ANNUAL REPORT 2010 - 2011

VA TECH WABAG LTD.

sustainable solutions. for a better life.

Key financials

In INR Crores

Description	Key Figures 2010–2011		Key Figures 2009–2010		Variation (%)	
	WABAG India	WABAG Group	WABAG India	WABAG Group	WABAG India	WABAG Group
Sales	732	1,233	701	1,224	4,5%	1%
Closing Order Backlog	2,465	3,402	1,878	2,833	31%	20%
EBIDTA	89	121	86	117	4%	3%

In EUR Mio*

Description	Key Figures 2010–2011		Key Figures 2009–2010		Variation (%)	
	WABAG India	WABAG Group	WABAG India	WABAG Group	WABAG India	WABAG Group
Sales	121	204	116	202	4,5%	1%
Closing Order Backlog	407	562	310	468	31%	20%
EBIDTA	15	20	14	19	4%	3%

** Converted at Average rate during the Fiscal year, April 2010 - March 2011: 1 EUR = INR 60.51*

Technology and economy must develop hand in hand with the environment.

This is the most important challenge facing our generation and continually produces new assignments.

For us, this holistic view involves questioning traditional solutions and developing new perspectives.

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

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

Contents

Corporate Information

Board of Directors

B.D. Narang, **Chairman**
Rajiv Mittal, **Managing Director**
Sumit Chandwani
Jaithirth Rao
Guenter Heisler

Chief Financial Officer

S. Varadarajan

Company Secretary

S. Ramasundaram

Registered & Corporate Office

11, Murray's Gate Road,
Alwarpet, Chennai – 600 018

Bankers

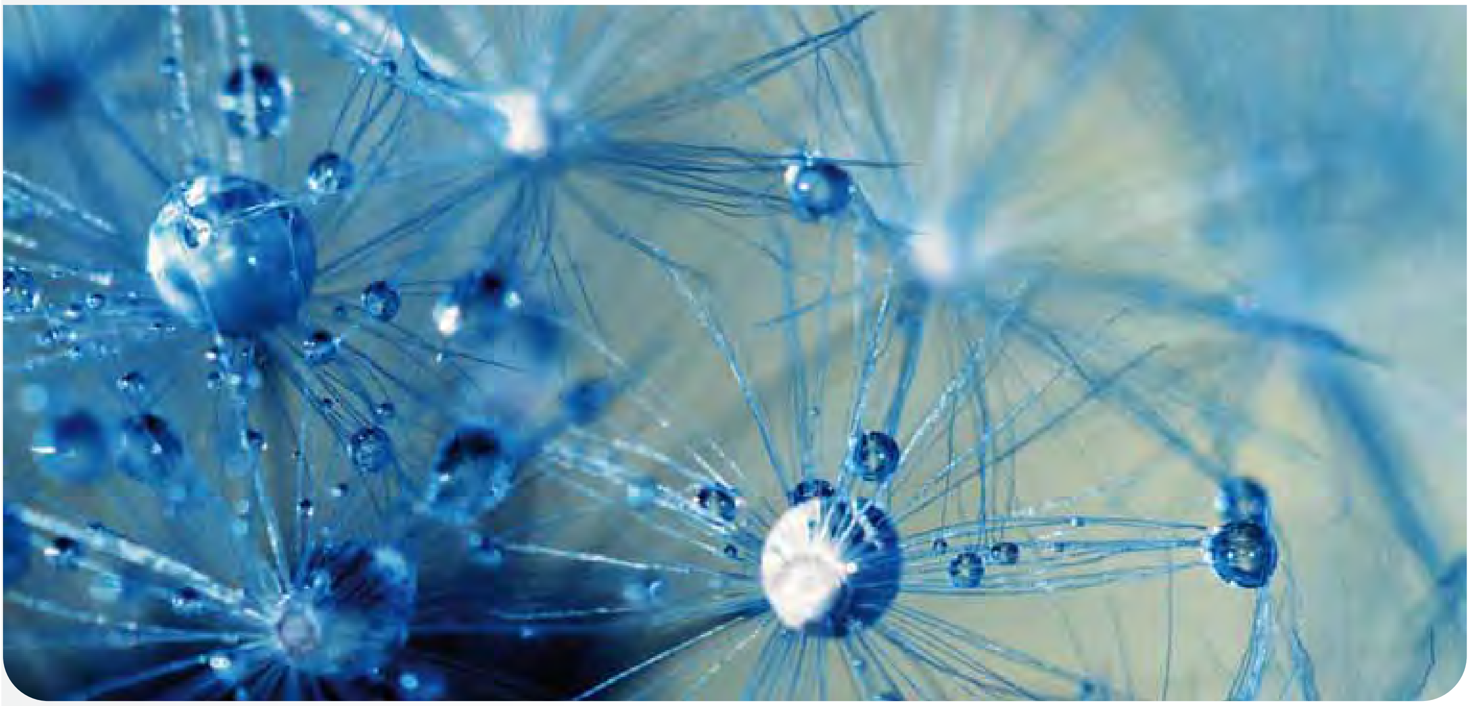
State Bank of India
ICICI Bank Limited
Yes Bank Limited
HDFC Bank Limited
IDBI Bank Limited
Punjab National Bank
Societe Generale Bank
Bank of India
Indian Bank

Statutory Auditors

Walker, Chandiok & Co.,
Chartered Accountants

Registrar & Transfer Agents

Karvy Computershare Private Limited



Chairman's Message

Dear Shareholder,

It gives me great pleasure to present you with the first Annual Report of VA TECH WABAG Limited after its successful Initial Public Offer (IPO). Since this is my first letter to you, let me highlight some key facts about your company.

VA TECH WABAG Limited is a leading Indian Multinational in the water treatment industry with market presence spanning across three Continents. The Company offers complete life cycle solutions for sewage treatment, process and drinking water treatment, effluent treatment, sludge treatment, desalination and reuse for Industries and Municipal Corporations. Your company has a project reference list of more than 6000 projects over the last eight decades, market leadership in emerging markets and significant position in the global market. It is pertinent to note that WABAG owns more than 150 patents and about 50 patents applications are pending for approval. Being a technology focussed company the Company has established R&D centres in Chennai-India, Vienna-Austria and Winterthur-Switzerland. The company has also entered into a research collaboration programme in India with the Centre for Environmental Studies, Anna University.

The Water industry will witness significant growth in the foreseeable future. Your company is focused on taping this huge potential and is poised for impressive growth given the strong order backlog coupled with strategic initiatives such as partnering with Sumitomo Corporation, Japan and Zawawi Group, Oman. The landmark project - Nemmeli Desalination and other projects are at various stages of execution, the details of which are discussed in detail elsewhere in the Annual Report.

During the year under review, the company forayed into two new Asian markets, Philippines and Sri Lanka. The company bagged a prestigious order from the National Water Supply and Drainage Board for the Greater Dambulla water supply scheme in Sri Lanka. This project is valued at approx Rs. 360 Crores. In Maynilad, Philippines, the company secured two sewage treatment plant projects valued approx. at Rs. 45 Crores. With the above entry into two new markets, your Company now has presence in 24 countries.

During the year, your Company successfully completed an IPO of 36.08 lakhs equity shares, which was oversubscribed by more than 30 times. The shares were listed on the NSE and the BSE on 13th October, 2010.

For the year ended 31st March, 2011, Your Company achieved a consolidated turnover of Rs. 1233 Crores EBITDA margins stood at 9.7% as against 9.5% of last year and PAT margins grew marginally from 3.6% to 4.2% in the current year. The PAT achieved for the current year at Rs. 53 Crores witnessed 17% growth over last years PAT of Rs. 45 Crores. The basic EPS at Rs. 53.07 per share grew 11% over last years EPS of Rs. 47.84 per share. The diluted EPS at Rs. 52.96 per share grew 13% over last years EPS of Rs. 47.04 per share.

I am happy to report that during the year, your Company has been the recipient of Global Water Award from Global Water Intelligence under the category Water Deal of the Year. Your Company was also adjudged as the "Best Water Company" by Frost & Sullivan for the year 2010 and "Best Exit Company" of the year 2010-11 by Asian Venture Capital, Hong Kong.

The business outlook for the company going forward is encouraging on account of factors such as:

- Strategic initiatives taken last year to improve business prospects;
- Increased emphasis on high margin O&M segment;
- Special accent on BOOT business which would further drive the business volume and ensure steady income;
- Presence in new Geographies.

My thanks to your Company's employees for their dedication and hard work. Let me also take this opportunity to thank our partners and customers for their continued support. Last, but not the least, please allow me to express my appreciation and gratitude to you for your faith in the Company. I am confident that your Company is set to move to a higher growth trajectory which should deliver even better results in the future.

With regards,

B.D. Narang
Chairman

CEO's letter

"Despite odds in some of the emerging markets, the company is in a sound position to capitalise from its presence in multiple countries."

"The Company would also continue its efforts in getting into new partnerships and collaboration as one of its key strategies for growth."

Dear Shareholder,

I am happy to present the performance results of the WABAG Group as well as the Company for the year ended 31.3.2011.

For the Group, the order book stood at Rs. 3,402 Crores as at 31.3.2011 as against Rs. 2,833 Crores as at 31.3.2010 recording a growth of 20% and the sales stood at Rs. 1,233 Crores as at 31.3.2011 as against Rs. 1,224 Crores as at 31.3.2010 recording a growth of 1%. The EBITDA and PAT for the Group were Rs. 121 Crores and Rs. 53 Crores as at 31.3.2011 as against Rs. 117 Crores and Rs. 45 Crores as at 31.3.2010.

For the Company, the order book stood at Rs. 2,465 Crores as at 31.3.2011 as against Rs. 1,878 Crores as at 31.3.2010 recording a growth of 31% and the sales stood at Rs. 732 Crores as at 31.3.2011 as against Rs. 701 Crores as at 31.3.2010 recording a growth of 4.5%. The EBITDA and PAT for the Company were Rs. 89 Crores and Rs. 55 Crores and as at 31.3.2011 as against Rs. 86 Crores and Rs. 41 Crores as at 31.3.2010.

The global water market continues to grow in view of the water scarcity. Rapid urbanisation and industrial growth will further result in looking for alternative source of water. The Indian water market is expected to grow at 20-25% annually. XII Plan envisages around US$ 1 trillion investment in infrastructure with half of it, i.e. US$ 500 billion coming from the private sector. The Indian Union Budget FY12 sets apart INR 2140 billion (Rs. 2,14,000 Crores) for Infrastructure representing 23.3% increase over 2010-11 and 48.5% of total plan outlay. Out of this, it is estimated that the annual business potential of the water sector in India would be at US$ 30 billion. According to ENAM Research Report, the global water market is estimated to be >US$400 billion.

Despite odds in some of the emerging markets, the company is in a sound position to capitalise from its presence in multiple countries and started shifting focus to the markets such as Saudi, Turkey, China, Philippines, Sri Lanka and Maldives. Further, the strategic initiatives like tie-up with Sumitomo Corporation, Japan and Zawawi Group in Oman would pay off in the years to come. As part of corporate strategy, the company has already short listed a few overseas companies for possible acquisition which will result in technology addition or new markets. The Company would also continue its efforts in getting into new partnerships and collaboration as one of its key strategies for growth.

Further, the Company has set up three subsidiaries at Egypt, Turkey and Philippines to demonstrate its commitment to high growth markets. The Company has been adopting the decentralised approach and Multi-Domestic Unit (MDU) concept keeping in view close proximity to the customers.

The local presence coupled with faster decision making process would spell success.

The Company also made a foray into BOOT for two water treatment plants in Maharashtra - one for Ulhas Nagar Municipal Corporation in consortium with Konark Infrastructure and another for Aurangabad Municipal Corporation in consortium with SPML Infra.

On project execution, Chennai Desalination project is making steady progress and the project would be executed as per plan. There is close monitoring and control on cost and margins significantly improved during the year. The Company organised Investors' Meet during February 2011 which was followed by site visit. The participants expressed satisfaction over the project progress.

Similarly, the construction of our Corporate Office - WABAG House - is in full swing and we hope to move into the new premises during the next year. All our strategic business units which are now operating in different buildings, would start functioning under one roof.

Other major projects for IOCL Paradip and APGENCO are at various stages of execution and making steady progress. All Delhi Jal Board projects are back on track by end of year and major receivables are collected.

The WABAG Austria Group finalised important projects during the past financial year, as evidenced by provisional/final acceptances and handovers to clients. Examples include the turnkey drinking water plants in Brcko, Bosnia Herzgovina and in Koudiat Medaour, Algeria, as well as the Al Wasia brackish water desalination plant in Saudi Arabia. In the field of wastewater treatment, the El Eulma and Beni Messous plants in Algeria have been completed, along with Sousse Nord in Tunisa, Kashi in China and Maur, Limmattal and Chur in Switzerland.

Two large-scale WWTPs in Iran made major progress and the commissioning of the Tehran South WWTP with four wastewater and sludge treatment lines is the largest plant of its kind in the country. The plant designed for 2.1 million p.e. will go into full operation very soon.

We have successfully completed reliability run of Duqm Sea Water Desalination plant in Oman and we have handed over the plant to the customer.

The year under review witnessed a major crisis political situation in view of the uprising in many MENA countries. WABAG has been existing as a local company in many of these countries. While projects in Tunisia, Algeria and Oman were back to normal, progress was stalled in all four projects under execution in Libya. The Group has 9% of its order backlog from Libya. Our subsidiary has a valid L/C and a credit insurance coverage from OKB for the Libyan projects. The Group had conservatively not taken a large project into order book awaiting L/C, though it has a registered contract. The Group resources are diverted to other geographies in the meantime.

One of our goals of business excellence has been de-risking our business on a continuous basis. For instance, our market presence in multiple countries and multiple states within India minimises the risk of concentration. Further, mainly we choose projects in India which are funded through multi lateral agencies or Central Government and overseas projects are undertaken only on receipt of L/C and down payment which mitigates financial risk.

It is significant to note that 13th October, 2010 is an important day in the history of the company, in that, the company was listed on the Indian bourses.

In short, I look back with satisfaction on the year that has gone by and I look forward to the year ahead with confidence. On behalf of the management team of WABAG, I thank you for the trust you have reposed in us and I am confident of outperforming your expectations.

With warm regards,

Rajiv Mittal
CEO

Our Business

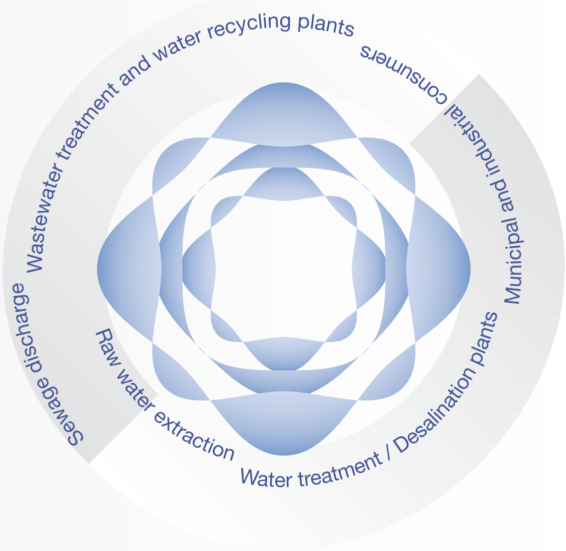
WABAG is a provider of complete solutions - throughout the water treatment cycle.

Water – the most vital natural resource for the mankind in the world is becoming more scarce day by day under the huge population pressure and ruthless exploitation. Today, about one billion inhabitants in the world are threatened by non-availability of safe and clean drinking water and 2.5 billion live without proper sanitation facility. Severe scarcity of water looms large on as many as thirsty countries and ten more countries are expected to join their list by 2025.

While shortage of water availability is a problem, increasing pollution of existing water resources, unchecked withdrawal of ground water, rapid urbanisation and industrialisation are putting huge pressure on this scarce resource.

Therefore, all over the world, a substantial and steadily increasing emphasis is being placed on water purification and sewage treatment, as well as technologies for the reuse and recycling of water. The development of innovative technologies to secure water supplies and environment-friendly sewage disposal represents one of the major challenges of the future.

VA TECH WABAG has been operating in this field of expertise for almost nine decades. And with its innovative technologies and a comprehensive range of services for the public and private sector is making a major contribution to reliable water and wastewater treatment on behalf of mankind and the environment.



Pure-play, water focused company

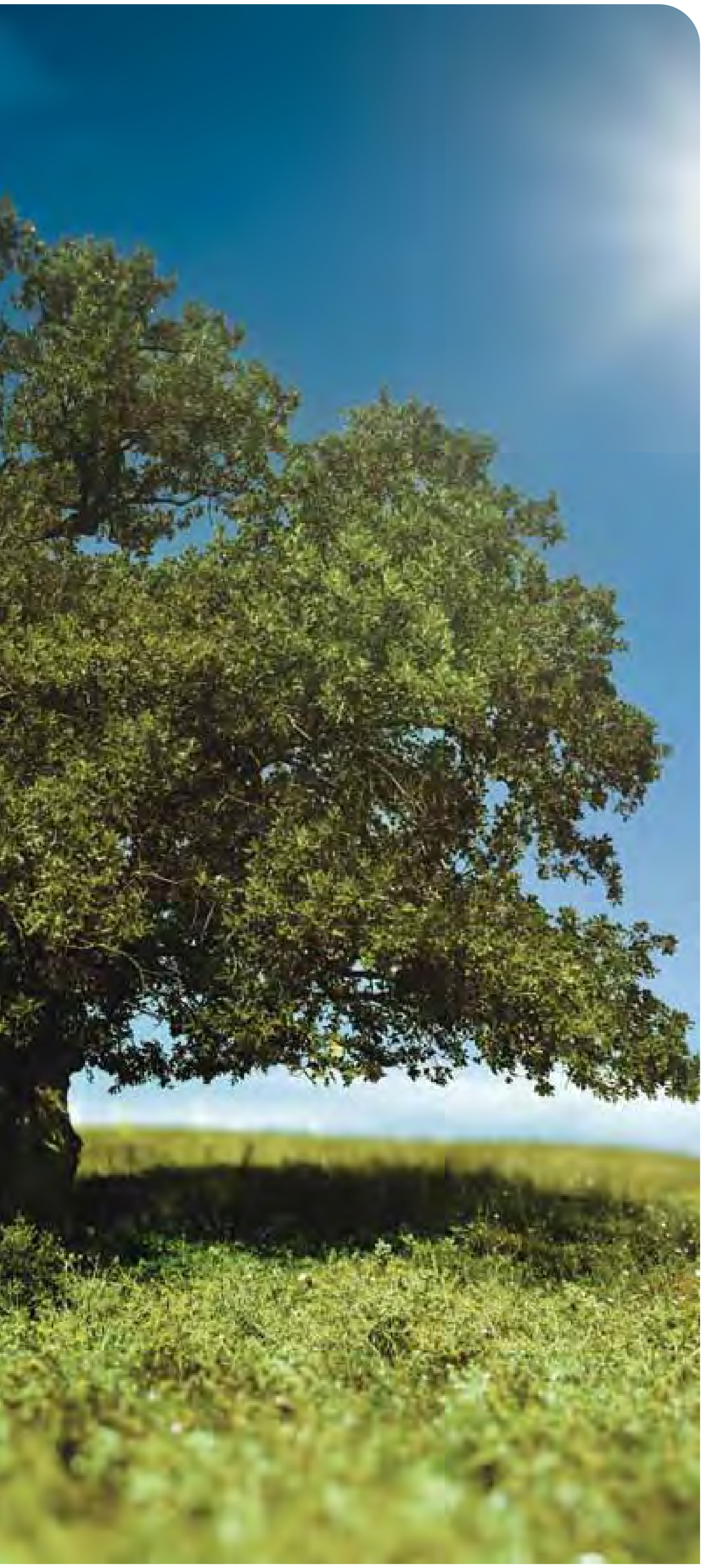
As a pure-play, water focused company we offer sustainable solutions for:

- Drinking water treatment
- Industrial water treatment
- Sea and brackish water desalination
- Municipal wastewater treatment
- Industrial wastewater treatment
- Water reuse systems
- Sludge treatment

and cater primarily for large municipal and industrial clients.

Two cycles, one provider

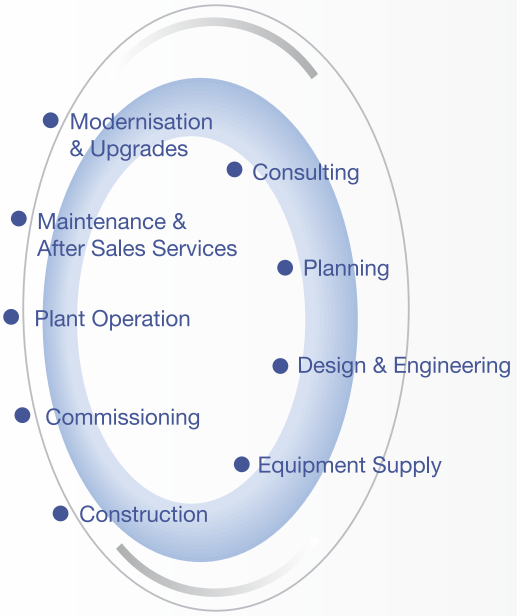
WABAG is a total water solutions provider for the entire plant life cycle.



Our portfolio of products and services covers the entire range from consulting, financing, design and engineering, equipment supply, construction and commissioning to long-term plant operation and after-sales services.

Services extend from system component supply to turnkey order realisation and include schemes such as EPC (Engineering-Procurement-Construction), DBO (Design-Build-Operate) and BOT/BOOT (Build-Own-Operate-Transfer), as well as plant modernisation, extension and upgrading of existing plants.

We provide support as a partner throughout the entire plant life cycle and operate on a one-stop-shop basis, supplying everything from a single source.



Directors' Report

Dear Shareholders,

Your Directors are pleased to present their Sixteenth Report together with the audited accounts of your Company for the year ended 31st March, 2011.

