, 2 of our European subsidiaries we have divested. If you have seen that order book is reducing, it is the Czech and the Swiss book, order book, we have taken it out of a consol order book. So, that is what has got deleted because these are divested.

Rahul Jain: So, that is to the tune of Rs. 900 crores?

Rajiv Mittal: Yes, close to it.

Rahul Jain: And sir, can you just elaborate on the current order pipeline in both domestic and international market? So, that would be my last question, sir.

Rajiv Mittal: As I said before, even in quarter 4, I mentioned this, the order pipeline is very robust. But we have a very strict selection criteria for targeting certain projects. As I said, first, it has to be a technologically oriented order. Second, if possible, advanced technology orders. Third, if it is

EP, even better. Fourth, if it has a substantial O&M in it, even better. And the last but not least, it has to give us a payment security. So, that way, we are going for projects, which are multilaterally funded or central government-backed projects. So, that way, we select. And today, both in India and rest of the world, we see an equal opportunity. Definitely, both pipelines are very robust. It's a matter of time which one will get finalized when. But in both international and India, we have a very robust pipeline.

Rahul Jain: Sir, just a follow-up is that which countries are showing traction right now in terms of ordering?

Rajiv Mittal: Of course, India and Southeast Asia, there are lots of opportunities which we are following. Plus, Middle East and Africa is showing promise.

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

Nikhil Abhyankar: Sir, my first question is why are the other expenses low? Is there any kind of a write-back in this quarter?

Rajiv Mittal: Sorry?

Nikhil Abhyankar: The other expenses are lower in this quarter, around Rs. 11 crores, whereas last year, it was around Rs. 42 crores, if I'm not wrong.

Rajiv Mittal: Last year, we had a good traction on foreign exchange, which was one of the questions we also debated in this conference call because there was a good ForEx gain, both in India and in our international subsidies. That was a major part of this Rs. 42 crores.

Nikhil Abhyankar: So, should we assume that it will be around Rs. 10 crores to Rs. 11 crores every quarter?

Rajiv Mittal: We can't be predicting anything how the markets will behave. That's the reason it is called as other income.

Nikhil Abhyankar: No, sir. I'm talking about other expense, not income.

Rajiv Mittal: Other expenses anyway will go down because one of them was a major ECL, which we have taken a write-off last year. So, naturally, the other expenses will come down this year compared to last year.

Nikhil Abhyankar: So, that's what I was asking. So, this should be a good run rate to assume for every quarter going forward?

Rajiv Mittal: Good to assume.

Nikhil Abhyankar: Sir, and also in March our receivables were very high, around Rs. 1,500 crores. And you said that a lot of supply was done in the last month. So, what is the position of receivables now and specifically from Telangana if you can quantify?

Rajiv Mittal: I think it's of a similar magnitude because we have, again, done about Rs. 500 crores, Rs. 550 crores of revenues. So, I think it's under similar magnitude. Our team will give you separately exact number. But you can assume it's also similar magnitude.

Nikhil Abhyankar: So, somewhere around Rs. 1,500 crores?

Rajiv Mittal: Rs. 1,500 crores, Rs. 1,550 crores, something around that number. But exact number, my team will give you.

Nikhil Abhyankar: And sir, also our EPC order book is around Rs. 6,500 crores and we last year have made somewhere around Rs. 2,500 crores EPC revenue. And you said that all the large orders are still not executed. So, should we expect a ramp-up in revenues for FY '25 going forward?

Rajiv Mittal: See, even ramp-up of revenue will happen in '24 also. As I told you, in the second half, we can see a major effect of this. Yes, in '25, you'll see a full year ramp up. In this year, you will see probably half the year ramp-up, but next '25, we will see a full year.

Nikhil Abhyankar: Sir, last question, if I may chip in. So, we had guided for a margin of around double digits. And we are already at almost around 12%. So, is there any chances of improving further?

Rajiv Mittal: That's the reason every day we come to work to see that we can improve the margin.

Moderator: The next question is from the line of Shanti Patel from Shanti Patel Investment Advisors. Please go ahead.

Shanti Patel: Sir, I wanted to know what will be the return on equity as on 31 March 2024? And what will be the return on capital employed as on that day?

Rajiv Mittal: Very tough question.

Shanti Patel: For you, it is simple.

Rajiv Mittal: Yes. If it is simple, then I would be astrologer. See, as I told you, we have been working in that range of 18% to 20%. So, I think we will continue to work in that range of return on capital employed and this is what we will endeavor and make sure we give this kind of return at least for FY '24. And after we have given that, we can definitely try to further improve in FY '25.

Shanti Patel: Sir, I was asking about return on equity capital too.

Rajiv Mittal: I'm sure you can calculate that. Maybe 15%, 16%.

Moderator: The next question is from the line of Rucheeta Sharat Kadge from iWealth. Please go ahead.

Rucheeta Kadge: So, my question was, sir, initially regarding the sale of subsidiary that you've done. So, is there a way like through the sale of subsidiary, there can be some more cost rationalization that can happen?

