

sustainable solutions. for a better life.




Bringing water back to life

VA TECH WABAG LIMITED

Annual Report 2011-12





Forward-looking statement

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

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

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

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Our Vision

WABAG shall be a professionally managed Indian Multinational having Market Leadership in Emerging Markets and significant position in the Global Market both in the EPC and Service Sector of Water Business.

WABAG shall encourage and practice a culture of Caring, Trust and Continuous Learning while meeting Expectations of Employees, Stakeholders and Society. WABAG-ites shall be an Innovative, Entrepreneurial and Empowered Team committed to Total Customer Satisfaction and Value Creation.

Our Mission

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

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

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

Think Water. Think WABAG.

WABAG possesses superior technology competence to transform contaminated water into perfectly potable.

WABAG is more than just a water infrastructure company.

An Indian multinational.

- A pure-play water technology company
- Engaged in end-to-end solutions
- Specialist in complex and cost-competitive business model
- Owns more than 100 processes and product patents
- WABAG brand has been in existence since 1924
- Global presence through 18 subsidiaries across 17 countries
- Executed more than 2,250 projects in the last three decades



Lineage

- The Company has been in the water treatment business in India since 1996
- Managed by a widely experienced management team

Presence

- Presence in India, the Middle East, North Africa, Central and Eastern Europe, China and South East Asia
- R&D centres in India, Austria and Switzerland
- Present across Indian metropolitan cities through full-fledged offices in Pune, Delhi, Kolkata supported by multiple site offices.
- International engineering centres in Pune and Vadodara

Services

The Company undertakes turnkey contracts for design, engineering, procurement, construction, erection, commissioning and operation and maintenance of the following:

- Drinking water treatment
- Industrial waste water treatment
- Municipal waste water treatment
- Industrial and process water treatment
- Desalination (sea water and brackish water)
- Recycling (industrial and municipal waste water)

Our performance in 2011-12

Consolidated Financials

- Revenue increased 16.24% from Rs. 1,242 crore in 2010-11 to Rs. 1,443 crore
- EBIDTA increased 7.40% from Rs. 121 crore in 2010-11 to Rs. 130 crore
- Post-tax profit increased 40% from Rs. 52.57 crore in 2010-11 to Rs. 73.75 crore
- Cash increased from Rs. 324.48 crores in 2010-11 to Rs. 398.26 crores

Operational

- Order intake of Rs. 1,774 crores during the year
- Established subsidiaries in Philippines, Oman and Namibia

Closing Order Book (Rs in million)



Revenue (Rs in million)





PAT (Rs in million)



EPS (Rs)



Working Capital (Excluding Cash) (Rs in million)



CHAIRMAN'S MESSAGE



WABAG –
poised to
capitalize
on growing
opportunities
in the Water
sector!

Dear Shareholders,

I am pleased to present this report to you.

During the Financial Year 2011-12, the rationale of your Company's presence in the water sector was progressively validated. There are a number of realities unfolding the world over which indicate that water is going to be the 'sunrise' sector for a number of years, the only difference with the other sunrise sectors being largeness of scale that is already evident in the quantum of business on the one hand and the ticket size of orders on the others.

Global water scenario

Over the last three decades, changes in demand patterns have led to increasing water scarcity across the world primarily due to increase in population, rising urbanization resulting in shifting of consumption patterns and rapid industrial growth coupled with growing awareness on environmental protection. On the supply side, scarcity of freshwater and its unequal distribution has only exacerbated the situation.

If in the Seventies, the water scarcity was limited to a few countries in Europe, Africa and the Middle East and by the year 2000 it had spread to large and densely populated countries like India and China, the scarcity is expected to spread further with India and China continuing to be the largest countries facing stress.

Your Company is present in 12 of the 15 fastest growing water markets globally with market presence in the Middle East, North Africa, Central and

Eastern Europe, China and South East Asia. Your Company is strategically well positioned to cater to opportunities outside Europe in the emerging and developing countries and thereby tap the opportunities emanating from these emerging economies.

Indian water scenario

India constitutes 17% of World population and only 4% of the total water resources which is diminishing consistently. Increasing overexploitation of ground water over the past few decades have resulted in a strain on India's water resources. Partly attributed to the fast population growth, the situation is aggravated by traditional and inefficient agricultural practices and populist political practices leading to depletion in ground water resources. The Water Resources Group estimates that if the existing consumption pattern sustains, about half the country's water demand will be unmet by 2030. As a result, India is likely to emerge as one of the fastest growing markets for water management solutions. The major opportunities in India lie in waste water treatment and recycling segments.