Financial Highlights (Rs. in thousands)

Description	2010-11	2009-10
Gross Turnover	7,321,734	7,009,679
Profit before Interest & Depn. (EBITDA)	896,717	860,420
Profit Before Taxation	837,908	680,406
Provision for Tax	285,322	270,611
Profit After Taxation	552,586	409,795
Proposed Dividend	(123,183)	—
Transfer to General Reserve	(55,259)	—
Profit / (Loss) brought forward	1,052,902	643,107
Retained Profit carried forward to the following year	1,427,046	1,052,902

Dividend

Your Directors are pleased to recommend a dividend of Rs. 10/- per Equity Share (200%) of the face value of Rs. 5/- each for the financial year 2010-11. The dividend, if approved at the ensuing Annual General Meeting, will be paid to Shareholders whose names appear on the register of members of the Company as on 1st July, 2011. The equity dividend outgo for the financial year 2010-11, inclusive of tax on distributed profits would absorb a sum of Rs. 12.32 Crores.

Operations and Business Performance

Your Company has achieved a Gross turnover of Rs. 732.17 Crores in the year 2010-11 as against Rs. 700.97 Crores for the previous financial year registering an incremental increase of Rs. 31.20 Crores, thereby recording a growth rate of 4.5% over previous year. All the SBUs (Strategic Business Unit) except IBG (International Business Group) recorded good growth against last year in terms of turnover. MBG (Municipal Business Group) registered 14% growth, IWG (Industrial Water Group) registered 44% growth and OBG (Operations Business Group) registered 21% growth against last year. IBG's turnover growth was mainly affected due to delay in Order booking on the Dambula project which however has been received and taken to order book as of 31st March, 2011. Your company carries an order backlog of Rs. 2,465 Crores to execute in the following financial years.

Your company has achieved Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) of Rs. 89.67 Crores for 2010-11 against Rs. 86.04 Crores for the previous financial year registering a growth of 4.2% and Profit After Tax (PAT) of Rs. 55.26 Crores as against 40.98 Crores registering a growth of 35%. The significant growth in PAT was achieved on account of lower interest costs due to better negotiations and control, higher interest income due to judicial investment strategy and lower depreciation. The board has recommended a 200% dividend which is Rs. 10/- per equity share of the face value of Rs. 5 each.

Your Company has a "Asset Light" model. During the year, the company has ventured into Built Own Operate Transfer (BOOT) space through partnerships. The Company's Management is of the view that increased focus on O&M (Operations & Maintenance) service business and support from low cost economies coupled with Multi Domestic Units formation, would show significant improvements in the results of the Company. Alliance with Sumitomo, Japan and Zawawi Group, Oman would pay rich dividends in the years to come. The company will utilize cash for strategic acquisition/inorganic growth model to make inroads into various business segments and across different geographies.

Awards & Recognitions

The Company received the prestigious GWI Global Water Award for the year 2010 recognizing our contribution made in the international water arena. The coveted award was presented by Mr. Kofi Annan, former Secretary General of the United Nations in Berlin on 18th April at the Global Water Summit 2011.

Your Company was adjudged as the Best Exit Company for Private Equity of the year 2010 in an online survey conducted by the Asian Venture Capital Journal, Hong Kong. The Company was also adjudged as the Best Water Company for the year 2010 under Water and Waste Water Segment by Frost & Sullivan.

Sustainability

The ISO 14001:2004 & OHSAS 18001:2007 certification to your Company demonstrates our commitment to the society at large, by excelling in our environmental performance and protecting the safety and well being of our employees. This is carried out by promoting healthier and safer working practices besides focusing on the sustainability. It is pertinent to note that 380 WABAGites were trained on HSE awareness, systems & procedures, risk assessment methodology, operational control procedures and emergency preparedness.

Initial Public Offer

To further augment the capital base for future growth plans, your Company made an Initial Public Offering of 36,07,581 equity shares of the face value of Rs. 5 each during the year. This Issue, which constitutes approximately 34.37% of the fully diluted post issue paid up share capital of your Company, comprised a fresh issue of 9,54,198 equity shares of Rs. 5 each and an offer for sale of 26,53,383 shares.

The Issue which was priced at Rs. 1,310 per share, received an overwhelming response and was oversubscribed by over 30 times. The shares were listed on National Stock Exchange of India Limited and Bombay Stock Exchange Limited on 13th October, 2010. The listing of shares has enhanced your Company's brand name and visibility in the marketplace.

Sub Division of Shares

In order to improve the liquidity of your company's equity shares in the stock markets and to make it more affordable for the small retail investors, your Directors at their meeting held on 26th May, 2011, have recommended sub-division (stock-split) of each equity share of the company from the present face value of Rs. 5/- into face value of Rs. 2/- each subject to the approval of the shareholders.

Corporate Governance Report

Your Company has always been devoted to adopting and adhering to the best Corporate Governance practices recognized globally. The Company understands and respects its fiduciary role and responsibility towards stakeholders and the society at large and strives hard to serve their interests, resulting in creation of value and wealth for all stakeholders.

A report on Corporate Governance along with a certificate from the statutory auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the listing agreement forms part of the Annual Report.

Management Discussion and Analysis Report

A detailed analysis of the Company's operational and financial performance, Domestic and International Projects undertaken, various initiatives taken by the Company in key functional areas such as Human Resources and Information Technology is separately discussed in the Management Discussion and Analysis Report, which forms part of this Annual Report. This report also discusses in detail, initiatives taken by the Company in the area of Research and Development.

Stock Options

In order to attract, retain, reward and motivate the employees to contribute and participate in the growth and profitability of the Company, your Company has formulated two stock option schemes viz., the ESOP Scheme 2006 and the ESOP Scheme 2010. The schemes are administered and implemented in accordance with the directions of the Remuneration Committee of the Board. Under the ESOP Scheme 2006, no options were granted during the year; 252,976 options were exercised by the employees post vesting. Under ESOP Scheme 2010 - 436,929 options were granted on 20th August, 2010 to the eligible employees and no options were exercisable, during the year.

Details required to be provided under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are attached hereto as Annexure I and forms part of this Report.

Directors

In terms of Article 108 and 110 of the Company, Mr. Bhagwan Dass Narang and Mr. Jaithirth Rao will retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment in terms of the provisions of Article 109 of the Articles of Association of the Company.

Mr. Sumit Chandwani, Nominee Director of ICICI Venture Funds Management Company Ltd. resigned as a Nominee Director on 31st May, 2011. The Board of Directors on the same day appointed Mr. Sumit Chandwani as an Additional Director on the Board with effect from 1st June, 2011. Mr. Sumit Chandwani holds office up to the date of the ensuing Annual General Meeting.

As stipulated in terms of Clause 49 of the listing agreement with the stock exchanges, brief resumes of Mr. Bhagwan Dass Narang, Mr. Jaithirth Rao and Mr. Sumit Chandwani are provided in the report on Corporate Governance, which forms part of this Annual Report. Your Directors recommend their appointment/re-appointment at the ensuing Annual General Meeting.

Director's Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, your Directors, based on the representations received from the Operating Management, and after due enquiry, confirm that

i) in the preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;
ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2011 and of the profit of the Company for the year ended on that date;
iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities:
iv) the Annual Accounts have been prepared on a going concern basis.

Subsidiaries

As on 31st March, 2011, your Company had fifteen subsidiary companies:

i) VA TECH WABAG (Singapore) Pte Ltd
ii) VA TECH WABAG (Gulf) Contracting LLC, Dubai
iii) Beijing VA TECH WABAG Water Treatment Technology Co. Ltd.
iv) Engenharia Hidraulica de Macau, Limitada, Macao
v) VA TECH WABAG Algeria S.A.R.L., Algeria
vi) VA TECH WABAG Brno spol. s.r.o., Czech Republic
vii) VA TECH WABAG Deutschland GmbH, Germany
viii) VA TECH WABAG GmbH, Austria
ix) VA TECH WABAG (Hong Kong) Limited
x) VA TECH WABAG Tunisia S.A.R.L, Tunisia
xi) WABAG Wassertechnik AG, Switzerland
xii) WABAG Water Services (Macao) Limited, Macao
xiii) WABAG Water Services SRL, Romania
xiv) VA TECH WABAG Tecknolojisi Ve Ticaret Limited, Turkey
xv) VA TECH WABAG Egypt Limited, Egypt

More details on the operations of the company's overseas subsidiaries are provided in the Management Discussion and Analysis Report.

As required under the provisions of Section 212 of the Companies Act, 1956, the statement containing details of Company's subsidiaries is attached and forms part of this Annual Report.

In terms of general exemption provided by the Central Government vide General Circular No.2/2011 dated 8th February, 2011, read together with General Circular No.3/2011 dated 21th February, 2011, issued by the Ministry of Corporate Affairs, copies of Balance Sheet, Profit and Loss Account, Directors' Report and Auditors' Report of the subsidiary companies have not been attached with the Balance Sheet of the Company. The Board of Directors at their meeting held on 26th May, 2011 has consented for not attaching the balance sheet of the subsidiaries to the Annual Accounts of the Company. The Company's accounts are presented in compliance with the conditions set out in the said circular. The documents pertaining to the Company's subsidiaries shall be provided on request to any member, desiring to have a copy, on receipt of request by the Company Secretary, at the Registered Office of the Company.

Auditors

M/s. Walker, Chandiok & Co, Chartered Accountants, retire as Statutory Auditors of the Company and has given their consent for re-appointment. The shareholders will be required to elect Auditors for the current year and fix their remuneration. As required under the provisions of Section 224(1B) of the Companies Act, 1956, the Company has obtained a written certificate from the above Auditors proposed to be re-appointed to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said section. The observations of the Auditors, together with the Notes to Accounts referred to in the Auditor's Report, are self-explanatory and do not call for any further explanations from the Directors.

Public Deposits

Your Company has not accepted any deposits from the public or its employees during the year under review.

Loans and advances

Your company has not made any loans or advances to its subsidiaries, which is required to be disclosed in the annual accounts of the company pursuant to clause 32 of the listing agreement.

Internal Control System

The Company has a well placed, proper and adequate internal control system, which ensures that all assets are safeguarded and protected and that the transactions are authorised recorded and reported correctly. The Internal Auditors of the Company independently evaluate the adequacy of internal controls and concurrently audit the majority of the transactions in value terms. Independence of the audit and compliance is ensured by direct reporting of Internal Auditors to the Audit Committee of the Board.

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

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

Corporate Social Responsibility (CSR)

Your Company as a responsible organisation seeks to meaningfully contribute to the socio-economic well being and development of the communities and the ecosystem that it interacts with in carrying out its business. The CSR activities are presently carried out in the areas of education, health and environment at the Company's various project locations.

Particulars of Employees

The Company had 2 employees who were in receipt of remuneration of not less than Rs. 60,00,000 during the year ended 31st March, 2011 or not less than Rs. 5,00,000 per month during any part of the said year. However, as per the provisions of section 219(1)(b)(iv) of the Companies Act, 1956, the Directors' Report and Accounts are being sent to all the Shareholders of the Company excluding the Statement of particulars of employees. Any Shareholder interested in obtaining a copy of the Statement may write to the Company Secretary at the Registered Office of the Company.

Acknowledgements

Your Directors take this opportunity to thank the Company's customers, shareholders, suppliers, bankers, financial institutions and the Central and State Governments for their unstinted support. The Directors would also like to place on record their appreciation to employees at all levels for their hard work, dedication and commitment.

For and on behalf of the Board

Place: Chennai	**Rajiv Mittal**	**Sumit Chandwani**
Date: 31st May, 2011	Managing Director	Director

Annexure I to the Directors' Report for the year ended 31st March, 2011

	Information to be disclosed under Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and forming part of the Directors Report for the year ended 31st March, 2011.		
		ESOP 2006	**ESOP 2010**
a	Number of options granted	398,021*	436,929
b	Pricing formula	Each option carries the right to the holder to apply for the equity shares of the company at Rs. 200. Pursuant to the split and bonus of Equity shares effected on September 19th, 2009, the exercise price was adjusted to Rs. 89.	Each option carries the right to the holder to apply for the equity shares of the company at Rs. 900.
c	Options vested (no. of shares)	3,78,525*	Nil
d	Options exercised (no. of shares)	3,33,931*	
e	Total number of shares arising as a result of exercise of options (no. of shares)	3,33,931*	
f	Options lapsed (no. of shares)	23,277*	22,332
g	Variation of terms of options	The options granted and vested and the exercise price have been adjusted for the split in the face value of the equity shares from Rs. 10 per share to Rs. 5 per share and for issue of bonus shares	None
h	Money realised by exercise of options (Amount in Rs.)	Rs. 297,10,864	Nil
i	Total number of options in force (no. of shares)	40,813*	414,597
j	Employee details of options granted to		
	i) Senior Managerial Employee (includes key managerial personnel) (no. of shares)**	11700*	34700
	ii) Employee who received more than 5% of options granted during the year	None	None
	iii) employee who received options during any one year equal to excess of 1% of issued capital of the company at the time of grant	None	None
k	Diluted earnings per share pursuant to issuance of options under ESOP		
l	The company had been using intrinsic value method of accounting ESOP expenses as prescribed by SEBI (Employees Stock Option Scheme) Guidelines, 1999 to account for Stock Options issued under Employee Stock Option Plan 2006.		
		Rs. In Lacs	**Rs. In Lacs**
	Net Profit after Tax as reported in audited accounts	5,525.86	5,525.86
	Add: Stock Option Compensation expenses charged in above reported profit	60.55	Note 3
	Deduct: Stock Option Compensation Expenses determined under Fair Value Method (Black Scholes Model)	73.36	Note 3
	Net Profit after tax as adjusted	5,513.05	5,525.86
	Impact on profit (i.e profit would have been lower by)	-12.81	0
	Earning Per Share (in Rs.)		Nil
	As reported		
	Basic	55.78	Nil
	Diluted	55.66	Nil
	As adjusted		
	Basic	55.67	Nil
	Diluted	55.54	Nil
	Impact on EPS		
	Basic	0.11	
	Diluted	0.12	
m	**Weighted Average Fair Value per option**		
	- per intrinsic value method	217	Nil
	- per fair value method	157.54	Nil
n	The fair value of each option is estimated using the Black Scholes model after applying the following weighted average assumptions:		
	Risk free interest rate	7%	Nil
	Expected life	3 to 4.5 years	Nil
	Expected Volatility	70% to 130%	Nil
	Expected Dividend Yield	Nil	Nil
	Price of underlying shares in the market at the time of option grant / fair value	Rs. 417	Nil

Note 1: ***The options have been adjusted for split and bonus of the Equity shares effected on September 19th, 2009**

Note 2: ****Details of Options granted to Senior Employees**

Patrick Andrade	17200
Rahul Jaiswal	12000
K N Gokhale	5500

Out of 17200 Options granted to Mr. Patrick Andrade, 11700 were granted under ESOP 2006 Scheme.

Note 3: **Since the options have not been vested as on 31st March, 2011, the disclosure of Intrinsic value, Fair value and exercise price are not provided.**

For and on behalf of the Board

Place: Chennai
Date: 31st May, 2011

Rajiv Mittal
Managing Director

Sumit Chandwani
Director

Annexure II to the Directors' Report for the year ended 31st March, 2011

Particular as per the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2011.

A. Conservation of energy

a.	Energy Conservation measures taken:	**The company has successfully commissioned green energy waste water treatment plants and is operating and maintaining these plants at optimum efficiency.**
b.	Additional Investments and proposals, if any, are being implemented for reduction of consumption and energy:	**Nil**
c.	Impact of the measures taken/to be taken at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:	**About 60% of running cost of waste water treatment plants mentioned above is power and this is a significant power saving apart from gaining carbon credits to our customers.**
d.	Total energy consumption and energy consumption per unit of production as per Form-A of the Annexure to the Rules in respect of industries specified in the schedule:	**N.A.**

B. Technology absorption

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

C. Foreign exchange earnings and outgo

(e) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services; and export plans;	**The company continues to strive to improve its export earnings. Further details in respect of exports are set out elsewhere in the report**
(f) Total foreign exchange used and earned:	**For the year ended 31st March, 2011 (Rs. '000)**
Earning in Foreign Exchange:	**617,338**
Expenditure in Foreign Currency:	**362,374**

For and on behalf of the Board

Place: Chennai
Date: 31st May, 2011

Rajiv Mittal
Managing Director

Sumit Chandwani
Director

Management Discussion and Analysis

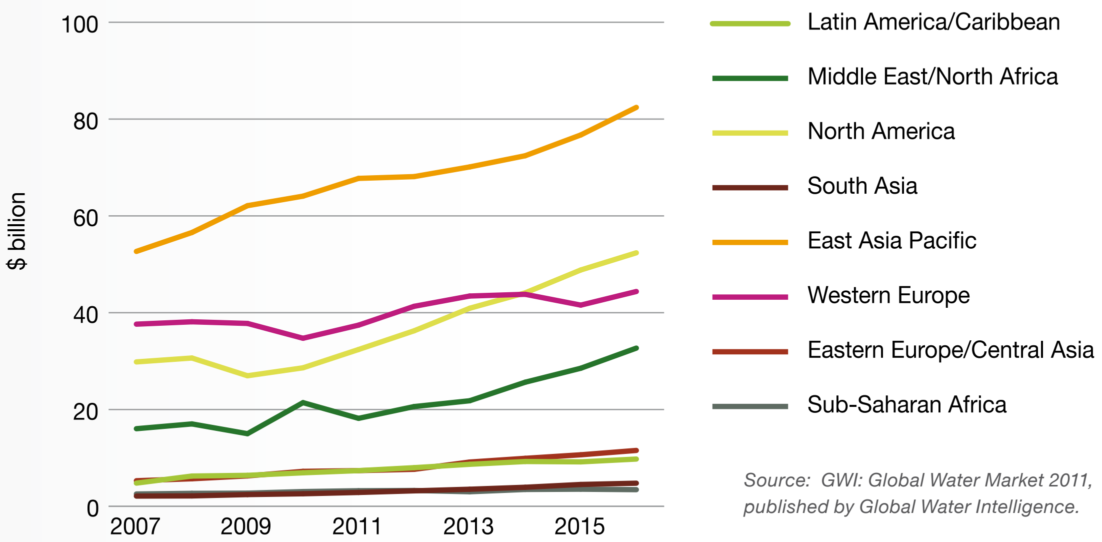
Overview

VA TECH WABAG Ltd. (WABAG) is a multinational player in the water treatment industry with market presence in India, the Middle East, North Africa, Central and Eastern Europe, China and South East Asia through our principal offices in India, Austria, Czech Republic, China, Switzerland, Algeria, Romania, Tunisia, UAE, Libya and Macao. The company is headquartered in Chennai and conducts our global operations through our subsidiaries and branch and representative offices. WABAG shares strategic and technical expertise across its subsidiaries that allows research, operational and marketing synergies.

WABAG offers complete life cycle solutions including conceptualization, design, engineering, procurement, supply, installation, construction and O&M services. WABAG provides a range of EPC and O&M solutions for sewage treatment, drinking and industrial process water treatment, effluents treatment, sludge treatment, desalination and reuse for institutional clients like municipal corporations and companies in the infrastructure sector such as power, steel and oil and gas companies.

Global Water Market Outlook

Water and waste water sector continues to be an attractive investment portfolio due to various factors - urbanisation, industrialisation and population explosion. The growth of water market in Asia Pacific region is driven by growing population densities. In Middle East, the driver is scarcity and the Chinese market will get a boost with massive Government spending. Sea water desalination will keep on attracting investments to augment the installed capacity from 66 million m^3/day to 120 million m^3/day by 2016. The main market for desalination will be Middle East nations, China and coastal India. The graph below charts the investment trend around the globe:



Source: GWI: Global Water Market 2011, published by Global Water Intelligence.

Sri Lanka and Philippines have been identified as two new high potential markets in the SEA region and WABAG has been focussing on this for quite sometime. WABAG Austria and WABAG India have stepped up their joint efforts in Turkey and Saudi Arabian markets where the outlook for new projects are very positive. WABAG China set up is strengthened with a number of strategic alliances to explore bigger opportunities in this growing market.

Management Assessment of Business Environment

WABAG is in a sound position to capitalize from its presence in multiple countries, despite odds faced in some of the emerging markets. The focus would be shifted to growing markets such as Saudi, Qatar, Turkey and China.

For the last one year, WABAG has been actively building relationships in SEA region and recently secured two projects in Philippines and well positioned to secure a few more contracts. WABAG has set up a wholly-owned subsidiary in Philippines to demonstrate its commitment to the high growth markets.

WABAG has been successful in securing its first order from Sri Lankan Government for a major project.

WABAG is steadily increasing its market presence in Oman. Also, WABAG is in the process of setting up a Joint Venture company in Oman for promoting the O&M business in this region. Furthermore, having been pre-qualified for some of the large projects in Syria, WABAG is making its presence felt by securing a maiden project in Syria.

Overview of Business Segments

The company has four Strategic Business Units (SBU) whose performance details are highlighted below.

Municipal Business Group (MBG)

The Municipal Business Group (MBG) provides water and sewage/waste water treatment solutions to Municipalities/ Government organisations. It also executes waste water projects for industrial clients. MBG is the largest SBU in the company. MBG also supports the Industrial Water solutions group by providing the front end package in industrial process water treatment plants.

MBG had a satisfying year both in terms of order intake as well as project execution. The Andhra Pradesh Power Generation Corporation (APGENCO) awarded the contract for the entire water management of the Balance of Plant (BoP) package for the two 660 MW power projects at Rayalaseema and Kakatiya.

The Company has also signed a contract with Indian Oil Corporation Limited (IOCL) for setting up an Effluent Treatment and Recycle Plant for Paradip Refinery. This is the largest waste water recycle project in India for a grassroot refinery. Repeat orders from IOCL go to show the customer confidence in our capability to handle large complex projects.