Rajiv Mittal: Yes. I think normally, say, when you do acquisitions, some rationalization happens. Say, of course, that subsidy cost will go down. In fact, we have to see what we will having the resources to support that subsidiary, how we will utilize them for something else within the group. So, that is what we are at the moment doing. So, rationalization at the moment, we have not taken a huge except their own cost immediately we have deconsoled.

Rucheeta Kadge: So, how much benefit can we see going ahead like in terms of expenses because of this?

Rajiv Mittal: I'll pass it over to my CFO.

Skandaprasad S: So, Rucheeta, about roughly EUR 5 million every year on fixed cost is what will come down at least.

Rucheeta Kadge: Yes. And what about this recovery, what would it seem like?

Rajiv Mittal: Again, you are very, very soft.

Rucheeta Kadge: Yes. Just this TSGENCO recovery that you all were expecting. What is update on that?

Rajiv Mittal: No update. Supreme Court has to finalize it. They have already appointed a sole arbitrator, as we informed you. There's no change in that status.

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

Sanjay Kohli: Mr. Mittal, sir, question was on the subsidiary, which is already answered that the procedure, still making plans. The carrying cost, doing the simple math calculation would be around Rs. 85 crores because you have got about Rs. 900 crores and about Rs. 14 crores is shown as the gain. And this is for both Switzerland and the Czech Republic, right, sir?

Skandaprasad S: This is a gain from Swiss sale because the gain from Czech sale was already recognized as of 31st March.

Sanjay Kohli: So, the carrying cost for the Swiss sale, the gain is not much. It's about 15%, which is included in this quarter's PAT?

Skandaprasad S: Correct. About Rs. 14 crores is the gain from sale that is recorded in this quarter.

Sanjay Kohli: And no further sales, no further divestments planned for the rest of the year?

Skandaprasad S: No. As of now, we do not have anything on the table.

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

Nikhil Abhyankar: So, of the current E&P book, what portion is guaranteed right now?

Rajiv Mittal: Maybe Rs. 700 crores, Rs. 800 crores.

Nikhil Abhyankar: Rs. 700 crores, Rs. 800 crores, okay. And sir, what kind of opportunities do you see in ZLD because I reckon the margins over there are better than what we are making right now?

Rajiv Mittal: Yes. As I said in my speech, we talk about manufactured water. When you talk about manufactured water, one leg of that is recycle and reuse. When you recycle water, naturally you're not discharging water. So, it's a subset of recycle and reuse. But ZLD is going a step further, it's not even discharging the rejects. Even trying to recover water from the rejects, so it's a zero discharge. That's where I think a lot of industries especially is looking at that to avoid the problem with the pollution control board of discharging water and then not meeting the standard and getting notices; and second, to improve the water reliability.

So, most of the industries will go for it. It's only a matter of time. But this is all about economics. Recovering water up to 80%, 85% is not as expensive as recovering the last 15%. So, naturally, they are going to do their economics and see what constraints they have and then take a decision. But definitely, in the last few years, we have seen big trend moving towards ZLD, which I believe in the coming years, it will move more and more in favour of ZLD.

Nikhil Abhyankar: And sir, which all segments, where is the demand currently coming from because mining, refining and even metals are seeing Capex uptake. So, are we getting any inquiries from there?

Rajiv Mittal: Yes. We have inquiries in some of the projects. As I said, we are a preferred bidder. You will hear this very soon. We are also seeing other than metals, which you talked about, we are also seeing a big, big traction in the oil and gas sector. So, yes, these are the main large industries, which can afford zero liquid discharge, and we will see a lot of this coming in the coming few years.

Moderator: The next question is from the line of Dhananjay Kumar Mishra from Sunidhi Securities. Please go ahead.

Dhananjay Mishra: Sir, just one question. Sir, are we doing any project in Barmer, Rajasthan in joint venture?

Rajiv Mittal: Yes, this is more or less complete.

Dhananjay Mishra: And what was the project, if you can explain that project?

Rajiv Mittal: It is a PHED project, which is supplying water to the villages. So, basically, we were doing water treatment, pumping and laying pipes to take it to various villages. I think that project is more or less complete. We are in the phase of handing over.

Dhananjay Mishra: There's no O&M in this project?

Rajiv Mittal: Sorry?

Dhananjay Mishra: There's O&M also in this project, O&M part?

Rajiv Mittal: Yes, there is a very small portion of O&M there because it's in the remote areas we don't normally take. But some of the critical items, O&M we will do.

Moderator: Ladies and gentlemen, we will take that as the last question. I now hand the conference over to the management for their closing comments.

Rajiv Mittal: Thank you, everyone, for your active participation in our Q1 FY '24 earnings call. We have uploaded the analyst presentation in our website. In case you have any further queries, you may get in touch with Stellar, IR Advisors, our investor relation adviser based in Mumbai or feel free to get in touch with us directly. Thank you once again.

Moderator: Thank you, members of the management team. Ladies and gentlemen, on behalf of VA Tech Wabag Limited, that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.