Inflection point

India is possibly at an inflection point in the area of water management. The draft National Water Policy 2012 prioritizes economic usage of water by focusing on development of urban water supplies and sewage treatment schemes. The policy encourages recycle and reuse of water besides proposing to develop a mechanism for implementation of water tariff system

and incentivise reuse of water. Besides encouraging continuous research in water sector, the policy also encourages desalination in coastal States. These are welcome measures which will have a greater impact on the business of your Company. The High Powered Expert Committee Report recommendation on the new improved JNNURM is for a longer period of 20 years and covers pan India. Increase in Government allocation and focus on Operations & Maintenance expenditure under the new scheme augurs well for the future of your Company. With increased outlay for Rural Domestic Water Supply under the twelfth five year plan, the government is focusing on the water sector. Most of these developments have happened only recently and your Company is well positioned to take advantage of these opportunities.

The WABAG value proposition

As fresh water reserves are stretched by the day, one of the biggest global priorities is to invest in water management solutions that help us conserve more, treat more, recycle more and reuse more. These priorities require the intervention of technology-rich companies who can provide holistic solutions across declining tenures at competitive costs. Your Company possesses rich decades-old proprietary industry knowledge, around 100 patents and live research centers in Austria, Switzerland and India. With an execution track record of over 2250 projects in the last three decades led by a professional management team

with immense industry experience, it would be simplistic to state that your Company is uniquely placed and competently equipped to address this unprecedented opportunity.

Your Company also possesses demonstrated engineering talent in India. This combination of global competence and Indian costs represents a unique international competitive advantage in a world where an increasing number of customers are demanding a superior price-value. Your Company is among a handful of companies in the world to provide comprehensive water management solutions whether it be waste water treatment, water treatment or desalination, among others – in both the industrial and municipal sectors. The asset – light business model of your Company outsources cash-intensive civil construction and focuses on value-added high end technology solutions, contributing to a debt-free and cash surplus balance sheet.

Your Company, leveraging its experiences gained over a period of years is also continuously focusing on avoidance of execution risks through pricing its risks, better negotiations on contract conditions with public sector industrial clients, incorporating escalation clauses in the contracts etc thereby reducing the possibility of risks arising out of inflation / escalation of material cost and Liquidated Damages.

During the year under review, your Company demonstrated its strength in project execution not only in the Municipal sector but also the Industrial sector. This is evident from the fact that

more than 40% of your Company's revenue for the year was attributable to the Industrial Sector. The Company realizes that there exists significant opportunities in waste water treatment and recycling from oil & gas sector, steel & power and fertilizers, who are among the top producers of waste water in the country and is poised to capitalize on these opportunities.

Track record

Your Company has demonstrated an attractive track record in the delivery of water management projects on the one hand and strengthening financials on the other. Given the various competitive advantages that your Company enjoys as indicated above, your Company is uniquely placed to enhance value for its stakeholders over the foreseeable future. I am optimistic that in a world that is increasingly water-stressed, the complement of your Company's competitive advantages will strengthen its brand, generate a growing order book and lead to timely implementation that enhances value for all those who provide business to us, are employed by us and invest in us.

On behalf of the entire Company, I want to thank each of you for your support and commitment to the Company. I look forward to your continued support as your Company embarks on the next phase of its growth journey.

Regards,



B D Narang
Chairman

WABAG on predictable and sustainable growth path

Dear Shareholders,

I am happy to present the performance results of the WABAG Group as well as the Company for the year ended March 31, 2012.

Financial performance

For the WABAG Group, the Order Book stood at Rs 3,731 crores as at 31-3-2012 as against Rs 3,402 crores as at 31-3-2011 recording a growth of 10%. The sales stood at Rs 1,443.5 crores as at 31-3-2012 as against Rs 1,241.8 crores as at 31-3-2011 recording a growth of 16%. The EBITDA and PAT for the Group were Rs 130 crores and Rs 73.7 crores respectively as at 31-3-2012 as against Rs 121 crores and Rs 52.6 crores as at 31-3-2011.

For the Company, the Order Book stood at Rs 2,470 crores as at 31-3-2012 as against Rs 2,424 crores as at 31-3-2011. The sales stood at Rs 1,003.5 crores as at 31-3-2012 as against Rs 733.5 crores as at 31-3-2011 recording a growth of 37%. The EBITDA and PAT for the Company were Rs 115.4 crores and Rs 75.1 crores respectively as at 31-3-2012 as against Rs 89.3 crores and Rs 55.3 crores as at 31-3-2011.

Global market

The global business environment proved unusually challenging on account of a combination of various unpredictable factors - Arab Spring, global economic slow down, Euro Zone uncertainty, liquidity crisis, Indian reforms slow down, credit squeeze, higher interest rates and inflation. This decelerated a number of ongoing municipal projects on the one hand and caused a delay in financial closures on the other.

Domestic market

The domestic market in India offers high growth potential for water and waste water business. The new improved JNNURM focuses on urban infrastructure development over the next 20 year period. The Central Government allocation has been recommended to increase from 0.1% to 0.25% of GDP. The National Water Policy 2012 encourages Recycle and Reuse of water besides PPP model for water projects and the development of mechanism for implementation of water tariff