For the year 2011-12, the major source of revenue would accrue from APGENCO, IOCL and Chennai Metrowater projects.

The successful handing over of the high purity potable water supply plant to the Commonwealth Games Village, New Delhi is a high point. This water treatment plant built to stringent quality and housekeeping standards was delivered as per schedule and supported the athletes from the Commonwealth nations. The WTP projects under the auspices of Kerala Water Authority at Meenad and Pattuvam have been successfully commissioned.

Project Highlights

Wastewater treatment and recycling plant for the Paradip refinery

Order volume of some INR 2,500 million (approx. EUR 40 million)

On 21st October, 2010, a contract was signed with IOCL (Indian Oil Corporation Ltd.) for the completion of an extensive industrial water treatment plant for the new refinery in Paradip, which is located on the Gulf of Bengal in the Indian state of Orissa. IOCL is to invest around EUR 40 million in a resource-protective and highly modern wastewater plant with downstream processing stages by means of membrane technology (ultrafiltration and reverse osmosis), which will facilitate the reuse of the cleaned water for production purposes. The commissioning of the plant, which will have a capacity of 54,000 m^3/d, will commence in the spring of 2012.

In this turnkey project, WABAG is responsible for the design, engineering, purchasing and transport, construction, installation, start-up and test operation of the plant.

The prestigious membrane based sea water desalination project awarded by Chennai Metropolitan Water Supply and Sewerage Board is progressing well. Other major projects making satisfactory progress are the large sewage treatment plants, part of Yamuna River Clean up programme. This has given the company rich learning experience in revamping an old plant that is more than 25 years old and thus creating a reference for exploiting this segment of the market.

Industrial Water Business Group (IWG)

The growth for IWG would be mainly from two sectors, i.e. Power sector and from refinery/petrochemicals especially from the recycling and reuse market.

IWG has major projects in the power sector viz; Korba (1x500 MW), Krishnapatnam (2x800 MW), Adani (5x600 MW), Rayalseema (1x600 MW) and Kakatiya (1x600 MW). IWG has been in the forefront by successfully commissioning 20 MLD Industrial Sea Water Desalination Plant for Adani Power project (5x600 MW). IWG is also executing total water management project for the country's super critical 800 MW power plant implementing Sea Water Desalination, Demineralization and High Pressure Condensate Polishing. IWG has made a foray into steel sector by bagging an order from Essar Steel.

International Business Group (IBG)

IBG's first membrane based sea water desalination plant has been successfully commissioned at Duqm, Oman and it has also handed over the plant to the customer. IBG also successfully commissioned thermal desalination plant on the Indonesian island of Java for Suralaya project.

IBG is strengthening its presence in Oman with the award of contract of Majis Sea Water Desalination project and this marks the third project in this country. The revenue source for 2011-12 would be from Sri Lanka, Philippines and Oman and therefore IBG is strengthening its presence in these key markets.

IBG secured the prestigious order from National Water Supply and Drainage Board for Greater Dambulla Water Supply Scheme, Sri Lanka. Since this order intake was secured at the end of the year, no sales could be achieved out of this project.

Operation and Maintenance Business (OBG)

Operation and Maintenance business is a thrust area for WABAG and this is handled out of OBG. This SBU not only operates and maintains WABAG plants but also plants built by competitors. While Design Build Operate (DBO) type of contracts are the main source of order intake for OBG, the SBU has also made significant progress in securing standalone O&M contracts which grew by more than 100% during the year. During the year OBG started its operations in Oman in joint venture with local partner. OBG is also exploring the market in South East Asia.

During the year, OBG secured some prestigious projects like O&M of T3 Terminal at Indira Gandhi Airport at New Delhi. The Airport is the most sophisticated in India and ranks sixth in its category globally. OBG also made a foray into the O&M of automobile plants by securing the orders at the most modern plant of Renault Nissan near Chennai and two plants of Maruti Suzuki Limited at Gurgaon and Manesar. The sea water desalination plants at the Nuclear plant at Kalpakkam near Chennai are run and maintained by OBG. It also secured a prestigious order from Chennai Petroleum Corporation Ltd (CPCL) for operation and maintenance of water and waste water facilities of its large Oil Refinery.

Project Highlights

Nemmeli Desalination project

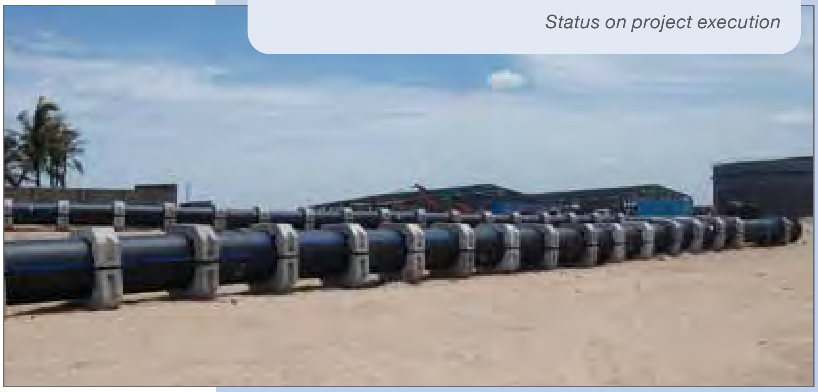
On receiving the prestigious contract for Sea Water Desalination (SWRO) Project, the project construction commenced on 23rd February, 2010.

The Project is progressing as per schedule in terms of engineering, civil works and equipment supply. There is close monitoring and control on cost which is well within the limit. The Project will be executed during early 2012.

When completed, this plant will cater to the needs of south Chennai comprising, IT corridor, Thiruvanmiyur, Pallipattu, Velachery, MRC Nagar, Akkarai and Kelambakham.

WABAG India is building 100 MLD sea water desalination plant based on Reverse Osmosis technology.

Status on project execution



Overseas Subsidiaries

WABAG's overseas subsidiaries in Austria, Switzerland, Germany, Czech Republic, Romania, Macao, Algeria, Tunisia, Egypt and Turkey serves mainly the markets of MENA (Middle East and North Africa) countries, Central and Eastern Europe, and Near East countries.

Over the years WABAG has built a strong presence in North Africa. During the year, political unrest in Tunisia and Egypt had minor impact and execution of existing projects were near normal. In Libya the political uncertainty is continuing and site activities in four of our on-going projects were suspended. In line with governmental directives WABAG withdrew its expatriate employees from Libya and once normalcy is restored, WABAG would resume its operations. New contract (signed and registered) amounting to approximately € 90 million is delayed coming into force. Company has adequate export credit insurance cover apart from valid L/C for the ongoing contracts.

During the year several prestigious projects were successfully completed such as Al Wasia 200 MLD reverse osmosis treatment facilities for brackish water in Saudi Arabia and the Brcko water treatment plant in Bosnia and Herzegovina.

An important step towards group integration was the introduction of a new ERP system, allowing precise project management and efficient reporting.

WABAG Turkey was established during the year with a core team of experienced water engineers. With its 77 million inhabitants, fast growing economy (+6% in 2010), and stable political climate Turkey is a key strategic market for WABAG and a cornerstone of the growth strategy. WABAG's past extraordinary performance in plants like Adana and Kayseri paves way for growth of Turkey local market.

WABAG Tunisia was awarded a contract for the modernisation of an existing wastewater treatment plant in Meknassy. The Sousse Nord project, a municipal wastewater treatment plant for the tourist destination Sousse, the third largest city in Tunisia, was finalised successfully. The market potential is significant. WABAG's largest customer, state owned water utility ONAS has an approved budget of around €400M for the period until 2014.

Project Highlights

Joint commissioning of a new Multi Effect Distillation plant in Indonesia

The Suralaya MED produces 6,000 m³/d of industrial water for a new 600 MW power plant.

In November 2010, an MED-TVC type, thermal seawater desalination plant was commissioned and put into operation on the Indonesian island of Java. The plant produces boiler feed water for a new 600 MW coal-fired power plant and a small part of its output is treated further, in order to provide the workforce of the industrial complex with drinking water. The capacity of the two MED plants (multi-effect distillation) adds up to 2 x 3,000 m³/d. WABAG's scope of delivery for the plant included the planning, design and engineering, plant supply and start-up.

With more than 100 employees WABAG Algeria is WABAG's largest operation (headcount) in the North Africa region. During the year WABAG successfully completed the operations contracts for the plants Batna, Reghaia, Baraki and El Eulma and handed over meticulously maintained plants with well trained operators to satisfied customers. In 2010 the Algerian government launched new directives for public tendering process. While adapting to the new rules WABAG's main public customers, ONA (wastewater) and ADE (drinking water) awards of new projects were delayed. However, more than forty projects are budgeted for the next three years providing great potential for WABAG to add to the twelve projects already successfully delivered in Algeria.

WABAG Switzerland continues to earn a lot of reputation in the field of advanced technology and is respected as expert for membrane technology for both drinking and wastewater treatment. The company secured another prestigious contract for a new membrane filtration drinking water plant on Lake Zurich. The company is acting as the general contractor for the entire treatment technology and is implementing a highly modern, multi-stage process. For the famous tourist destination Zermatt WABAG Switzerland will modernise and extend an existing wastewater treatment plant using Membrane Bioreactor Technology. 2010/11 was a highly successful year and WABAG Switzerland again marked its position as technology leader in Switzerland.

WABAG Czech Republic rebounded in 2010/11 with strong order bookings and positive result after having suffered during the financial crises of 2008/09. Through arranging of a soft financing WABAG Czech Republic secured one of its biggest projects ever, the €10M waste water treatment project Al Karaj in Iran. By winning strategic orders such as the comprehensive modernisation of the process water treatment plant at the Prunerov power station, as well as for the upgrade of the condensate polishing plant at the Pocerady power plant WABAG Czech Republic has reinforced its position as preferred supplier for water projects of the major power companies in the country. The Prunerov WTP comprises clarification, filtration, reverse osmosis, softening and demineralisation and will produce 3,600 m³/d of boiler feed and condensate water, as well as 36,000 m³/d of cooling water and thus secure the operation of the steam boilers.

WABAG Romania continues to successfully maintain and operate the refineries Petrobrazi and Arpechim. As a result of the EU membership Romania is accelerating investments in the water sector. To fully exploit the potential of this growing market WABAG has moved its office to the capital Bucharest. Additional sales staff has been recruited and WABAG is looking forward to successful participation in both EPC and O&M tenders during 2011.

WABAG Macao received an extension of its contract to maintain and operate the main sewage treatment plant in Macao.

WABAG China is targeting a few European soft loan projects.

Project Highlights

Finalisation of turnkey water treatment plant

Drinking water treatment plant Brcko, Bosnia and Herzegovina. Official opening in June 2010.

WABAG Vienna has designed and built a turnkey river water treatment plant for the Brcko district of Bosnia and Herzegovina. An individual multi-barrier system consisting primarily of a raw water pumping station, pre-oxidation, sedimentation and two-layer filtration, main oxidation, a biological activated carbon filter, disinfection and sludge treatment ensures the optimum treatment of 30,000 m³/d of water from the River Save. As a result, the project, which had an order value of around EUR 11 million, secures the drinking water supply of the population of the entire district.

Risk Management

Risk Management forms an integral part of the business processes and the company has a framework for assessment and mitigation that is embedded in the decision making. These are periodically reviewed throughout the life-cycle of the projects for their effectiveness.

Information Technology

WABAG Information Technology systems across all locations consists of state of the art hardware and software products facilitating productivity in different facets of the company operations. The major companies in the group are well integrated with secured MPLS VPN over which the ERP system runs along with audio/video communications for effective collaboration. Commensurate with this platform the required security systems are in place at all locations to safeguard business data and communication.

WABAG has successfully completed ERP implementation in India and three of its major European subsidiaries.

International Engineering Centre (IEC)

IEC focussed on consolidating the achievements since inception in 2008. It started to support the international offices in the bidding and detailed engineering. It helped Austrian subsidiary in detailed engineering of one of its unique projects for building "containerised MBR plants" in North Africa. It also helped Tunisia subsidiary in bidding for some of the projects in sea water desalination.

One notable achievement of last year was to start up one more engineering centre in Baroda under IEC. This has become fully functional and is currently catering to various projects of MBG.

Human Resources Management (HRM)

HRM focus has been on talent acquisition, talent transformation and talent retention. As part of retention strategy, ESOP 2010 was launched. Around 760 eligible employees including those in overseas subsidiaries have been granted ESOP. Productivity, being the key to personal progress and success as well as to the organisation, HRM facilitates the goal setting process to improve personal productivity.

Project Highlights

WABAG to build the largest MBR plant in Switzerland

Membrane bioreactor technology for the Zermatt WWTP

In July 2010, WABAG Water Technology signed a contract for the enlargement of the Zermatt WWTP using a membrane bioreactor (MBR). The project represents the biggest MBR installation in Switzerland (capacity: 60,000 p.e. with an option for an increase of up to 75,000 p.e.) and involves the phased conversion of the existing, conventional activated sludge plant, which is located in a cavern, into a modern MBR. Phased completion, seasonal work restrictions relating to tourism and the cavern site mean that project realisation will be a demanding process. In particular, the project design takes into account the seasonal load variations due to tourism, the low alkalinity of the wastewater and the minimization of power consumption.

The order with a value of over EUR 6 million will be completed in 2013.

Zermatt, the world-famous tourist destination at the foot of the Matterhorn, will soon have a highly advanced biological treatment system.

Safety, Health and Environment

The certification of our Company to ISO 14001:2004 & OHSAS 18001:2007 have demonstrated our commitment to the society at large by excelling in our environmental performance and protecting the safety and well being of our employees and those working on behalf of our employees by promoting healthier and safer working practices besides focussing on the sustainability.

With this in view, 380 employees were trained on HSE awareness, systems and procedures, risk assessment methodology, operational control procedures and emergency preparedness. 42 Internal Auditors were trained to audit the Integrated Management Systems.

Internal Control and its adequacy

The internal control framework is an essential element of Corporate Governance in WABAG India Ltd.

The Company has adequate internal control systems that are embedded in the business processes. These are administered and enhanced through an Enterprise Resource Planning (ERP) package. The Company has well documented procedures and levels of authorization that govern the conduct of business at various levels. The effectiveness of the internal control mechanism is reviewed by independent internal audit function and by the statutory auditors.

The Audit Committee of the Board reviews the functioning of the internal audit and the implementation of recommended measures to improve the internal control framework.

Strategic initiatives

WABAG signed a landmark alliance agreement with Sumitomo Corporation, Japan to strengthen its presence in Concession projects in water and waste water treatment.

This alliance is a remarkable headway for WABAG to expand more into concession type businesses, where the projects are capital intensive but provide annuity business and higher margins in the long run. Sumitomo's financial strength, network and expertise in implementing large scale infrastructure projects would add superior value to WABAG, both domestically and worldwide. This also accelerates Sumitomo's strategy to have presence in water infrastructure business in India by having the trusted and long term partner like WABAG.

In January 2011, WABAG has also signed a JV agreement with Zawawi Trading Company LL.C (ZTC), well known business group in Sultanate of Oman to tap the operation and maintenance business in the water space in Oman. The JV company would target contracts for operation and maintenance of water and waste water treatment plants, sewerage and water networks, pumping stations, etc.

Project Highlights

Industrial outsourcing in Romania

Operation and maintenance of the Petrobrazi and Arpechim refinery effluent treatment plants for the Romanian OMV PETROM SA.

A comprehensive update of the Petrobrazi wastewater treatment plant has been completed, which has resulted in optimised treatment, improved effluent quality and better oil recovery. During 2010, a PAC (Provisional Acceptance Certificate) was acquired for many of the new plant components employed in the course of modernisation.

Furthermore, in 2010 WABAG was also awarded additional orders for the Petrobrazi WWTP, which include new pumping stations and the further technical support of the client.

Cautionary Statement

Certain statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward-looking statements within the meaning of applicable securities laws and regulations. Actual results could differ from those expressed or implied. Important factors that could make a difference to the Company's operations include poor macroeconomic growth and consumer confidence, pricing in the Company's principal markets, government regulations, tax regimes, economic development within India/abroad and other incidental factors.

Research & Development

Innovation Strategy

VA TECH WABAG numbers among the world's leading companies in the water and wastewater technology sector. This position has been captured and is maintained by proactive and efficient innovation management based on a multi-domestic strategy. One of the major targets derived from this strategy is the development and establishment of processes/technologies that meet the specific requirements of each market of relevance.

Innovation Activities

Apart from innovative application engineering for tailor-made customer plants, WABAG conducts a range of focused R&D projects for the upgrading of water, wastewater and sludge treatment processes/technologies.

The main R&D topics are membrane separation including fouling control, the removal of micro-pollutants, energy-optimized processes and toxicity prevention during industrial wastewater treatment.

In the field of membrane separation, projects are in the development phase, which involve both the employment of ceramic membranes (CERAMOZONE®, CERAMOPUR®) and bio-fouling control upstream of reverse osmosis (ADSOPUR-RO®).

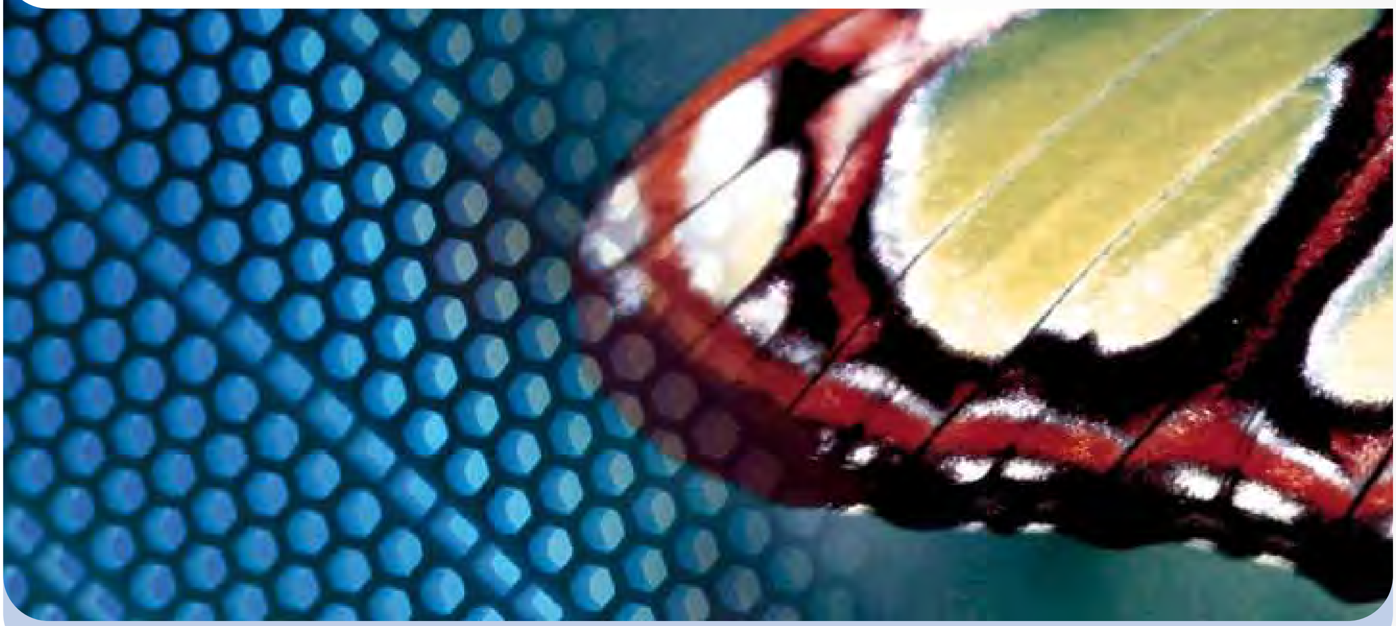
Micro-pollutants removal for the advanced treatment of municipal secondary effluents, contaminated groundwater (CARBOPUR®, PACOPUR®) and digested sludge (BIOZONE-AD®) is in the pilot stage.

For the energy optimised treatment and reuse of municipal wastewater, a combination of anaerobic UASB and aerobic MBR treatment (ENOPUR™) has been tested in India where the high wastewater temperatures are highly favourable for this process.

An early warning system (NOTOPUR™) has been developed for the sustainable treatment of industrial wastewater (e.g. refinery effluent). In particular, this system prevents the poisoning of nitrifying bacteria by the toxic constituents in certain partial wastewater streams.

Last, but not least, activities regarding the fine sieving of municipal wastewater upstream of both membrane bioreactor treatment (MICROPUR-MBR®) and conventional activated sludge treatment (MICROPUR-CAS®) are worthy of mention, while MICROPUR-MBR® guarantees the safe and reliable operation of the MBR process and MICROPUR-CAS® provides substantial reductions in the civil structures requirement.

Active and efficient intellectual property management safeguards the know-how derived from WABAG's innovation activities. At present, the Group owns more than 150 patents and over 100 trademarks.



Ceramic Membrane

Fine Sieving

R&D Centres

The R&D programs derived from our multi-domestic innovation strategy are well coordinated and executed by three R&D centres in Vienna (WABAG Austria), Winterthur (WABAG Switzerland) and Chennai (WABAG India).

Expenditure on R&D

WABAG Group incurred a sum of Rs. 5.75 Crores during the financial year on account of R&D programmes in three centres, namely, Austria, Switzerland and India.

Co-operations with Universities and Development Partners

The co-operation with national and international universities, as well as with other development partners (e.g. technology companies), has been further intensified and represents exemplary teamwork between outstanding specialists.

The following are the most important universities and institutes with whom we co-operate:

- **Centre for Environmental Studies (CES) of Anna University**, Chennai, India
- **Institute IWAR of Darmstadt University of Technology**, Darmstadt, Germany
- **IWW Water Centre - Rheinisch-Westfälisches Institut für Wasser**, Mülheim, Germany
- **Institute for Water Quality, Resources and Waste Management of Vienna University of Technology**, Vienna, Austria
- **Institute of Sanitary Engineering and Water Pollution Control of Vienna University of Natural Resources and Life Sciences**, Vienna, Austria
- **EAWAG - Swiss Federal Institute of Aquatic Science and Technology**, Dübendorf, Switzerland

Corporate Governance Philosophy

VA TECH WABAG Limited's ("WABAG's" or "the Company's") philosophy on Corporate Governance is built on a rich legacy of fair and transparent governance and disclosure practices, many of which were in existence even before they were mandated by legislation. The Company's essential character revolves around values based on transparency, integrity, professionalism and accountability. At the highest level, the Company continuously endeavors to improve upon these aspects and adopts innovative approaches for leveraging resources, converting opportunities into achievements through proper empowerment and motivation, fostering a healthy growth and development of human resources.

WABAG remains resolute in its commitment to conduct its business in accordance with the highest ethical standards and sound corporate governance practices. It is the Company's belief that adhering to such high levels of corporate governance benefits not just the investors, but also your Company's customers, creditors, employees and the society at large.

In India, corporate governance standards for listed companies are regulated by the Securities and Exchange Board of India (SEBI) through Clause 49 of the Listing Agreement of the Stock Exchanges. The stipulations mandated by Clause 49 became applicable to the Company subsequent to its public listing on 13th October, 2010 and have been fully complied with since then.

In line with WABAG's commitment to adhere to good Corporate Governance practices in its true spirit, WABAG has been practising exceptional corporate governance practices even before the listing.

The Company has been focusing, and always will focus, on long-term value creation for all its shareholders, employees, creditors and regulatory bodies. Commitment to maximising shareholder value on a sustained basis, while looking after the welfare of multiple stakeholders, is a fundamental shared value of WABAG's Board of Directors.

Management and employees are critical to the Company's success. This value system translates into institutionalizing structures and procedures that enhance the efficacy of the Board and inculcate a culture of transparency, accountability and integrity across the Company. WABAG's initiatives towards this end include: professionalization of the Board; fair and transparent processes and reporting systems; and going beyond the mandated Corporate Governance Code requirements of SEBI.

This chapter reports the Company's compliance with the code of Corporate Governance as prescribed under Clause 49 of the Listing Agreement.

Board of Directors

The Composition of the Board is in conformity with Clause 49 of the Listing Agreement. The Chairman of the Board is an Independent Director and more than half of the Board comprises of Independent Directors. None of the Directors is related to any other Director. The management of the Company is headed by the Managing Director, who operates under the supervision and control of the Board. The Board reviews and approves strategy and oversees the actions and results of the management to ensure that the long-term objectives of enhancing stakeholders' values are met.

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

Apart from reimbursement of expenses incurred in discharge of their duties and the remuneration that the Non Executive Independent Directors and Managing Director would be entitled under the Companies Act, 1956, none of the Directors have any other material pecuniary relationships or transactions with the Company, its Directors, its Senior Management, its Subsidiaries and Associates which in their judgement would affect their independence.

The Senior Management have made disclosures to the Board confirming that there are no material, financial and/or commercial transactions between them and the Company which could have potential conflict of interest with the Company at large.

Composition of the Board

The Board comprises of five Directors. The Chairman of the Board is an Independent Director. Besides the Chairman, the Board comprises of the Managing Director, who is a Promoter Director, two Non-Executive Independent Directors and a Non-Executive Nominee Director.

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

Board Meetings, Attendance, Directorships & Committee memberships

The Board of Directors met five times during the year: on 3rd June 2010, 16th September 2010, 13th October 2010, 10th December 2010 and 11th February 2011. These meetings were well attended. The Company has held at least one Board meeting in every three months. The maximum gap between any two meetings was less than four months, as stipulated under Clause 49.

As mandated by the Clause 49, none of the Directors are members of more than 10 Board level committees, nor are they Chairman of more than five committees in which they are members.

Table below gives the details of the committee memberships of Directors, attendance of Directors at Board meetings held during the year ending March 31, 2011 and at the last Annual General Meeting:

Name of the Directors	Category	Attendance Particulars			No. of other Directorships and committee memberships/chairmanships as on 31st March, 2011. [1]		
		No. of Board Meetings		Last AGM			
		Held	Attended		Other Directorships [3]	Committee Memberships [2]	Committee Chairmanships [2]
Mr. Bhagwan Dass Narang	Independent Chairman	5	5	Present	12	10	4
Mr. Rajiv Mittal	Managing Director	5	5	Present	—	1	—
Mr. Sumit Chandwani [4]	Non Executive Nominee Director	5	5	Absent	7	6	1
Mr. Jaithirth Rao	Independent Director	5	1	Absent	8	2	—
Dr. Guenter Heisler	Independent Director	5	2	Absent	—	—	—

Notes:

1) Excludes private limited companies, foreign companies and companies registered under Section 25 of the Companies Act, 1956.

2) Committees considered are Audit Committee and Shareholders/Investors Grievances Committee, as per Clause 49.

3) Excludes alternate Directorships but includes Additional Directorships and Directorship in VA TECH WABAG Limited.

4) Mr. Sumit Chandwani resigned as a nominee director on 31.05.2011. He was appointed as an Additional Director by a circular resolution passed by the Board w.e.f 1st June, 2011.

Board Procedure

A detailed agenda folder is sent to each Director in advance of Board and Committee Meetings. To enable the Board to discharge its responsibilities effectively, the Managing Director apprises the Board at every meeting of the overall performance of the Company.

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

Directors seeking Appointment/Re-Appointment

Mr. Bhagwan Dass Narang and Mr. Jaithirth Rao, Directors retire by rotation at the forthcoming Annual General Meeting and being eligible, have offered themselves for re-appointment. Mr. Sumit Chandwani resigned as a Nominee Director of the company with effect from 31st May, 2011. The Board of Directors on the same day appointed Mr. Sumit Chandwani as an Additional Director on the Board effective 1st June, 2011. Mr. Chandwani holds office up to the date of the ensuing Annual General Meeting and seeks appointment at the meeting.

Brief resumes of Directors seeking appointment/re-appointment are given below:

Mr. Bhagwan Dass Narang is the Chairman of the Company. He is an Independent Director on the Board of our Company. He holds a master's degree in agricultural economics from Punjab Agriculture University. He has been a Director of our Company since June 7, 2007. He was previously the chairman and managing director of Oriental Bank of Commerce from 2000 to 2005. He has over 25 years of experience in the banking industry. He has previously worked with Punjab and Sind Bank and Union Bank of India. He has chaired a panel appointed by the RBI on serious financial frauds and a panel appointed by the Indian Banks' Association on financing construction industry. He was awarded the 'Banker of the Year Award for 2004' by Business Standard. He was nominated by the RBI as a member of the expert group formed for examining the problems of distressed farmers. He was also nominated by the Ministry of Corporate Affairs as a member of the committee formed to oversee the working of National Education and Investor Fund.

Mr. Bhagwan Dass Narang is a member of the following Board Committees of various Companies.

Name of the Company	Name of Committee*	Position Held
Lakshmi Precision Screws Limited	Audit Committee	Member
Dish TV India Limited	Audit Committee	Chairman
VA Tech Wabag Limited	Audit Committee	Chairman
Revathi Equipment Limited	Audit Committee	Member
Shivam Autotech Limited	Audit Committee	Member
	Shareholders' Grievance Committee	Member
Amarujala Publications Limited	Audit Committee	Member
Karvy Stock Broking Limited	Audit Committee	Member
DSE Financial Services Limited	Audit Committee	Chairman
Jubilee Hill Landmark Projects Ltd	Audit Committee	Chairman

* Committees considered are Audit Committee and Shareholders' Grievance Committee.

Mr. Bhagwan Dass Narang currently holds 50% of the share capital of Shri Venimadhav Portfolio Private Limited, which in turn held 7,148 Equity shares of the company as on 31st March, 2011.

Mr. Jaithirth Rao is an Independent Director on our Board. He holds a bachelor's degree in chemistry from Loyola College, Chennai and a master's degree in management from the Indian Institute of Management, Ahmedabad and from the University of Chicago. He has been a Director of our Company since January 31, 2007. He has over 20 years of experience in the banking industry. He was previously the chairman and chief executive officer of Mphasis-BFL. He is currently the chairman of Value Budget Housing Development Corporation Private Limited and is a visiting faculty at the Indian Institute of Management, Ahmedabad. Jaithirth Rao was honoured with the Rajyotsva award by the State of Karnataka in 2005.

Mr. Jaithirth Rao is a member of the following Board Committees of various Companies.

Name of the Company	Name of Committee*	Position Held
Royal Orchid Hotels Limited	Audit Committee	Member
VA Tech Wabag Limited	Audit Committee	Member

* Committees considered are Audit Committee and Shareholders' Grievance Committee.

Mr. Jaithirth Rao holds 80,408 Equity shares of the Company as on 31st March, 2011.

Mr. Sumit Chandwani is a Non-Executive Nominee Director in our Company. He holds a bachelor's degree in engineering from the Indian Institute of Technology, Roorkee and has a postgraduate diploma in business management from the Indian Institute of Management, Bangalore. He has been a Director of our Company since September 13, 2005. He has 19 years of experience in the areas of private equity, structured finance and project finance. He is currently Executive Director of ICICI Venture Funds Management Company Limited. He has previously worked with GE Capital Limited where he was the country head for the vendor financing business.

Mr. Sumit Chandwani is a member of the following Board Committees of various Companies.

Name of the Company	Name of Committee*	Position Held
PVR Limited	Audit Committee Investor Grievances Committee	Member Member
PVR Pictures Limited	Audit Committee	Member
Rubamin Limited	Audit Committee	Member
VA Tech Wabag Limited	Investor Grievances Committee Audit Committee	Chairman Member

* Committees considered are Audit Committee and Shareholders' Grievance Committee.

Mr. Sumit Chandwani does not hold any Equity shares in the company as on 31st March, 2011.

Remuneration to Directors

Remuneration Policy

While deciding on the remuneration for Directors, the Board and the Remuneration Committee consider the performance of the Company, the current trends in the industry, the qualifications of the appointee(s), their experience, past performance and other relevant factors. The Board and the Remuneration Committee regularly tracks the market trends in terms of compensation levels and practices in relevant industries through participation in structured surveys. This information is used to review the Company's remuneration policies.

Remuneration Paid

The remuneration paid to Non-Executive Directors including Independent Directors is by way of sitting fees and reimbursement of expenses incurred in attending the Board and Committee meetings. The remuneration paid to Managing Director is fixed by the Remuneration Committee which is subsequently approved by the Board of Directors and Shareholders.

Detailed information of Directors' remuneration for the year 2010-11 is given below:

(Rs. in thousands)

Name of Directors	Category	Sitting Fees	Commission*	Salary performance pay and Perquisites	Superannuation and Provident Fund (Note 2)	Total
Mr. Bhagwan Dass Narang	Independent Chairman	180	Nil	Nil	Nil	180
Mr. Rajiv Mittal	Managing Director		Nil	11,157	360	11,517
Mr. Sumit Chandwani	Non-Executive Nominee Director		Nil	Nil	Nil	Nil
Mr. Jaithirth Rao	Independent Director	40	Nil	Nil	Nil	40
Dr. Guenter Heisler	Independent Director	40	Nil	Nil	Nil	40

* The Board of Directors at their meeting held on 26th May, 2011 have approved payment of commission of up to 1% of the Net Profits of the Company to the Non Executive Directors for a period of five years effective 1st April, 2011 subject to the approval of the shareholders.

Notes:

1. The Managing Director does not receive sitting fees for attending meetings of the Board / Committees of the Board of Directors of the Company. Non-Executive-Independent Directors are paid sitting fees of Rs. 20,000 per meeting for attending meetings of the Board / Committees of the Board of Directors of the Company.
2. Aggregate of the Company's contributions to Superannuation Fund and Provident Fund.
3. No Commission was paid to any of the Directors during the year ending 31st March, 2011.
4. The Company has not advanced loans to any Directors during the year.
5. The nature of employment of the Managing Director with the Company is contractual and can be terminated by giving six months notice from either party. The contract provides for six months' basic pay as severance fees. Mr. Rajiv Mittal's tenure is for a period of 5 years from 1st October, 2010.

Shares of the Company held by Directors

Name of Director	Category	No. of shares held (Rs. 5/- paid up) as on 31st March, 2011
Mr. Bhagwan Dass Narang*	Chairman /Independent	Nil
Mr. Rajiv Mittal	Managing Director	1,919,944
Mr. Sumit Chandwani	Non Executive Nominee Director	Nil
Mr. Jaithirth Rao	Independent Director	80,408
Dr. Guenter Heisler	Independent Director	8,933

*Mr. Bhagwan Dass Narang currently holds 50% of the share capital of Shri Venimadhav Portfolio Private Limited, which in turn held 7,148 Equity shares of the company as on 31st March, 2011.

Committees of the Board

In compliance with both the mandatory and non-mandatory requirements under the Listing Agreement and the applicable laws, the Board of Directors of your Company constituted the following Committees:

- Audit Committee
- Shareholders' /Investors' Grievance Committee
- Remuneration cum Compensation Committee
- IPO Committee
- Monitoring Committee

The Chairman of the Board, in consultation the respective Chairman of these Committees, determines the frequency of the meetings of these Committees. The recommendations of the Committees are submitted to the Board for approval.

Audit Committee

The members of the Audit Committee are:

1. Mr. Bhagwan Dass Narang, Chairman;
2. Mr. Jaithirth Rao; and
3. Mr. Sumit Chandwani

Mr. Bhagwan Dass Narang, Chairman of the Audit Committee and Mr. Jaithirth Rao are Independent Directors. All members of the Committee have good knowledge of accounting and financial management.

The terms of reference of the Committee are in accordance with the requirements of Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956. The terms of reference of the Audit Committee are as follows:

a. Overseeing of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.

b. Recommending to the Board, the appointment, reappointment and if required, the replacement or removal of Statutory Auditors and fixation of audit fees.

c. Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors.

d. Reviewing with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
   - Matters required to be included in the Directors' Responsibility Statement to be included in the Directors' Report in terms of sub-section (2AA) of Section 217 of the Companies Act, 1956
   - Changes, if any, in accounting policies and practices and reasons for the same.
   - Major accounting entries involving estimates based on the exercise of judgement by the management.
   - Significant adjustments made in the financial statements arising out of audit findings.
   - Compliance with listing and other legal requirements relating to financial statements.
   - Disclosures of related party transactions.
   - Qualifications in draft audit report.

e. Reviewing with the Management, the quarterly financial statements before submission to the Board for approval.

f. Reviewing with the management, the performance of Statutory & Internal Auditors, adequacy of internal control systems.

g. Reviewing the adequacy of internal audit function, if any, including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.

h. Discussion with internal auditors any significant findings and follow up thereon.

i. Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is a suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

j. Discussion with the Statutory Auditors before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any area of concern.

k. To look into the reasons for substantial defaults, if any, in the payments to the debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

l. To review the function of the Whistle Blower Mechanism.

m. Carrying out such other functions as may be specifically referred to the Committee by the Board of Director and/or other Committees of Directors of the Company.

n. Reviewing the financial statements and in particulars the investments made by the unlisted subsidiaries of Company.

o. Review of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc).

The Company Secretary is the Secretary to the Audit Committee.

The Committee met four times during the year under review and the gap between two Meetings did not exceed four months post-listing. During the financial year 1st April, 2010 to 31st March, 2011, the Committee met on: 3rd June 2010, 13th October 2010, 10th December 2010 and 11th February 2011.

The attendance at the Meetings is as under:

Members	Number of Meetings	
	Held	Attended
Mr. Bhagwan Dass Narang	4	4
Mr. Jaithirth Rao	4	1
Mr. Sumit Chandwani	4	4

Senior executives of the Accounts/Finance Department and representatives of the Statutory and Internal Auditors are invited to attend the Audit Committee meetings.

The Chairman of the Audit Committee, Mr. Bhagwan Dass Narang was present at the 15th Annual General Meeting of the Company held on 2nd August, 2010.

Shareholders' / Investors' Grievance Committee

The Shareholders'/Investors' Grievance Committee of the Board of Directors of the Company consists of:

1. Mr. Sumit Chandwani, Chairman; and
2. Mr. Rajiv Mittal

The Company Secretary acts as the Secretary of the Committee and is appointed as the Compliance Officer of the Company.

The Committee meets as and when required, to inter-alia deal with matters relating to its terms of reference.

The terms of reference of the Shareholders/Investors Grievance Committee are as follows:

To look into and redress shareholders/investors grievances relating to transfer of shares, Non-receipt of declared dividends, Non-receipt of Annual Reports, all such complaints directly concerning the shareholders/investors as stakeholders of the Company, any such matters that may be considered necessary in relation to shareholders and investors of the Company.

The Committee oversees the performance of the Registrar and Transfer Agents of the Company and recommends measures for overall improvement in the quality of investor services. The Committee also monitors implementation and compliance of the Company's code of Conduct for Prohibition of Insider Trading in pursuance of SEBI (Prohibition of Insider Trading) Regulations, 1992.

The Board has delegated the powers of approving transfer of securities to the Share Transfer Committee.

The Committee met once on 11th February, 2011, after the Initial Public Offer (IPO) made in October 2010.

During the year, 369 complaints were received from the Shareholders, all of which have been attended to/ resolved. As of 31st March, 2011, there are no pending share transfers or complaints from the shareholders.

Members	Number of Meetings	
	Held	Attended
Mr. Sumit Chandwani	1	1
Mr. Rajiv Mittal	1	1

Remuneration / Compensation Committee

The Remuneration/Compensation Committee of the Board comprises of following Directors:

1. Mr. Bhagwan Dass Narang, Chairman
2. Mr. Jaithirth Rao, and
3. Dr. Guenter Heisler.

The role of the Remuneration Committee is to review market practices and to decide on remuneration packages applicable to the Managing Director of the Company. The broad terms of reference of the Committee are, to recommend to the Board about the Company's policy on remuneration package for Executive Directors, to advise the Board in framing the remuneration policy for key managerial personnel of the Company from time to time, to give directions for administration of the ESOP scheme and to attend to any other responsibility as may be entrusted by the Board within the terms of reference.

The Committee has formulated the ESOP Scheme 2006 and the ESOP Scheme 2010, which are administered and implemented as per the directions of the Committee. The Committee also attends to such other matters as may be prescribed from time to time.

There were no meetings held during the year 2010-11.

IPO Committee

The IPO Committee was formed by the Board to oversee all activities and matters pertaining to Pubic Issue of the Company. Mr. Rajiv Mittal is the Chairman of the Committee. Mr. Sumit Chandwani is the other member of the Committee. During the financial year 1st April, 2010 to 31st March, 2011 the committee met on 16th September, 2010 and 11th October, 2010.

Monitoring Committee

The Monitoring Committee was constituted by our Board at their meeting held on June 27, 2008. The members of the Monitoring Committee are:

1. Mr. Bhagwan Dass Narang, Chairman
2. Mr. Sumit Chandwani, and
3. Dr. Guenter Heisler.

The terms of reference of the Monitoring Committee include constant monitoring of various ongoing projects and review of the projects that are time-over-run, cost over-run etc.

During the year 2010-11, the committee met once on 4th February, 2011.

Disclosures

Code of Conduct

The Board has laid down a Code of Conduct ("Code"), for Board Members, Senior Management and Employees of the Company. This code has been posted on the Company's website www.wabag.com. All Board members and Senior Management personnel of the Company have affirmed compliance with this Code. A declaration signed by the Managing Director to this effect is enclosed at the end of this Report.

CEO /CFO Certification

As required under Clause 49 V of the Listing Agreement with the Stock Exchanges, the Managing Director and the Chief Financial Officer of the Company have certified to the Board regarding the financial statements and matters related to internal controls in the prescribed format for the year ended 31st March, 2011, which is annexed to this Report.

Risk Management

The Company has a well-defined risk management framework in place which is reviewed periodically.

Subsidiary Companies

Clause 49 defines a "material non-listed Indian subsidiary" as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid-up capital and free reserves) exceeds 20 per cent of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

Under this definition, the Company did not have any material non-listed Indian subsidiary during the year under review. The subsidiaries of the Company function independently, with an adequately empowered Board of Directors and sufficient resources.

Related Party Transactions

During the financial year 2010-11, there were no materially significant transactions entered into between the Company and its Promoters, Directors or the management, subsidiaries or relatives that may have potential conflict with the interests of the Company at large. Further, details of related party transactions form part of notes to the accounts of the Annual Report.

Accounting Treatment in Preparation of Financial Statements

The Company has followed the Accounting Standards prescribed by the Companies (Accounting Standards) Rules, 2006 in preparation of its financial statements.

Details of Non-compliance Relating to Capital Markets

During the year, the Company's equity shares were listed on National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE). The Company has complied with all the requirements of regulatory authorities. There were no instances of non-compliance by the Company and no penalties or strictures were imposed on the Company by the Stock Exchanges, SEBI or any statutory authority, on any matter related to the capital markets since the listing of the Company's equity shares on 13th October, 2010.

Code for Prevention of Insider Trading Practices

The Company has instituted a comprehensive Code of Conduct for Prevention of Insider Trading for its Designated Employees, in compliance with Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time. The Code lays down Guidelines, vide which it advises the designated employees on procedures to be followed and disclosures to be made, while dealing with shares of the Company and cautions them of the consequences of violations.

Proceeds from Public Issues, Right Issues and Preferential Issues

Pursuant to the Initial Public Offer (IPO) made by the Company during the year under review, the Audit Committee has been monitoring the uses and applications of funds by major category such as Implementation of Global IT system, Construction of corporate office, working capital on a quarterly basis as part of its quarterly declaration of financial results. The Company has not utilised the funds generated out of public issue for any purpose other than those stated in the offer document/ prospectus.

Details of Unclaimed Shares

As per the provisions of Clause 5A of the Listing Agreement, the Company has opened a Demat account titled "VA TECH WABAG Limited - Unclaimed Shares Demat Suspense Account" ("Demat Suspense Account") for transferring the unclaimed shares which were allotted pursuant to Initial Public Offer (IPO) of the Company made during the year.

The Company had 3 shareholders with 23 outstanding shares lying in the suspense account for the year ended 31st March, 2011. The voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

Management Discussion and Analysis Report

Management Discussion and Analysis Report (MDA) has been attached as a separate chapter and forms part of this Annual Report.

Compliance with Clause 49

The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement relating to Corporate Governance.

As regards the non-mandatory requirements, the Company has set up the Remuneration Committee of the Board of Directors, the details of which have been provided under the section "Committees of the Board". The Company has also formulated a comprehensive Whistle Blower Policy for employees to report to the management concerns about unethical behaviour, actual or suspected fraud or violation of the Company code of conduct. The existence of such a policy is communicated through appropriate manuals within the Organisation. During the year under review, there is no audit qualification in the Company's financial statements. The Company continues to adopt best practices to ensure that its financial statements remained unqualified. The Company has not adopted any other non-mandatory requirement specified in Annexure 1 D of Clause 49.

Corporate Governance Voluntary Guidelines 2009

In December 2009 the Government of India, Ministry of Corporate Affairs ("MCA") had issued Corporate Governance Voluntary Guidelines 2009. MCA has clarified that the Guidelines were prepared and disseminated for consideration and adoption by Corporates and may be voluntarily adopted by public companies with the objective to enhance not only the economic value of the enterprise but also the value for every stakeholder who has contributed in the success of the enterprise and set a global benchmark for good Corporate Governance. MCA after taking into account the experience of adoption of these guidelines by Corporates and after consideration of the feedback received from them would review these guidelines for further improvements after a period of one year.

The Company has been a strong believer in good corporate governance and has been adopting the best practices that have evolved over a decade. The Company is in substantial compliance with the voluntary guidelines and it will always be the Company's endeavour to attain the best practices in corporate governance

Occupational Health & Safety Policy

The Company has in place Occupational Health & Safety Policy which focuses on people, technology and facilities, supported by Management commitment as the prime driver. A dedicated "Safety Management Team' is working towards the prevention of man, machine and material incidents at the corporate and manufacturing units level, and towards education and motivation of the employees on various aspects of Health, Safety and Environment through training programmes and seminars. Risk assessment, emergency preparedness plan and health check-ups were a regular feature at unit level. The Company recognizes its human force as the most important asset and is deeply committed to providing a safe and healthy working environment to its employees.

General Shareholder Information

Sixteenth Annual General Meeting

Date: 15th July, 2011
Time: 10.30 A.M
Venue: Rani Seethai Hall
603, Anna Salai,
Chennai – 600 006

Details of Annual General Meetings held during past three years and Special Resolutions passed

Year	Date	Time	Special Resolutions passed
2007-08	29th December, 2008	10.00 A.M	Nil
2008-09	27th August, 2009	10.00 A.M	Nil
2009-10	2nd August, 2010	10.00 A.M	Approval for Initial Public Offer u/s 81(1A)
			Approval for Increase in limit of Investment by foreign institutional investors in the Company

All meetings were held at the Registered Office: No.11, Murray's Gate Road, Alwarpet, Chennai 600018.

Details of Extraordinary General Meetings held during past three years and Resolutions passed

Year	Date	Time	Special Resolutions passed
2007-08	17th December, 2007	10.00 A.M	Approval for Preferential Allotment of Shares u/s 81(1A)
	26th December, 2007	10.00 A.M	Approval for Preferential Allotment of Shares u/s 81(1A)
2007-08	24th December, 2008	11.00 A.M	Approval for payment of excess remuneration to Mr. Rajiv Mittal, Managing Director during the financial year 2007-08.
2009-10	14th September 2009	10.00 A.M	Approval for Alteration of Articles of Association of the Company.
			Approval for Subdivision of equity share capital and amendment of the Memorandum of Association.
			Approval for Issue of Bonus shares
			Approval for Initial Public Offer (IPO) Sec (81)(1A)

All meetings were held at the Registered Office: No.11, Murray's Gate Road, Alwarpet, Chennai 600018.

Postal Ballots

The Company has not passed any resolutions through postal ballots during the year 2010-11.

Dates of Book Closure/Record Date

Dates of book closure for dividend will be from 2nd July, 2011 to 15th July, 2011, both days inclusive.

Dividend Payment Date

Date of payment of dividend, if approved at the Annual General Meeting, shall be paid on or after 15th July, 2011 but before 22nd July, 2011.

Financial Year

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

Financial Reporting for 2011–12

The First Quarter Results – 30th June, 2011	By mid August, 2011
The Half Yearly Results – 30th September, 2011	By mid November, 2011
Third Quarter Results – 31st December, 2011	By mid February, 2012
Approval of Annual Accounts – 31st March, 2012	By end of May, 2012

Note: The above dates are indicative

Means of Communication

WABAG recognizes communication as a key element of the overall Corporate Governance framework and therefore emphasizes on prompt, continuous, efficient and relevant communication to all external constituencies. The quarterly, half-yearly and yearly results as required under Clause 41 of the listing agreement are published in Business Standard (English editions) and Makkal Kural/ Malai Chudar (Tamil edition). These are not sent individually to the Shareholders.

The Company's results and official news releases are displayed on the Company's website at www.wabag.com. Presentations are also made to international and national institutional investors and analysts, which are put up on the website of the Company.

Listing on Stock Exchanges

Pursuant to Initial Public Offer (IPO) made by the Company during the year, the equity shares of the Company have been listed on National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE) on 13th October, 2010. The requisite listing fees have been paid in full to the Stock Exchanges where the Company's shares are listed.

VA TECH WABAG Limited's Stock Exchange Codes

Bombay Stock Exchange	533269
National Stock Exchange	WABAG

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

ISIN: INE956G01020

Stock Performance

BSE and NSE – Monthly High / Low and Volumes

Month	National Stock Exchange of India Limited			Bombay Stock Exchange Limited		
	High (Rs.)	Low (Rs.)	Monthly Volume	High (Rs.)	Low (Rs.)	Monthly Volume
October, 2010	1,806.80	1,500.00	11,366,828.00	1,806.60	1,550.00	6,596,066.00
November, 2010	1,774.00	1,547.15	679,262.00	1,774.00	1,550.00	415,847.00
December, 2010	1,690.00	1,407.00	355,827.00	1,677.00	1,405.00	189,867.00
January, 2011	1,598.80	1,402.00	86,846.00	1,590.00	1,403.00	1,079,474.00
February, 2011	1,451.00	1,211.40	227,012.00	1,432.00	1,230.55	45,075.00
March, 2011	1,329.00	1,000.00	82,814.00	1,343.00	1,131.00	47,453.00

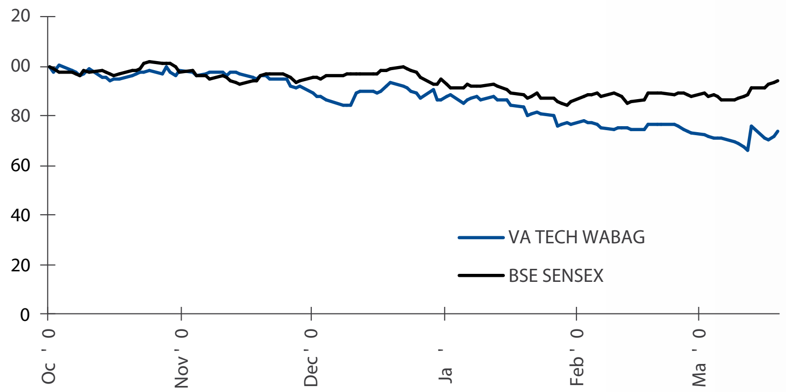
Note: Equity shares of VA TECH WABAG were listed on BSE and NSE on 13th October, 2010

Performance in comparison to BSE – Sensex and NSE Nifty.

Month	VA TECH WABAG's Closing Price on NSE on the last trading day of month (Rs.)	BSE Sensex at the Close of last trading day of the month	NSE Nifty at the Close of last trading day of the month
October, 2010	1,633.65	20,032.34	6,017.70
November, 2010	1,621.85	19,521.25	5,862.70
December, 2010	1,586.65	20,509.09	6,134.50
January, 2011	1,415.00	18,327.76	5,505.90
February, 2011	1,267.05	17,823.40	5,333.25
March, 2011	1,259.10	19,445.22	5,833.75

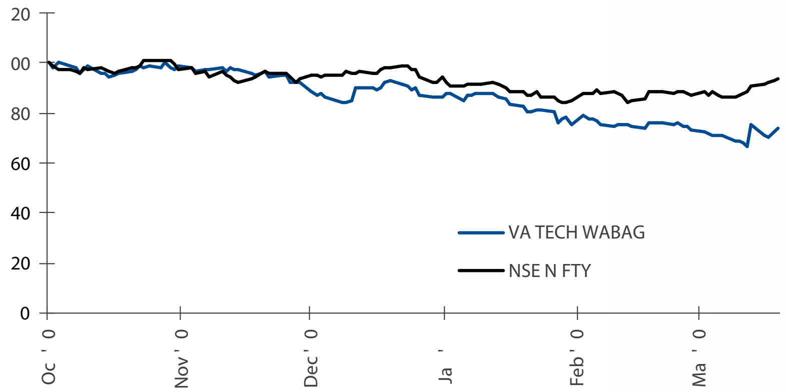
Note: Equity shares of VA TECH WABAG were listed on BSE and NSE on 13th October, 2010

VA TECH WABAG Share Performance versus BSE Sensex



Note: Share price of VA TECH WABAG and BSE Sensex have been indexed to 100 on 13th October, 2010

VA TECH WABAG Share Performance versus NSE NIFTY



Note: Share price of VA TECH WABAG and NSE NIFTY have been indexed to 100 on 13th October, 2010

Share Transfer System

Trading in equity shares of the Company through recognised stock exchanges is permitted only in dematerialised form. Shares sent for transfer in physical form are registered and returned within a period of thirty days from the date of receipt of the documents, provided the documents are valid and complete in all respects.

The Shareholders/Investors Grievance Committee meets as and when required to consider and attend to Shareholders' grievances. As of 31st March, 2011, there are no pending share transfers pertaining to the year under review.

Distribution of Shareholding as on 31st March, 2011

Number of Shares	No.of Shareholders	Percentage to Shareholders	Total No.of Shares	Percentage of Shareholding
1 - 100	28,852	95.04	343,867	3.26
101 - 500	1,213	4.00	274,260	2.60
501 - 1000	144	0.47	111,680	1.06
1001 - 5000	65	0.21	128,075	1.21
5001 - 10000	20	0.07	139,990	1.33
10001 - 50000	37	0.12	863,630	8.18
50001 - 100000	7	0.02	507,260	4.80
100001 and above	21	0.07	8,195,033	77.58
Total	**30,359**	**100.00**	**10,563,795**	**100.00**

Shareholding Pattern as on 31st March, 2011

Category of Shareholders	Total Holdings	Holdings in Percentage
Promoters holdings	3,276,456	31.01%
Mutual Funds	1,799,478	17.03%
Banks, Financial Institutions	16,896	0.16%
Foreign Institutional Investors	2,584,513	24.46%
Bodies Corporate	492,938	4.67%
NRIs	13,368	0.13%
Foreign Venture Capital Investors	259,095	2.45%
Clearing Members	9,474	0.09%
Foreign Corporate Bodies	1,034,167	9.79%
HUFs	31,158	0.30%
Trusts	232,645	2.20%
Indian Public	724,266	6.86%
Directors	89,341	0.85%
Total	**10,563,795**	**100.00%**

Dematerialisation of Shares

As on 31st March, 2011, 99.85 per cent of the paid-up Equity Share Capital is held in dematerialised form with National Securities Depository Limited and Central Depository Services (India) Limited. The market lot is one share, as trading in the Equity Shares of the Company on exchanges is permitted only in dematerialised form. Non-Promoters' holding is 68.99 per cent.

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

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

Offices of the Company

Registered Office

VA TECH WABAG Limited
No.11, Murray's Gate Road,
Alwarpet, Chennai 600018.
Phone: +91-44-42232323
Fax: +91-44-42232324

Registrar and Share Transfer Agents

M/s. Karvy Computershare Private Limited
Unit: VA TECH WABAG Limited
Plot No.17-24,
Vittalrao Nagar, Madhapur,
Hyderabad – 500 081,
Andhra Pradesh, India.
Phone: +91-040-23420815 to 820
Fax: +91-040-23420814/57
e-mail: einward.ris@karvy.com

Address for Correspondence

Shareholders may correspond with the Company at its Registered Office or with the Registrar and Transfer Agents M/s. Karvy Computershare Private Limited at the above mentioned address in respect of all matters relating to transfer / dematerialisation of shares, payment of dividend and any other query relating to Equity Shares of the Company.

Company Secretary & Compliance Officer*

Mr. S. Ramasundaram
11, Murray's Gate Road
Alwarpet, Chennai 600 018
Phone: +91-44-42232323
Fax: +91-44-42232324

* The Board of Directors at their meeting held on 26th May, 2011 have appointed Mr. Rajiv Balakrishnan as the Company Secretary & Compliance Officer of the Company w.e.f 1st June, 2011.

Company's Investor E-mail ID

The Company has also designated companysecretary@wabag.in as an exclusive e-mail ID for Shareholders for the purpose of registering complaints. This has also been displayed on the Company's website.

Company's website

www.wabag.com

Certification by CEO/CFO under Clause 49 V of the listing agreement

The Board of Directors of VA TECH WABAG Limited

We have reviewed the financial statements and the cash flow statement of VA TECH WABAG Limited for the year ended 31st March, 2011 and to the best of our knowledge and belief:

(a) (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

(ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.

(b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.

(c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectifying these deficiencies.

(d) We have indicated to the Auditors and the Audit committee:

(i) significant changes in internal control over financial reporting during the year;

(ii) significant changes in accounting policies made during the year and the same have been disclosed in the notes to the financial statements; and

(iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Place: Chennai	**S. Varadarajan**	**Rajiv Mittal**
Date: 26st May, 2011	Chief Financial Officer	Managing Director

Declaration on Code of Conduct

To
The Members of VA TECH WABAG Limited

I, Rajiv Mittal, Managing Director of VA TECH WABAG Limited declare that all the Members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct for the year ended 31st March, 2011.

Place: Chennai	**Rajiv Mittal**
Date: 26th May, 2011	Managing Director

Auditors' certificate on compliance with the conditions of Corporate Governance under clause 49 of the listing agreement

To the Members,
VA TECH WABAG Limited

We have examined the compliance of conditions of Corporate Governance by VA TECH WABAG Limited (the "Company") for the year ended March 31, 2011, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

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

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

for **Walker, Chandiok & Co**
Chartered Accountants
Firm Registration No: 001076N

Per **Sumesh E S**
Partner
Membership No.: 206931

Place: Chennai
Date: 26th May, 2011

Financial Statements

2010 — 2011

Auditors' Report

To

The Members of VA TECH WABAG Limited

1 We have audited the attached Balance Sheet of **VA TECH WABAG LIMITED**, (the 'Company') as at 31 March 2011, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto (collectively referred as the 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3 As required by the Companies (Auditor's Report) Order, 2003 (the 'Order') (as amended), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (the 'Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

4 Without qualifying our opinion, we draw your attention to notes 6 (II) (a) and 6 (II) (b) of Schedule 17.

Consequent to Section 80-IA, being amended by Finance Act, 2009, denying the benefit of deduction under this Section to business in the nature of work contracts, with retrospective effect from April, 2000, the Company based on a legal opinion, believes that this amendment will not impact its eligibility to claim deduction under the said section. Also, based on the legal opinion, the Company has filed a writ petition in the High Court, challenging the constitutional validity of the retrospective amendment.

The ultimate outcome of the matter cannot be presently determined and no provision for any liability that may result has been made in the financial statements by the company for the period from April 1, 2002 to March 31, 2009. However, such liability on account of possible denial of deduction prospectively from April 1, 2009 has been fully provided as current tax. Pursuant to this, the estimated tax liability for the period from April 1, 2002 to March 31, 2009 amounting to Rs. 241,923 thousands and interest thereupon from April 1, 2002 to March 31, 2011 amounting to Rs. 137,585 thousands have been disclosed as contingent liabilities as at March 31, 2011.

5 Further to our comments in the Annexure referred to above, we report that:

a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c. The financial statements dealt with by this report are in agreement with the books of account;

d. On the basis of written representations received from the directors, as on 31 March 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;

e. In our opinion and to the best of our information and according to the explanations given to us, the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act and the Rules framed there under and give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, in the case of:

i. the Balance Sheet, of the state of affairs of the Company as at 31 March 2011;

ii. the Profit and Loss Account, of the profit for the year ended on that date; and

iii. the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Walker, Chandiok & Co**
Chartered Accountants
Firm Registration No: 001076N

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

Place : Chennai
Date : May 26, 2011

Annexure to the Auditors' Report of even date to the members of VA TECH WABAG LIMITED, on the financial statements for the year ended 31 March, 2011

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

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) In our opinion, a substantial part of fixed assets has not been disposed off during the year.

(ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

(iii) (a) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(b) to (d) of the Order are not applicable.

(e) The Company has not taken any loan, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(f) and 4(iii)(g) of the Order are not applicable.

(iv) In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services.

(v) (a) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under section 301 of the Act have been so entered.

(b) Owing to the unique and specialized nature of the items involved and in the absence of any comparable prices, we are unable to comment as to whether the transactions made in pursuance of such contracts or arrangements have been made at prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposits from the public within the meaning of sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975. Accordingly, the provisions of clause 4(vi) of the Order are not applicable.

(vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.

(viii) To the best of our knowledge and belief, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act, in respect of Company's products. Accordingly, the provisions of clause 4(viii) of the Order are not applicable.

(ix) (a) The Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues, as applicable, with the appropriate authorities. Further, no undisputed amounts payable in respect thereof of were outstanding at the year end for a period of more than six months from the date they become payable.

(b) The dues outstanding in respect of sales-tax, income-tax, custom duty, wealth-tax, excise duty, cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs.000's)	Period to which the amount relates	Forum where dispute is pending
West Bengal Value Added Tax Act, 2003	Tax and penalty	26,279	AY 2004-05 to 2006-07	Various forums
Kerala VAT Act, 2003	Penalty	4,162	AY 2006-07 to 2007-08	Kerala High Court
Rajasthan Sales Tax Act, 1994	Tax	139	AY 2003-04	Tax Assessment Officer
Rajasthan VAT Act, 2003	Tax and penalty	6,193	AY 2004-05 to 2006-07	Deputy Commissioner, Appeals
Jharkand VAT Act, 2005	Tax	7,805	AY 2004-05	Commisioner of Commercial Taxes, Jamshedpur
Karnataka VAT Act, 2005	Tax and penalty	1,732	AY 2007-08 & 2008-09	Deputy Commissioner
TNGST	Tax	12,500	AY 2005-06 & 2006-07	CTO

(x) In our opinion, the Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and the immediately preceding financial year.

(xi) In our opinion, the Company has not defaulted in repayment of dues to a financial institution or a bank or debenture holders during the year.

(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.

(xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.

(xv) In our opinion, the terms and conditions on which the Company has given guarantee for loans taken by others from banks or financial institutions are not, prima facie, prejudicial to the interest of the Company.

(xvi) The Company did not have any term loans outstanding during the year. Accordingly, the provisions of clause 4(xvi) of the Order are not applicable

(xvii) In our opinion, no funds raised on short-term basis have been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable.

(xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.

(xx) We have verified that the end use of money raised by public issues is as disclosed in the notes to the financial statements covered by our audit report.

(xxi) No fraud on or by the Company has been noticed or reported during the period covered by our audit.

For **Walker, Chandiok & Co**
Chartered Accountants
Firm Registration No: 001076N

Per **Sumesh ES**
Partner
Membership No. 206931

Place : Chennai
Date : May 26, 2011

Balance Sheet as at March 31, 2011

(Rs. in thousands)

Sources of funds	Schedule	As at March 31, 2011	As at March 31, 2010
Shareholders' funds			
Share capital	1	52,819	46,783
Reserves and surplus	2	4,040,210	2,386,983
Total		**4,093,029**	**2,433,766**
Application of funds			
Fixed assets			
Gross block	3	696,502	559,681
Less: Depreciation /amortisation		316,495	258,364
Net block		**380,007**	**301,317**
Capital work-in-progress		**74,449**	**6,414**
Investments	4	381,036	55,508
Deferred tax asset (net) (Also refer note 24 of schedule 17)		203,195	173,059
Current assets, loans and advances			
Inventories	5	515,908	183,359
Sundry debtors	6	4,897,547	4,063,373
Cash and bank balances	7	1,530,985	641,425
Other current assets	8	2,539	2,309
Loans and advances	9	871,124	688,095
		7,818,103	**5,578,561**
Less:			
Current liabilities and provisions			
Liabilities	10	4,276,020	3,185,694
Provisions	11	487,741	495,399
		4,763,761	**3,681,093**
Net current assets		3,054,342	1,897,468
Total		**4,093,029**	**2,433,766**

Notes to the financial statements 17

The schedules referred to above form an integral part of the financial statements

This is the Balance Sheet referred to in our Report of even date

for **Walker, Chandiok & Co**
Chartered Accountants

Per **Sumesh E S**
Partner

Place : Chennai
Date : May 26, 2011

On behalf of the Board of Directors

Rajiv Mittal
Managing Director

Sumit Chandwani
Director

S. Varadarajan
Chief Financial Officer

S. Ramasundaram
Company Secretary

Place : Chennai
Date : May 26, 2011

Profit and Loss Account for the year ended March 31, 2011

(Rs. in thousands)

	Schedule	Year ended March 31, 2011	Year ended March 31, 2010
INCOME			
Income from operations		7,321,734	7,009,679
Other income	12	16,462	45,327
		7,338,196	**7,055,006**
EXPENDITURE			
Cost of sales and services	13	5,769,042	5,436,697
Employee costs	14	464,773	382,545
Selling, general and administrative expenses	15	207,664	375,344
Interest and bank charges, net	16	–	65,482
Depreciation/ amortisation	3	58,809	79,425
		6,500,288	**6,339,493**
Profit before tax and prior period adjustments		837,908	715,513
Prior period adjustments (Also refer note 13 of Schedule 17)		–	35,107
Profit before tax		837,908	680,406
Provision for income tax			
Income tax		315,458	330,881
Deferred tax		(30,136)	(60,270)
Profit after tax		**552,586**	**409,795**
Add: Balance brought forward from previous year		1,052,902	643,107
		1,605,488	1,052,902
Less:			
Proposed dividend @ 200% on Equity share capital (Previous year - nil) including tax thereon		(123,183)	-
Transfer to General reserve		(55,259)	-
Balance carried to Balance Sheet		**1,427,046**	**1,052,902**
Basic earnings per share		55.78	43.80
Diluted earnings per share (Also refer note 22 of schedule 17)		55.67	43.07
Notes to the financial statements	17		

The schedules referred to above form an integral part of the financial statements

This is the Profit and Loss Account referred to in our Report of even date

for **Walker, Chandiok & Co**
Chartered Accountants

Per **Sumesh E S**
Partner

Place : Chennai
Date : May 26, 2011

On behalf of the Board of Directors

Rajiv Mittal
Managing Director

Sumit Chandwani
Director

S. Varadarajan
Chief Financial Officer

S. Ramasundaram
Company Secretary

Place : Chennai
Date : May 26, 2011

Cash Flow Statement for the year ended March 31, 2011

(Rs. in thousands)

		Year ended March 31, 2011		Year ended March 31, 2010
A. Cash flow from operating activities				
Net Profit before taxation		837,908		680,406
Adjustments for:				
Depreciation and amortisation	58,809		110,532	
Interest expenses	7,377		19,615	
Interest income	(22,704)		1,383	
Dividend income	(29,129)		(1,383)	
Unrealised forex gain/ loss	1,888		10,612	
Loss on sale of fixed assets, net	28		105	
Amortisation of deferred employees compensation	6,055		9,316	
Provisions for doubtful advances	(41,182)		132,103	
Provision for leave encashment	15,964		9,242	
Provision for gratuity	2,615		192	
Provision for litigation	(44,425)		88,943	
Provision for liquidated damages	(15,228)		8,941	
Provision for warranty	817	(59,115)	67,692	457,293
Operating profit before working capital changes		**778,793**		**1,137,699**
Adjustments for:				
(Increase)/ Decrease in sundry debtors	(794,880)		(722,540)	
(Increase)/ Decrease in loans and advances	(95,737)		(110,458)	
(Increase)/ Decrease in inventory	(332,549)		177,217	
Increase/ (Decrease) in sundry creditors	999,742	(223,424)	(124,242)	(780,023)
Cash generated from operations		**555,369**		**357,676**
Direct taxes paid		(402,750)		(187,688)
Net cash generated from operating activities		**152,619**		**169,988**
B. Cash flow from investing activities				
Purchase of fixed assets (including capital work in progress)		(205,921)		(57,432)
Proceeds on disposal of fixed assets		359		847
Investment in subsidiaries		(25,528)		-
Purchase of investments		(3,662,000)		(130,087)
Sale of investments		3,362,000		130,087
Movement in margin money deposit		126		361,320
Interest received		22,473		(37)
Dividend received		29,129		-
Net cash used in investing activities		**(479,362)**		**304,698**

Cash Flow Statement for the year ended March 31, 2011 *(Contd.)*

(Rs. in thousands)

	Year ended March 31, 2011	Year ended March 31, 2010
C. Cash flow from financing activities		
Proceeds from issue of share capital including share premium	1,223,806	4,778
Repayment of short term borrowings	-	(114,976)
Interest paid to Banks and others	(7,377)	(19,615)
Net cash used in financing activities	**1,216,429**	**(129,813)**
D. Net cash flows during the year	**889,686**	**344,873**
E. Cash and cash equivalents at the beginning	640,779	295,906
F. Cash and cash equivalents at the end	**1,530,465**	**640,779**
Note:		
Cash and cash equivalents as per Balance sheet	1,530,985	641,425
Less: Margin Money deposit and other restricted cash treated as investments	520	646
Cash and cash equivalents as per Cash flow statement	**1,530,465**	**640,779**

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

for **Walker, Chandiok & Co**
Chartered Accountants

Per **Sumesh E S**
Partner

Place : Chennai
Date : May 26, 2011

On behalf of the Board of Directors

Rajiv Mittal
Managing Director

Sumit Chandwani
Director

S. Varadarajan
Chief Financial Officer

S. Ramasundaram
Company Secretary

Place : Chennai
Date : May 26, 2011

(Rs. in thousands)

	As at March 31, 2011	As at March 31, 2010
Schedule - 1		
SHARE CAPITAL		
Authorised		
20,350,000 Equity shares (Previous year: 20,350,000) of Rs. 5 each	101,750	101,750
4,825,000 Preference shares (Previous year: 4,825,000) of Rs. 10 each	48,250	48,250
	150,000	**150,000**
Issued, Subscribed and Paid up		
10,563,795 Equity shares of Rs.5 each	52,819	46,783
(Previous year: 9,356,621 shares of Rs. 5 each)		
(Also refer note 15 of schedule 17)		
	52,819	**46,783**
Schedule - 2		
RESERVES AND SURPLUS		
Capital reserve	24,994	24,994
Share premium		
Balance at the beginning of the year	1,267,084	1,267,237
Add: Received during the year on exercise of employee stock options	21,250	257
Add: Received during the year on issue of equity shares	1,245,228	4,472
Add: Transferred from Employees' stock option outstanding on exercise of options	24,397	316
Less: Utilised for issue of bonus shares	–	(5,198)
Less: Share issue expenses	(48,708)	–
Balance at the end of the year	**2,509,251**	**1,267,084**
Employees' stock option outstanding		
Balance at the beginning of the year	23,402	14,402
Add: Options granted during the year	6,055	9,316
Less: Options exercised during the year	(24,397)	(316)
Less: Options lapsed during the year	(1,124)	–
Balance at the end of the year	**3,936**	**23,402**
General reserve		
Balance at the beginning of the year	18,600	18,600
Add: Transfer from Employee Stock Option balance	1,124	–
Add: Transfer from Profit and loss account	55,259	–
	74,983	**18,600**
Profit and loss account	1,427,046	1,052,903
	4,040,210	**2,386,983**

Schedule - 3
FIXED ASSETS

(Rs. in thousands)

Description	Gross block at cost				Depreciation/ Amortisation				Net block	
	As at April 01, 2010	Additions	Disposal/ adjustment	As at March 31, 2011	Upto April 01, 2010	For the year	On Disposal/ adjustment	Upto March 31, 2011	WDV as at March 31, 2011	WDV as at March 31, 2010
Tangible assets										
Freehold land	169,756	–	–	169,756	–	–	–	–	169,756	169,756
Plant and machinery	4,034	–	–	4,034	2,950	152	–	3,102	932	1,084
Furniture and fittings	35,116	1,765	–	36,881	20,369	2,905	–	23,274	13,607	14,747
Electrical equipment	17,591	476	150	17,917	6,928	1,539	82	8,385	9,532	10,663
Office equipment	7,245	2,435	–	9,680	3,742	687	–	4,429	5,251	3,503
Computers	75,818	9,933	–	85,751	57,163	9,600		66,763	18,988	18,655
Vehicles	36,245	11,131	915	46,461	13,894	7,183	596	20,481	25,980	22,351
Intangible assets										
Goodwill	155,567	–	–	155,567	124,440	31,127	–	155,567	–	31,127
Software	42,809	112,146	–	154,955	13,378	5,616	–	18,994	135,961	29,431
Brand	15,500	–	–	15,500	15,500	–	–	15,500	–	–
Total	**559,681**	**137,886**	**1,065**	**696,502**	**258,364**	**58,809**	**678**	**316,495**	**380,007**	**301,317**
Capital work in progress									74,449	6,414
									454,456	307,731
Previous year	511,983	52,264	4,566	559,681	151,445	110,532	3,613	258,364		

Note

*Includes Rs.31,107 (000's) relating to 2008 - 09 (Also refer note 13 of Schedule 17)

(Rs. in thousands)

	As at March 31, 2011	As at March 31, 2010
Schedule - 4		
INVESTMENTS		
In subsidiary companies - unquoted at cost		
VA Tech Wabag (Singapore) Pte Ltd (2,232,738 (Previous year : 1,507,201) equity shares of SGD 1 each)	77,939	52,411
Investment in VA Tech Wabag (Gulf) Contracting LLC (147 (Previous year : 147) equity shares of AED 1,000 each)	1,597	1,597
In other companies - trade, unquoted at cost		
First STP Private Limited	1,500	1,500
(150,000 equity shares of Rs. 10 each)		
Investment in Mutual Funds (Also refer note 25 of Schedule 17)	300,000	–
	381,036	**55,508**
Schedule – 5		
INVENTORIES		
Construction work in progress	485,327	156,293
Stores and Spares	30,581	27,066
	515,908	**183,359**
Schedule – 6		
SUNDRY DEBTORS		
(Unsecured considered good unless otherwise stated)		
Outstanding for a period exceeding six months		
Considered good	312,756	510,570
Considered doubtful	118,762	159,944
Less: Provision for doubtful debts	(118,762)	(159,944)
	312,756	510,570
Other debts	3,862,154	2,953,980
Retention	722,637	598,823
	4,897,547	**4,063,373**
Schedule – 7		
CASH AND BANK BALANCES		
Cash in hand	3,069	2,535
Balances with scheduled banks in:		
Current accounts	682,396	155,744
Deposit accounts*	845,520	483,146
	1,530,985	**641,425**

* Includes margin money deposits 520 (000's); previous year: 646 (000's)

(Rs. in thousands)

	As at March 31, 2011	As at March 31, 2010
Schedule – 8		
OTHER CURRENT ASSETS		
Interest accrued on deposits	2,539	2,309
	2,539	**2,309**
Schedule – 9		
LOANS AND ADVANCES		
(Unsecured considered good, unless otherwise stated)		
Advances recoverable in cash or kind for value to be received*	659,984	521,518
Deposits	112,185	67,411
Balance with excise and customs authorities	2,922	2,564
Due from subsidiary companies	96,033	96,602
	871,124	**688,095**
Note:		
Amounts due from officers of the company	1,240	1,907
Maximum amount outstanding during the year	1,797	3,238
Schedule – 10		
LIABILITIES		
Sundry creditors		
Due to micro and small enterprises*	2,280	687
Due to others	3,553,613	2,256,139
Advance from customers	306,357	542,942
Unearned revenue	106,031	114,449
Due to Subsidiary companies	165,488	20,352
Other liabilities	142,251	251,125
*Also refer note 17 of schedule 17		
	4,276,020	**3,185,694**
Schedule – 11		
PROVISIONS		
Provision for tax (Net of advance tax –Rs. 830,250; previous year Rs. 427,499 (000's))	735	88,027
Provision for compensated absences	31,992	23,072
Provision for gratuity	6,559	192
Provision for warranty	85,741	84,924
Provision for liquidated damages	195,013	210,241
Provision for litigation	44,518	88,943
Proposed dividend including tax	123,183	–
	487,741	**495,399**

(Rs. in thousands)

	Year ended March 31, 2011	Year ended March 31, 2010
Schedule – 12		
OTHER INCOME		
Bad debts recovered	–	32,057
Miscellaneous income	12,878	13,270
Add: Transferred from Schedule 16 – Interest and Bank charges, net	3,584	–
	16,462	**45,327**
Schedule – 13		
COST OF SALES AND SERVICES		
Material costs	2,861,978	1,164,787
Engineering costs	16,080	86,730
Civil costs	1,842,186	2,591,521
Erection and commissioning costs	319,088	189,314
Insurance Costs	23,517	20,176
Power and Fuel	12,188	8,692
Project Travel	60,971	50,605
Project Consultancy	54,345	5,657
Liquidated damages	(15,228)	19,951
Warranty expenses	26,988	71,788
Taxes and duties	345,807	659,773
Other project expenses, net	553,671	390,486
Opening work in progress and stores and spares	183,359	360,576
Less: Closing work in progress and stores and spares	(515,908)	(183,359)
	5,769,042	**5,436,697**
Schedule – 14		
EMPLOYEE COSTS		
Salary, wages and bonus	381,052	323,657
Contribution to provident and other funds	13,487	11,229
Amortisation of deferred employees compensation	6,055	9,316
Other employee benefits	64,179	38,343
	464,773	**382,545**

(Rs. in thousands)

		Year ended March 31, 2011		Year ended March 31, 2010
Schedule – 15				
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES				
Travelling and conveyance		53,105		41,042
Commission		30,581		39,070
Professional charges		40,338		29,321
Exchange loss (net)		3,230		31,565
Rent		29,728		25,781
Insurance		492		2,596
Communication expenses		19,412		11,127
Power and fuel		9,228		6,980
Repairs and maintenance				
Computers		7,373		3,166
Vehicles		3,257		4,334
Others		5,575		6,215
Advertisement		1,892		2,216
Rates and taxes		931		2,734
Loss on sale of fixed assets		28		105
Provision for bad and doubtful debts, net		(41,182)		132,103
Bad debts		3,007		35
Royalty expense		–		500
Other selling expenses		6,692		2,421
Miscellaneous expenses		33,977		34,033
		207,664		**375,344**
Schedule – 16				
INTEREST AND BANK CHARGES (NET)				
Interest charges		7,377		19,615
Bank charges		40,872		66,435
		48,249		86,050
Less: Interest and dividend received	(51,833)		(20,568)	
Transferred to Other income (Refer Sch 12)	3,584	(48,249)	–	(20,568)
		–		65,482

Notes to the Financial Statements for the year ended March 31, 2011

17. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2011

1. General Information

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

2. Company Overview

VA TECH WABAG Limited ('the Company'), its subsidiaries, associates and joint ventures (collectively referred to as 'the Group') is one of the world's leading companies in the water treatment field. The group's principal activities include design, installation, supply and operational management of drinking water and waste water treatment plants.

VA TECH WABAG Limited was part of WABAG worldwide which was in turn, part of Deutshe Babcock and formed the water technology and engineering division of the Company.

In July 2005, VA TECH WABAG worldwide was acquired by Siemens. Soon after in September 2005, the Company had a Management buyout with 20% of the shares with the management team and 60% of the shares with ICICI Ventures.

In November 2007, the Company acquired 100% stake in its erstwhile parent VA TECH WABAG GmbH, Vienna through its wholly owned subsidiary VA TECH WABAG (Singapore) Pte Limited.

Pursuant to an Initial Public offering of its shares, the shares of the Company were listed on 13th October 2010 in the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).

3. Summary of accounting policies

a. Basis of accounting

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

b. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities on the date of the financial statements and the results of operations during the reporting periods. Although these estimates are based upon management's knowledge of current events and actions, actual results could differ from those estimates and revisions, if any, are recognised in the current and future periods.

c. Fixed assets and depreciation/ amortisation

Fixed assets are stated at acquisition cost less accumulated depreciation and impairment losses, if any. Cost of acquisition is inclusive of duties, taxes, freight and other directly attributable costs incurred to bring the assets to its working condition for intended use and are net of CENVAT credits as applicable.

Advances paid towards acquisition of fixed assets outstanding at each balance sheet date and cost of fixed assets not ready for their intended use before such date are disclosed as capital work-in-progress.

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

d. Intangibles

Goodwill represents the excess of acquisition cost over the carrying amount of the Company's share of the identifiable net assets of the acquiree at the date of acquisition. Goodwill is amortised over 5 years.

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

e. Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to the profit and loss account as incurred.

f. Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost and is accordingly reversed in the profit and loss account.

g. Investments

Long-term investments are valued at cost. Provision is made for diminution in value to recognize a decline, if any other than that of temporary in nature. Current investments are valued at lower of cost and fair market value.

h. Inventory

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

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

i. Revenue recognition and receivables

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

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

Operations and Maintenance

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

Construction contracts

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

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

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

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

Interest and dividend income

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

Provision for doubtful debts

The Company creates a provision for doubtful debts @ 5% for amount outstanding over 1 year, 25% for amount outstanding over 2 years and 100% for amount outstanding over 3 years.

j. Cost of revenue

Cost of revenue includes estimated internal development costs, external development charges, construction costs and development/construction materials, which is charged to the profit and loss account based on the percentage of revenue recognised as per accounting policy (i) above, in consonance with the concept of matching costs and revenue. Final adjustment is made on completion of the applicable project.

k. Taxation

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

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

Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

l. Foreign currency translations

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

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

m. Employee benefits

Expenses and liabilities in respect of employee benefits are recorded in accordance with Accounting Standard 15 – Employee Benefits issued by the Companies (Accounting Standard) Rules, 2006.

Provident fund

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

Gratuity

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

Compensated absences

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

Superannuation Fund

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

n. Employees Stock Option Plan

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

o. Contingent liabilities and provisions

Depending upon the facts of each case and after due evaluation of legal aspects, claims against the Company not acknowledged as debts are treated as contingent liabilities. In respect of statutory dues disputed and contested by the Company, contingent liabilities are provided for and disclosed as per original demand without taking into account any interest or penalty that may accrue thereafter. The Company makes a provision when there is a present obligation as a result of a past event where the outflow of economic resources is probable and a reliable estimate of the amount of obligation can be made. Possible future or present obligations that may but will probably not require outflow of resources or where the same cannot be reliably estimated, has been made as a contingent liability in the Financial Statements.

p. Earnings per share

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

q. Leases

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

4. Capital commitments

The estimated amounts of contracts to be executed on capital account and not provided for (net of advances) Rs. 77,085 (Previous year – Rs.2,250)

5. Guarantees

	As at March 31, 2011	As at March 31, 2010
Bank Guarantees/ Letter of Credit issued by the banks on behalf of the Company		
– Bank Guarantee	4,630,003	2,930,510
– Letter of Credit	978,692	374,961
Corporate Guarantees issued by the Company on behalf of its subsidiaries		
– For VA Tech Wabag GmbH, Vienna	1,150,560	2,301,280

The Company has given a Letter of Support dated 26th May 2011 to one of its step down subsidiaries, VA Tech Wabag GmbH Vienna, Austria ('Wabag Austria') for INR 215,016 thousands (Euro 3.4 million) extendable, if required after review, up to Rs. 411,060 thousands (Euro 6.5 million). The Company agrees to support Wabag Austria to fulfill its obligations to its creditors and financial institutions as and when they fall due in the event Wabag Austria is not in a position to fulfill the obligations out of its own funds. This letter of support is valid until 30 June 2012.

6. Provisions and Contingencies

I. Provisions

	As at April 01, 2010	Additions	Utilisations	Reversals	As at March 31, 2011
Provision for warranty	84,924	59,905	(26,171)	(32,917)	85,741
Provision for liquidated damages	210,241	–	–	(15,228)	195,013
Provision for litigations	88,943	–	–	(44,425)	44,518
	384,108	**59,905**	**(26,171)**	**(92,570)**	**325,272**

	As at April 01, 2009	Additions	Utilisations	Reversals	As at March 31, 2010
Provision for warranty	17,232	86,738	(4,096)	(14,950)	84,924
Provision for liquidated damages	201,300	50,019	(11,010)	(30,068)	210,241
Provision for litigations	–	88,943	–	–	88,943
	218,532	**225,700**	**(15,106)**	**(45,018)**	**384,108**

Provision for warranty

A provision is recognized for expected warranty claims on construction contracts completed during the last two years, based on past experience of level of repairs and returns. It is expected that the most of this cost will be incurred during the warranty period in the next financial year and all will have been incurred within two years of the balance sheet date. Assumption used to calculate the provision for warranties were based on the company's completion status of contracts and current information available about expenditure more probable to be incurred based on the company's warranty period for contracts completed.

Provision for liquidated damages

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

Provision for litigations

In respect of statutory dues disputed and contested by the Company, contingent liabilities are provided for and disclosed as per original demand without taking into account any interest or penalty that may accrue thereafter. The Company makes a provision when there is a present obligation as a result of a past event where the outflow of economic resources is probable and a reliable estimate of the amount of obligation can be made. Possible future or present obligations that may but will probably not require outflow of resources or where the same cannot be reliably estimated, has been made as a contingent liability in the financial statements.

II. Contingencies

	As at March 31, 2011	As at March 31, 2010
1. Income tax impact on account of non deductibility U/s 80 IA (Refer 'a' below)	241,923	241,923
- Out of the above, Income tax demand contested in appeal (Refer 'b' below)	57,849	57,849
2. Interest U/s 234 on the tax liability referred above (Refer 'c' below)	137,585	108,071
3. Sales tax matters under dispute (Refer 'd' below)	12,981	14,387

a. The Company had been claiming deduction under section 80-IA of the Income tax Act, 1961 from the financial year ended March 31, 2002 as a developer of infrastructure projects in India. The Finance Act 2009 amended the provisions of section 80-IA retrospectively with effect from April 1, 2000 to make it inapplicable to persons having a mere works contract with the Government or Statutory Authority. The Company believes that this amendment is in line with the objective of the Government of incentivizing only a developer of infrastructure facility and not a mere works contractor.

The Company strongly opines that, being a developer of infrastructure carrying out turnkey development contracts starting from the conceptualization to execution assuming significant financial commitment and risks, the Company would be treated as a developer and the amendment would not apply to it. Also based on legal opinion from a Senior Counsel, the Company has filed a writ petition in the High Court of Madras challenging the Constitutional validity of the retrospective amendment.

However, on a conservative basis, the liability on account of possible denial of deduction prospectively from April 1, 2009 has been fully provided as current tax in the respective years.

b. The Company's claim for deduction under Section 80 IA of the Income Tax Act, 1961 for the Assessment Years 2002-03 to 2008-09 has been disallowed by the Income tax authorities in respect of whom the company had preferred an appeal. The claim of the Company has been upheld by CIT (Appeals) for the assessment year 2002-03 to 2005-06. However, the department has gone on appeal and the matter has been referred to the Income Tax Appellate Tribunal (ITAT) for the years 2002-03 to 2004-05. The disputed amount is also included in paragraph 'a' as stated above.

c. The Company, also based on opinion taken from a professional firm believes that interest under Section 234B on account of the 80IA disallowance discussed in paragraph 'a', amounting to Rs. 137,585 thousands as at March 31, 2011 would not be payable as the Jurisdictional High Court rulings are in favor of the company on this aspect and on this basis, the amount of interest has been disclosed as Contingent Liability.

d. The additional liability assessed by sales tax authorities for various assessments years from 2003-04 to 2006-07 amounts to Rs. 12,981.

7. The Company is in the business of execution of Turnkey projects for water management and hence the requirements under Para 3 (ii) (a) and 3 (ii) (b) of Part II of Schedule VI of the Companies Act 1956 are not applicable.

8. CIF value of imports

	Year ended March 31, 2011	Year ended March 31, 2010
CIF value of imports		
Materials	961,346	442,180
	961,346	**442,180**

9. Expenditure in foreign currency

	Year ended March 31, 2011	Year ended March 31, 2010
On overseas contracts	290,441	338,173
Brand usage	–	4,500
Professional Fee	2,664	–
Others	69,269	49,699
	362,374	**392,372**

10. Earnings in foreign exchange

	Year ended March 31, 2011	Year ended March 31, 2010
Income from Operation	617,338	1,457,471
	617,338	**1,457,471**

11. Foreign Currency Exposure

The foreign currency exposures that have not been hedged by a derivative instrument or otherwise as at balance sheet date are given below

Particulars	In USD (in '000s)	In Euro (in '000s)	In OMR (in '000s)	In GBP (in '000s)	In AED (in '000s)	In Rupee equivalent (in '000s)
Sundry Debtors - including retention	4,310	1,583	1,111	–	–	421,421
(Previous year)	(4,171)	(3,771)	(1,800)	–	–	(625,626)
Project related creditors	341	1,874	486	–	4,118	3,106
(Previous year)	(396)	(2,029)	(529)	(14)	(–)	(42,378)

The foreign currency exposure that has been hedged by a derivative instrument or otherwise as at balance sheet date is nil.

12. Aggregate expenses incurred for expenses that have been bifurcated and grouped under different heads are given below

	Year ended March 31, 2011	Year ended March 31, 2010
Professional Charges	94,683	34,978
Travelling and Conveyance	114,076	91,647
Power and Fuel	21,416	15,672
Rates and Taxes	931	2,734
	231,106	**145,031**

13. Prior period adjustments

a. The Company has during the year charged an amount of Rs. 64,495 in current tax, with a corresponding impact on deferred tax asset which pertaining to previous year.

b. Prior period adjustment for 2009-10 comprise of goodwill amounting to Rs. 31,107 and brand usage charges amounting to Rs. 4,000.

14. Auditors' remuneration*

	Year ended March 31, 2011	Year ended March 31, 2010
Audit fees	1,600	1,400
Tax audit fees	200	200
Certification and other services	790	5,100
	2,590	**6,700**

*excluding service tax

15. Share capital

a. During the year, the Company allotted 252,976 equity shares under ESOP scheme at a premium of Rs 84 per share, with a consequential increase in the paid up share capital of the Company by Rs 1265 thousands and share premium by Rs.21,250 thousands.

b. During the year 2009-10, 1,039,629 shares of Rs. 5 each were issued as fully paid bonus shares by capitalization of securities premium amounting to Rs. 5,198 thousands.

c. Pursuant to the approval of shareholders of the Company in an Annual general meeting held on August 02, 2010, the Company has issued, through an IPO 954,198 equity shares of INR 5 each at a premium of Rs. 1,305 aggregating to 1,250,000 thousands. The issue was made in accordance with the terms of the Company's prospectus dated September 30, 2010. Pursuant to the board approval, the shares were subsequently allotted and listed on Bombay Stock Exchange and National Stock Exchange on October 13, 2010.

In accordance with the 'Objects of issue' as detailed in the above referred prospectus, the status of utilization of funds raised through the IPO is detailed below:

Particulars	**Rs. in '000s**
Gross proceed from the IPO	1,250,000
Amount utilized up to March 31, 2011	
Implementation of Global IT system	110,513
Construction of corporate office at Chennai	65,259
General corporate purposes	87,413
Issue related expenses	48,700
Working capital requirements	5,767
Unutilized amount	932,348
The balance of unutilized funds invested in mutual funds and short term deposits with banks	932,348

16. Construction contracts

In terms of the disclosures required to be made under the Accounting Standard (AS) 7 as notified in Section 211 (3C) of the Companies Act, 1956, the amounts considered in the financial statements up to the Balance Sheet date are as follows:

	Year ended March 31, 2011	**Year ended March 31, 2010**
Contract revenue recognized	6,644,440	6,650,197
Aggregate amount of costs incurred and recognized profits and losses for all contracts in progress	19,898,318	14,104,526
Less: Progress billings	20,004,349	14,218,975
	(106,031)	**(114,449)**
Recognised as:		
Due to customers for construction contract work, recognised in current liabilities	(106,031)	(114,449)
	(106,031)	**(114,449)**
Advances received from customers for contracts related to work not yet performed	306,357	542,942
Retention on contracts included within 'sundry debtors'	722,637	598,823

17. Dues to micro, small and medium enterprises:

Information relating to Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, (MSMED Act, 2006), determined based on the information available with the Company are given below:

	As at March 31, 2011	As at March 31, 2010
Principal amount remaining unpaid as on March 31	2,280	687
Interest due thereon as on March 31	–	–
Interest paid by the Company in terms of Section 16 of MSMED Act, 2006, along with the amount of the payment made to the suppliers and service providers beyond the appointed day during the year	–	–
Interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006	–	–
Interest accrued and remaining unpaid as at March 31	–	–
Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act, 2006.	–	–

18. Operating leases

The lease rentals charged for the years ended March 31, 2011 and 2010 and maximum obligations on long-term, non-cancelable operating leases payable as per the rentals stated in the respective agreements are as provided below:

	Year ended March 31, 2011	Year ended March 31, 2010
Lease rentals recognized during the year	29,728	25,781
The total of future minimum lease payments for each of the following periods:		
(i) Not later than one year	29,262	20,722
(ii) Due later than one year and not later than 5 years	18,874	20,630
(iii) Due later than five years	–	–

19. Related party disclosures

a. As per the requirement of Accounting Standards 18, issued by the Companies (Accounting Standard) Rules, 2006, on Related Party Disclosures, the name of the related parties with the description of the relationships and transactions between a reporting enterprise and its related parties, as identified and certified by the management are:

Subsidiary companies	VA TECH WABAG Singapore (Pte) Ltd
	VA TECH WABAG GmbH, Austria
	WABAG Wassertechnik AG, Switzerland
	VA TECH WABAG Deutschland GmbH, Germany
	VA TECH WABAG Brno Spol. s.r.o, Czech Republic
	Engenharia Hidraulica de Macau, Limitada, Macao
	Wabag Water Services (Macao) Limited, Macao

	WABAG Water Services SRL, Romania
	VA TECH WABAG Tunisia S.A.R.L., Tunisia
	VA TECH WABAG (Hong Kong) Limited
	Beijing VA TECH WABAG Water Treatment Technology Company Limited, China
	VA TECH WABAG Algeria S.A.R.L., Algeria
	VA TECH WABAG Tecknolojisi Ve Ticaret Limited, Turkey
	VA TECH WABAG (Gulf) Contracting LLC, Dubai[1]
	VA TECH WABAG Egypt Limited, Egypt
Associates	Winhoek Goreangab Operating Company Limited, Namibia
Key Management Personnel (KMP)	Mr. Rajiv Mittal – Managing Director
	Mr. S Varadarajan – Chief Financial Officer
	Mr. Shiv Narayan Saraf – Executive Director
	Mr. Amit Sengupta – Executive Director
	Mr. Patrick Andrade – Senior Vice President
	Mr. KN Gokhale – Senior Vice President
	Mr. Rahul Jaiswal – President (from 03 May 2010)

b. The following transactions were carried out with related parties

	Subsidiaries		KMP	
	As at March 31, 2011	**As at March 31, 2010**	**As at March 31, 2011**	**As at March 31, 2010**
Engineering services received (costs)	45,959	29,649	–	–
Usage of brand	–	4,500	–	–
Purchase of brand	–	15,500	–	–
Expenses paid	–	33,372	–	–
Reimbursement of software cost	93,810	–	–	–
Investment purchased	25,528	–	–	–
Remuneration	–	–	37,848	31,924

c. Balance at the end of the year

	Subsidiaries		KMP	
	As at March 31, 2011	**As at March 31, 2010**	**As at March 31, 2011**	**As at March 31, 2010**
Investments	79,536	54,008	–	–
Advances/ amount recoverable[3]	96,033	96,602	1,240	1,847
Creditors/ Payables	165,488	20,352	–	-

Notes:

1. The Group has formed joint ventures VA TECH WABAG (Gulf) Contracting L.L.C in December 2007. The group has 49 per cent shareholding but a 100 per cent beneficial interest by way of a shareholders' agreement dated September 11, 2007 entered into with the other equity shareholder wherein it has been agreed that all the assets, liabilities and economic benefits of the joint venture are exclusively on account of the Company. Accordingly, the group controls the composition of its Board of directors and operating

and financial decisions of these entities so as to obtain benefits from its activities. Accordingly, the same is treated as a subsidiary.

2. Refer note 23 for details of Managerial remuneration

3. Loans provided to KMP are interest free except in case of soft furnishing loan carrying an interest rate of 6%.

20. Employee share based plan

Employee share based plan- ESOP 2006 Scheme

In August 2006, the Company adopted the "ESOP 2006" (the "Plan") under which not more than 204,080 shares of the Company's equity shares was reserved for issuance to employees. The Board of Directors determined that the options granted under the Plan would vest not less than one year and not more than five years from the date of grant. The exercise price of options shall be Rs 200 on the grant date. The exercise period of the options is 4 years. According to the Guidance Note on "Share based payments" issued by Institute of Chartered Accountants of India, Rs. 6,055 thousands has been provided during the year as the proportionate cost of these options.

	Number of shares	Weighted average exercise price
Outstanding as at March 31, 2010	297,097	89
Exercised	252,976	89
Lapsed	3,308	89
Outstanding as at March 31, 2011	40,813	89

No additional options were granted during the year ended March 31, 2011. The Company has calculated the employee compensation cost using the intrinsic value of the stock options.

Since the enterprise used the intrinsic value method the impact on the reported net profit and earnings per share by applying the fair value based method is presented below:

	Year ended March 31, 2011	Year ended March 31, 2010
Profit after tax as reported	552,586	409,795
Add: Employee stock compensation under intrinsic value method	6,055	9,316
Less: Employee stock compensation under fair value method (14,672)		(7,336)
Pro-forma profit	551,305	404,440
Earnings Per Share		
Basic		
- As reported	55.78	43.80
- Pro-forma	55.66	43.23
Diluted		
- As reported	55.67	43.07
- Pro-forma	55.54	42.51

Employee share based plan - ESOP 2010 Scheme

In August 2010, the Company adopted the "ESOP 2010" (the "Plan") under which not more than 4,67,831 shares of the Company's equity shares was reserved for issuance to employees. The Board of Directors determined that the options granted under the Plan would vest not less than one year and not more than five years from the date of grant. The exercise price of options shall be Rs 900 on the grant date. The exercise period of the options is 4 years. The company has calculated the value of options using fair value, which is lower than the exercise price.

	Number of shares	Weighted average exercise price
Outstanding as at August 2010	436,929	900
Forfeited	22,332	900
Exercised	Nil	900
Outstanding as at March 31, 2011	414,597	900

21. Employee benefit plan

(a) Gratuity

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

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

	As at March 31, 2011	As at March 31, 2010
Present value of defined benefit obligation as at start of the year	13,447	9,393
Current service cost	2,533	1,940
Past service cost - (vested benefits)	1,728	–
Interest cost	1,005	670
Benefits paid	(800)	(334)
Actuarial (gains)/ losses	2024	1,778
Present value of defined benefit obligation as at end of the year	19,937	13,447
Thereof		
Unfunded	6,559	192
Partly or wholly funded	13,378	13,255

For determination of the liability, the following actuarial assumptions were used:

	As at March 31, 2011	As at March 31, 2010
Discount rate	7.60%	7.70%
Expected rate of return on plan assets	9.00%	9.00%
Expected rate of increase in compensation levels	8.00%	7.50%
Attrition rate	20.00%	15.00%

The changes in the fair value of plan assets are as follows:

	As at March 31, 2011	As at March 31, 2010
Fair value of plan assets as at start of the year	13,255	6,852
Expected return on plan assets	1158	859
Actuarial gains/ (losses)	(235)	161
Contributions by the Group	–	5,717
Benefits paid	(800)	(334)
Fair value of plan assets as at end of the year	13,378	13,255

Net gratuity cost for the year includes the following components:

	Year ended March 31, 2011	Year ended March 31, 2010
Current service cost	2,533	1,940
Interest costs	1,005	670
Expected return on plan assets	(1158)	(859)
Actuarial (gains) losses	235	1,617
Total expense recognised in the income statement	**2,615**	**3,368**

(b) Compensated absences

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

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

	As at March 31, 2011	As at March 31, 2010
Defined benefit obligation as at start of the year	23,072	16,661
Current service cost	2,375	1,786
Interest cost	1,505	1,050
Actuarial (gains)/ losses	12,084	8,129
Benefits paid	(7,044)	(4,554)
Defined benefit obligation as at end of the year	31,992	23,072
Thereof		
Unfunded	31,992	23,072
Partly or wholly funded	–	–

For determination of the liability, the following actuarial assumptions were used:

	As at March 31, 2011	As at March 31, 2010
Discount rate	7.60%	7.70%
Expected rate of salary increases	8.00%	7.50%
Attrition rate	20.00%	15.00%

Net compensated absence cost includes the following components:

	As at March 31, 2011	As at March 31, 2010
Current service cost	2,375	1,786
Interest costs	1,505	1,050
Actuarial (gains) losses	12,084	8,129
Total expense recognised in the income statement	**15,964**	**9,242**

22. Earnings per share (basic and diluted)

	As at March 31, 2011	As at March 31, 2010
Nominal Value of equity shares	5	5
Profit attributable to equity shareholders (A)	552,586	409,795
Weighted average number of equity shares outstanding during the year (B)	9,905,720	9,355,637
Basic earnings per share (A/B)	**55.78**	**43.80**
Dilutive effect on profit (Rs. '000) (C)	–	–
Profit attributable to equity share holders for computing diluted EPS (D) = (A+C)	552,586	409,795
Dilutive effect on weighted average number of equity shares outstanding during the year (E)	21,225	158,941
Weighted average number of equity shares and equity equivalent shares for computing Diluted EPS (F) = (B+E)	9,926,945	9,514,578
Diluted earnings per share (Rs.) (D/F)	**55.67**	**43.07**

23. Managerial remuneration

Remuneration to Managing Director	Year ended March 31, 2011	Year ended March 31, 2010
Salary and bonus*	11,023	14,945
Super annuation fund	360	720
Others	134	95
	11,517	**15,760**

* The amount excludes the Company's contribution/ provision for gratuity and compensated leave cost for the year, which is determined annually for the company as a whole on actuarial basis.

Payment to non-executive directors

	Year ended March 31, 2011	Year ended March 31, 2010
Director's sitting fees	260	356

(a) Computation of Net profit in accordance with Section 349 of the Companies Act, 1956 and the calculation of remuneration payable to Managing Director

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Net profit before tax from ordinary activities	837,908	680,406
Add: Managing Director's remuneration	11,517	15,760
Add: Provision for doubtful advances	(41,182)	132,103
Add: Directors sitting fees	260	356
Add: Loss on sale of fixed assets	28	105
Net profit for the year under Section 349	**808,531**	**828,730**
Maximum amount payable to Managing Director	40,427	41,437

24. Deferred tax asset (net)

The breakup of net deferred tax asset/ (liability) as on March 31, 2011 is as follows:

	As at March 31, 2011	As at March 31, 2010
Deferred tax asset arising on account of:		
Provision for employee benefits, liquidated damages, doubtful debts and losses	119,853	144,271
Other provisions	97,800	30,567
	217,653	**174,838**
Less: Deferred tax liability arising on account of:		
Difference between book and tax written down value of Fixed assets	14,458	1,779
Net deferred tax asset	**203,195**	**173,059**

25. Mutual Funds:

The closing balance of investments in Mutual Funds includes the following:

	As at March 31, 2011		As at March 31, 2010	
Name of the fund	**Units**	**Market Value**	**Units**	**Market Value**
ICICI Prudential Mutual Fund	10,003,664	100,830	–	–
IDFC Cash Fund	11,203,921	112,948	–	–
Principal Mutual Fund	88,00,000	88,543	–	–

26. Segment reporting

The Company operates in a single segment “Construction and maintenance of Water and Waste water treatment plants”. Therefore, the Company’s business does not fall under different business segments as defined by AS-17 ‘Segment Reporting” issued by Companies (Accounting Standards) Rules, 2006.

27. Transfer Pricing

As per the Transfer pricing norms introduced in India with effect from April 1, 2001, the Company is required to use certain specific methods in computing arm’s length price of international transactions between the associated enterprises and maintain prescribed information and documents relating to such transactions. The appropriate method to be adopted will depend on the nature of transactions/class of transactions, class of associated persons, functions performed and other factors, which have been prescribed. The Transfer pricing study for the fiscal year ending March 31, 2011 is in progress and accordingly, the contracts may be amended subsequently and related adjustment, if any, will be quantified upon completion of this study. However, in the opinion of the Management, the outcome of the study will not have material impact on the Company’s results.

On behalf of the Board

Rajiv Mittal
Managing Director

Sumit Chandwani
Director

Place : Chennai
Date : May 26, 2011

S. Varadarajan
Chief Financial Officer

S. Ramasundaram
Company Secretary

Auditors' Report

To

The Board of Directors of VA TECH WABAG Limited

We have audited the attached consolidated balance sheet of **VA TECH WABAG LIMITED** ('the Company'), its subsidiaries and its associates (hereinafter collectively referred to as the 'Group'), as at March 31, 2011 and also the consolidated profit & loss account and the consolidated cash flow statement for the year ended on that date annexed thereto (collectively referred as the 'Consolidated Financial Statements'). These Consolidated Financial Statements are the responsibility of the management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Consolidated Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of certain consolidated entities, whose financial statements reflect total assets of Rs. 5,173,245 thousands as at March 31, 2011, total revenues of Rs. 5,008,050 thousands and cash inflows of Rs. 469,114 thousands for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion in respect thereof is based solely on the reports of such other auditors'.

Without qualifying our opinion, we draw your attention to notes 7(II) (a) and 7(II) (b) of Schedule 18.

Consequent to Section 80-IA, being amended by Finance Act, 2009 denying benefit of deduction under this Section to business in the nature of work contracts, with retrospective effect from April, 2000, the Company based on a legal opinion, believes that this amendment will not impact its eligibility to claim deduction under the said section. Also, based on the legal opinion, the Company has filed a writ petition in the High Court, challenging the constitutional validity of the retrospective amendment.

The ultimate outcome of the matter cannot be presently determined and no provision for any liability that may result has been made in the financial statements by the company for the period from April 1, 2002 to March 31, 2009. However, such liability on account of possible denial of deduction prospectively from April 1, 2009 has been fully provided as current tax in the respective years. Pursuant to this, the estimated tax liability for the period from April 1, 2002 to March 31, 2009 amounting to Rs. 241,923 thousands and interest thereupon from April 1, 2002 to March 31, 2011 amounting to Rs. 137,585 thousands have been disclosed as contingent liabilities as at March 31, 2011.

We report that the Consolidated Financial Statements have been prepared by the management in accordance with the requirements of Accounting Standard 21 on 'Consolidated Financial Statements', Accounting Standard 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements' and Accounting Standard 27 on 'Financial Reporting of Interests in Joint Venture', notified pursuant to the Companies (Accounting Standards) Rules, 2006.

Based on our audit and on consideration of reports of other auditors' on the separate financial statements of certain consolidated entities and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India, in the case of:

a the consolidated balance sheet, of the state of affairs of the Group as at March 31, 2011;

b the consolidated profit & loss account, of the profit of the Group for the year ended on that date; and

c the consolidated cash flow statement, of the cash flows of the Group for the year ended on that date.

For **Walker, Chandiok & Co**
Chartered Accountants
Firm Registration No: 001076N

per **Sumesh ES**
Partner
Membership No. 206931

Place : Chennai
Date : 26 May 2011

Consolidated Balance Sheet as at March 31, 2011

(Rs. in thousands)

Sources of funds	Schedule	As at March 31, 2011	As at March 31, 2010
Shareholders' funds			
Share capital	1	52,819	46,783
Reserves and surplus	2	5,656,753	3,969,434
Loan funds			
Secured loans	3	426,623	391,181
Total		**6,136,194**	**4,407,398**
Application of funds			
Fixed assets			
Gross block	4	993,990	806,872
Less: Depreciation/Amortisation		509,967	407,664
Net block		484,023	399,208
Capital work-in-progress		77,098	58,428
Investments	5	437,022	133,671
Deferred tax asset (net)		216,008	181,014
(Also refer note 17 of schedule 18)			
Current assets, loans and advances			
Inventories	6	736,134	351,157
Sundry debtors	7	7,413,145	6,353,028
Cash and bank balances	8	3,244,720	2,185,133
Other current assets	9	2,539	2,308
Loans and advances	10	1,419,346	1,282,575
		12,815,884	**10,174,201**
Less:			
Current liabilities and provisions			
Liabilities	11	6,427,264	5,378,961
Provisions	12	1,466,577	1,160,163
		7,893,841	**6,539,124**
Net current assets		4,922,043	3,635,077
Total		**6,136,194**	**4,407,398**
Notes to the consolidated financial statements	18		

The schedules referred to above form an integral part of the consolidated financial statements

This is the Consolidated Balance Sheet referred to in our Report of even date

for **Walker, Chandiok & Co**
Chartered Accountants

Per **Sumesh E S**
Partner

Place : Chennai
Date : May 26, 2011

On behalf of the Board of Directors

Rajiv Mittal
Managing Director

Sumit Chandwani
Director

S. Varadarajan
Chief Financial Officer

S. Ramasundaram
Company Secretary

Place : Chennai
Date : May 26, 2011

Consolidated Profit and Loss Account for the year ended March 31, 2011

(Rs. in thousands)

	Schedule	Year ended March 31, 2011	Year ended March 31, 2010
INCOME			
Income from operations		12,329,784	12,237,377
Other income	13	88,449	57,305
		12,418,233	**12,294,682**
EXPENDITURE			
Cost of sales and services	14	8,819,803	8,536,698
Employee costs	15	1,715,530	1,690,172
Selling, general and administrative expenses	16	672,589	896,509
Interest and bank charges (net)	17	147,804	257,190
Depreciation/ amortisation	4	99,754	138,916
		11,455,480	**11,519,485**
Profit before tax, share of profit in associates, exceptional items and prior period adjustments		**962,753**	**775,197**
Prior period adjustments (Refer Note 18 (a) of Schedule 18)		–	(31,107)
Net profit before tax, share of profit in associates and exceptional items		**962,753**	**744,090**
Exceptional items (Refer Note 19 of Schedule 18)		128,584	–
Net profit before tax and share of profit in associates		**834,169**	**744,090**
Provision for income tax			
Current Tax		350,249	358,361
Deferred tax		(34,062)	(54,904)
Net profit before share of profit in associates		**517,982**	**440,633**
Share of profit in Associate		7,729	6,936
Net Profit after tax and share of profit in associates		**525,711**	**447,569**
Add: Balance brought forward from previous year		1,332,082	871,313
Add: Acquisition of Minority interest		–	13,400
Less: Transfer to Reserves		–	(200)
Less: Proposed dividend @ 200% on Equity share capital (Previous year - nil) including dividend tax theron		(123,183)	–
Less: Transfer to Reserves		(55,259)	–
Balance carried to Balance Sheet		**1,679,352**	**1,332,082**
Basic earnings per share		53.07	47.84
Diluted earnings per share (Also refer note 15 of schedule 18)		52.96	47.04
Notes to the consolidated financial statements	18		

The schedules referred to above form an integral part of the consolidated financial statements

This is the Consolidated Profit and Loss Account referred to in our Report of even date

for **Walker, Chandiok & Co**
Chartered Accountants

Per **Sumesh E S**
Partner

Place : Chennai
Date : May 26, 2011

On behalf of the Board of Directors

Rajiv Mittal
Managing Director

Sumit Chandwani
Director

S. Varadarajan
Chief Financial Officer

S. Ramasundaram
Company Secretary

Place : Chennai
Date : May 26, 2011

Consolidated Statement of Cash Flows for the year ended March 31, 2011

(Rs. in thousands)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
A. Cash flow from operating activities		
Net Profit before tax and share of profit in associates	834,169	744,090
Adjustments for:		
Exceptional items	128,584	-
Prior period items	-	31,107
Profit before tax and prior period item	**962,753**	**775,197**
Depreciation and amortization	99,754	138,916
Interest expenses	41,590	41,871
Interest income	(66,891)	(41,792)
Dividend income	(2,317)	(1,400)
(Profit)/loss on sale of fixed assets, net	(704)	(4,069)
Provision for Warranty, liquidated damages and others	9,622	36,437
Provisions for Employee obligations	50,237	42,550
Amortisation of deferred employees compensation	6,055	9,316
Operating profit before working capital changes	**1,100,099**	**997,026**
Adjustments for:		
(Increase)/ decrease in sundry debtors	(1,060,117)	(831,800)
(Increase)/ decrease in loans and advances	(135,856)	(100,600)
(Increase)/ decrease in inventory	(384,977)	174,000
Increase/ (decrease) in sundry creditors	1,048,303	(309,300)
Increase/ (decrease) in provisions	239,065	(283,886)
Cash generated from / (used in) operating activities	**806,517**	**(354,560)**
Exceptional items	(128,584)	-
Direct taxes paid	(406,998)	(204,700)
Net cash generated from / (used in) operating activities	**270,935**	**(559,260)**
B. Cash flow from investing activities		
Purchase of fixed assets (including capital work in progress)	(196,400)	(159,800)
Proceeds on disposal of fixed assets	1,836	5,800
Purchase of investments	(300,000)	(130,100)
Movement in restricted cash	298,095	462,000
Proceeds from sale of investments	-	131,500
Interest received	66,660	41,791
Net cash (used in) / generated from investing activities	**(129,809)**	**351,191**
C. Cash flow from financing activities		
Proceeds from issue of share capital including share premium	1,224,122	4,800
Movement in cash credit and other short term borrowings	40,531	86,900
Proceeds/(repayment) from working capital demand loan	-	(100,000)
Proceeds/(repayment) of secured loan	(5,090)	(3,300)
Interest paid to banks and others	(41,590)	(41,871)
Net cash generated from/ (used in) financing activities	**1,217,973**	**(53,471)**

Consolidated Statement of Cash Flows
for the year ended March 31, 2011 *(Contd.)*

(Rs. in thousands)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010”
D. Net cash flows during the year (A+B+C)	**1,359,100**	**(261,540)**
Effects of foreign currency translation	(1,418)	(144,389)
E. Cash and cash equivalents at the beginning	1,617,033	2,022,962
F. Cash and cash equivalents at the end (D+E)	**2,974,715**	**1,617,033**
Note:		
1. Components of cash and cash equivalents		
Cash in hand	28,397	70,124
Balances with scheduled banks:		
Current accounts	682,396	155,744
Deposit account	845,520	483,146
Balances with non-scheduled banks:		
Current accounts	1,142,857	724,522
Deposit account	545,550	751,597
	3,244,720	**2,185,133**
Less: Margin money and restricted cash	270,005	568,100
Cash and cash equivalents	**2,974,715**	**1,617,033**

This is the Consolidated Cash Flow Statement referred to in our Report of even date

for **Walker, Chandiok & Co**
Chartered Accountants

Per **Sumesh E S**
Partner

Place : Chennai
Date : May 26, 2011

On behalf of the Board of Directors

Rajiv Mittal
Managing Director

Sumit Chandwani
Director

S. Varadarajan
Chief Financial Officer

S. Ramasundaram
Company Secretary

Place : Chennai
Date : May 26, 2011

Schedules Forming Part of Consolidated Financial Statements

(Rs. in thousands)

	As at March 31, 2011	As at March 31, 2010
Schedule - 1		
SHARE CAPITAL		
Authorised		
20,350,000 Equity shares (Previous year: 20,350,000) of Rs. 5 each	101,750	101,750
4,825,000 Preference shares (Previous year: 4,825,000) of Rs. 10 each	48,250	48,250
	150,000	150,000
Issued, Subscribed and Paid up		
10,563,795 Equity shares of Rs.5 each	52,819	46,783
(Previous year: 9,356,621 shares of Rs. 5 each)		
(Also refer note 9 of schedule 18)		
	52,819	46,783
Schedule – 2		
RESERVES AND SURPLUS		
Capital reserve	1,394,803	1,394,803
Share premium		
Balance at the beginning of the year	1,267,084	1,267,237
Add: Received during the year on exercise of employee stock options	21,250	257
Add: Received during the year on issue of equity shares	1,245,228	4,472
Add: Transferred from Employees' stock option outstanding on exercise of options	24,397	316
Less: Utilised for issue of bonus shares	–	(5,198)
Less: Share issue expenses	(48,708)	–
Balance at the end of the year	**2,509,251**	**1,267,084**
Employees' stock option outstanding		
Balance at the beginning of the year	23,402	14,402
Add: Options granted during the year	6,055	9,316
Less: Options exercised during the year	(24,397)	(316)
Less: Options lapsed during the year	(1,124)	
Balance at the end of the year	**3,936**	**23,402**
General reserve		
Balance at the beginning of the year	18,600	18,600
Add: Transfer from Employee Stock Option balance	1,124	–
Add: Transfer on account of Dividend	55,259	
	74,983	**18,600**
Foreign currency translation reserve	(5,572)	(66,537)
Profit and loss account	1,679,352	1,332,082
	5,656,753	**3,969,434**

(Rs. in thousands)

	As at March 31, 2011	As at March 31, 2010
Schedule - 3		
SECURED LOANS		
From Banks		
Term loans *	–	5,090
Cash credit account **	426,623	386,091
	426,623	**391,181**

* The Term Loans availed by a subsidiary is part of funding by Austrian Government for Research & Development for innovative technology projects. These loans carry nominal interest rates and have a maturity period of 5 years

** Cash credit account for the current year are secured against bank guarantee and bank deposit.

Schedule - 4
FIXED ASSETS

(Rs. in thousands)

Description	Gross block					Depreciation/ Amortisation					Net block	
	As at April 01, 2010	Additions	Disposal/ Adjustments	Foreign exchange differences	As at March 31, 2011	Upto April 01, 2010	For the year	On Disposal/ Adjustments	Foreign exchange differences	Upto March 31, 2011	Net Book Value as at March 31, 2011	Net Book Value as at March 31, 2010
Tangible assets												
Freehold land	169,756	–	–	–	169,756	–	–	–	–	–	169,756	169,756
Plant and machinery	34,659	2,951	–	1,767	39,377	24,585	1,521	–	543	26,649	12,728	10,074
Office, leased and other equipments	228,412	30,154	4,811	6,872	260,627	132,532	31,911	4,661	3,976	163,758	96,869	95,880
Vehicles	75,491	17,232	2,570	2,239	92,392	32,316	14,152	1,604	765	45,629	46,763	43,175
Intangible assets												
Goodwill	155,567	–	–	–	155,567	124,413	31,154	–	–	155,567	–	31,154
Software	142,987	127,393	418	6,309	276,271	93,818	21,016	402	3,932	118,364	157,907	49,169
	806,872	**177,730**	**7,799**	**17,187**	**993,990**	**407,664**	**99,754**	**6,667**	**9,216**	**509,967**	**484,023**	**399,208**
Capital work in progress											77,098	58,428
											561,121	**457,636**
Previous Year	786,938	96,644	28,220	(48,490)	806,872	298,384	170,023	24,288	(36,455)	407,664		

Note

* Includes Rs.31,107 (000's) relating to 2008-2009 (Also refer note 18(a) of Schedule 18)

(Rs. in thousands)

	As at March 31, 2011	As at March 31, 2010
Schedule - 5		
INVESTMENTS		
Long term investments - trade, unquoted		
In Associate Companies		
Winhoek Goreangab Operating Company Limited	31,586	25,612
The group holds 33 shares of 1 Namibian dollar each, representing 33% of the Share Capital (Previous year: 33 Shares)		
Investment in Securities#	103,936	106,559
Investment in Mutual Funds	300,000	–
In other companies - trade, unquoted at cost	1,500	1,500
First STP Private Limited		
(150,000 equity shares (Previous year - 150,000) of Rs. 10 each)		
	437,022	**133,671**
#Aggregate market value of investment in securities as on March 31, 2011 is Rs 107,096 (Previous year Rs 103,100)		
Schedule - 6		
INVENTORIES		
Construction work in progress	695,433	312,565
Stores and Spares	40,701	38,592
	736,134	**351,157**
Schedule - 7		
SUNDRY DEBTORS		
(Unsecured considered good unless otherwise stated)		
Outstanding for a period exceeding six months		
Considered good	319,172	688,886
Considered doubtful	148,335	182,825
	467,507	**871,711**
Other debts		
Considered good	7,093,973	5,664,142
Considered doubtful	4,012	18,126
	7,097,985	**5,682,268**
	7,565,492	6,553,979
Less: Provision for doubtful debts	(152,347)	(200,951)
	7,413,145	**6,353,028**

(Rs. in thousands)

	As at March 31, 2011	**As at March 31, 2010**
Schedule - 8		
CASH AND BANK BALANCES		
Cash in hand	28,397	70,124
Balances with scheduled banks in:		
Current accounts	682,396	155,744
Deposit accounts*	845,520	483,146
Balances with non-scheduled banks in:		
Current accounts	1,142,857	724,522
Deposit accounts*	545,550	751,597
	3,244,720	**2,185,133**
* Includes margin money deposits and restricted cash Rs.270,005 (previous year : Rs.568,100)		
Schedule - 9		
OTHER CURRENT ASSETS		
Interest accrued on deposits	2,539	2,308
	2,539	**2,308**
Schedule - 10		
LOANS AND ADVANCES		
(Unsecured considered good, unless otherwise stated)		
Advance Tax (Net of Provision for taxation - 96 (000's) (Previous Year - Nil))	915	–
Advances recoverable in cash or kind for value to be received	1,299,352	1,090,696
Deposits	119,079	191,879
	1,419,346	**1,282,575**
Schedule - 11		
LIABILITIES		
Sundry creditors	5,114,926	3,653,408
Advance from customers	481,202	1,028,053
Unearned revenue	436,690	249,094
Other liabilities	394,446	448,406
	6,427,264	**5,378,961**
Schedule - 12		
PROVISIONS		
Provision for tax (Net of advance tax Rs. 827,008 (000's); previous year Rs.427,499 (000's))	42,752	98,586
Proposed Dividend (including distribution tax)	123,183	-
Provision for warranty, liquidated damages, litigations and others 731,221		929,111
Provision for employee benefits		
- Short Term	155,031	140,184
- Long Term	216,500	190,172
	1,466,577	**1,160,163**

(Rs. in thousands)

	As at March 31, 2011	As at March 31, 2010
Schedule - 13		
OTHER INCOME		
Exchange gains (net)	53,944	–
Income from investments	2,317	2,905
Bad debts recovered	–	32,057
Gain on sale of asset	704	4,069
Miscellaneous income	31,484	18,274
	88,449	**57,305**
Schedule - 14		
COST OF SALES AND SERVICES		
Material, engineering and civil costs	7,279,085	6,297,581
Service costs and other project expenses	1,540,718	2,239,117
	8,819,803	**8,536,698**
Schedule - 15		
EMPLOYEE COSTS		
Salary, wages and bonus	1,420,563	1,347,281
Contribution to provident and other funds	45,612	46,041
Amortisation of deferred employees compensation	6,055	9,316
Other Employee benefits	243,300	287,534
	1,715,530	**1,690,172**
Schedule - 16		
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
Rent	106,674	133,746
Insurance	26,150	28,758
Power and fuel	15,098	16,848
Rates and taxes	27,483	34,430
Repairs and maintenance	90,980	94,576
Professional charges	127,972	99,236
Communication expenses	52,753	47,408
Printing and stationary	16,645	10,829
Traveling and conveyance	131,615	102,023
Exchange losses (Net)	–	49,358
Bad debts and Provision for Bad Debts	(26,977)	193,196
Advertisement	14,600	21,805
Commission	30,931	39,316
Miscellaneous expenses	58,665	24,980
	672,589	**896,509**
Schedule - 17		
INTEREST AND BANK CHARGES, NET		
Interest charges	41,590	41,871
Bank charges	173,105	257,111
Less: Interest and dividend received from banks and others	(66,891)	(41,792)
	147,804	**257,190**

18. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2011

1. General Information

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

2. Company Overview

VA TECH WABAG Limited ('the Company'), its subsidiaries, associates and joint ventures (collectively referred to as 'the Group') is one of the world's leading companies in the water treatment field. The group's principal activities include design, installation, supply and operational management of drinking water and waste water treatment plants.

VA TECH WABAG Limited was part of WABAG worldwide which was in turn, part of Deutshe Babcock and formed the water technology and engineering division of the Company.

In July 2005, VA TECH WABAG worldwide was acquired by Siemens. Soon after in September 2005, the Company had a Management buy out with 20% of the shares with the management team and 60% of the shares with ICICI Ventures.

In November 2007, the Company acquired 100% stake in its erstwhile parent VA TECH WABAG GmbH, Vienna through its wholly owned subsidiary VA TECH WABAG (Singapore) Pte Limited.

Pursuant to an Initial Public offering of its shares, the shares of the Company were listed on October 13th in the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).

3. Summary of accounting policies

a. Basis of accounting

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

b. Basis of Consolidation

The Consolidated financial statements include the financial statements of the Group as listed below. The financial statements of the subsidiary undertakings and associates forming part of these consolidated financial statements are drawn up to March 31, 2011. Subsidiaries are all entities over which the Company has the power to control the financial and operating policies.

The consolidated financial statements are prepared in accordance with the principles and procedures for the preparation and presentation of the consolidated financial statements as laid down under AS 21 Consolidated Financial Statements. In respect of investment in an Associate Company, the principles prescribed under AS 23 - Accounting for Investments in Associates in Consolidated Financial Statements has been adopted in the preparation of these financial statements. All material inter-company transactions and accounts are eliminated on consolidation.

The following subsidiaries and associates have been included in the consolidated financial statements

Subsidiaries	Country of Incorporation	Percentage of Holding
VA TECH WABAG (Singapore) Pte Ltd	Singapore	100
VA TECH WABAG GmbH, Austria	Austria	100

WABAG Wassertechnik AG, Switzerland	Switzerland	100
VA TECH WABAG Deutschland GmbH, Germany	Germany	100
VA TECH WABAG Brno Spol s.r.o, Czech Republic	Czech Republic	100
Engenharia Hidraulica de Macau, Limitada, Macao	Macao	100
Wabag Water Services (Macao) Limited, Macao	Macao	100
WABAG Water Services SRL, Romania	Romania	100
VA TECH WABAG Tunisia S.A.R.L., Tunisia	Tunisia	100
VA TECH WABAG Algeria S.A.R.L., Algeria	Algeria	100
VA TECH WABAG (Gulf) Contracting LLC, Dubai (Also refer note 5 of Schedule 18)	Dubai	49
Beijing VA TECH WABAG Water Treatment Technology Co. Limited	China	100
VA TECH WABAG Tecknolojisi Ve Ticaret Limited	Turkey	100
VA TECH WABAG (Hong Kong) Limited	Hong Kong	100
VA TECH WABAG Egypt Limited	Egypt	100
Associates		
Winhoek Goreangab Operating Company Limited	Namibia	33

The Company has given a Letter of Support dated May 26th, 2011 to one of its step down subsidiaries, VA Tech Wabag GmbH Vienna, Austria ('Wabag Austria') for INR 215,016 thousands (Euro 3.4 million) extendable, if required after review, up to Rs. 411,060 thousands (Euro 6.5 million). The Company agrees to support Wabag Austria to fulfill its obligations to its creditors and financial institutions as and when they fall due in the event Wabag Austria is not in a position to fulfill the obligations out of its own funds. This letter of support is valid until 30 June 2012.

Principles of consolidation:

The Consolidated financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under the accounting standards on Consolidated Financial Statements as specified in the Companies (Accounting Standard) Rules 2006.

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

The financial statements of the parent company and its subsidiary have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transaction and unrealized profits in full. Unrealised losses resulting from intra-group transactions are also eliminated except to the extent recoverable value of related assets is lower than their cost to the Group. The amounts shown in respect of reserves comprise the amount of relevant reserves as per the balance sheet of the parent company and its share in the relevant reserves of the subsidiary.

Amounts reported in the financial statements of the subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss of subsidiaries acquired or disposed of during the year is recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. Minority interests represent the portion of a subsidiary's profit and loss and net assets that is not held by the Group. If losses in a subsidiary applicable to minority interest exceed the minority interest in the subsidiary's equity, the excess is allocated to the majority interest except to the extent that the Minority has a binding obligation and is able to cover the losses.

c. **Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities on the date of the financial statements and the results of operations during the reporting periods. Although these estimates are based upon management's knowledge of current events and actions, actual results could differ from those estimates and revisions, if any, are recognised in the current and future periods.

d. **Fixed assets and depreciation/ amortisation**

Fixed assets are stated at acquisition cost less accumulated depreciation and impairment losses, if any. Cost of acquisition is inclusive of duties, taxes, freight and other directly attributable costs incurred to bring the assets to its working condition for intended use and are net of CENVAT credits as applicable.

Advances paid towards acquisition of fixed assets outstanding at each balance sheet date and cost of fixed assets not ready for their intended use before such date are disclosed as capital work-in-progress.

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

e. **Intangibles**

Goodwill represents the excess of acquisition cost over the carrying amount of the Company's share of the identifiable net assets of the acquiree at the date of acquisition. Goodwill is amortised over 5 years.

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

f. **Borrowing Costs**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to the profit and loss account as incurred.

g. **Impairment of assets**

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost and is accordingly reversed in the profit and loss account.

h. **Investments**

Long-term investments are valued at cost. Provision is made for diminution in value to recognize a decline, if any other than that of temporary in nature. Current investments are valued at lower of cost and fair market value.

i. **Inventory**

Inventory of stores and spares are stated at lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

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

j. **Revenue recognition and receivables**

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

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

Operations and Maintenance

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

Construction contracts

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

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

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

Unbilled revenue on contracts where costs incurred plus recognised profits (less recognised losses) exceeds progress billings, being due from customers for contract work, is presented as an asset for contracts in progress.

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

Interest and dividend income

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

k. **Cost of revenue**

Cost of revenue includes estimated internal development costs, external development charges, construction costs and development/construction materials, which is charged to the profit and loss account based on the percentage of revenue recognised as per accounting policy (j) above, in consonance with the concept of matching costs and revenue. Final adjustment is made on completion of the applicable project. Construction costs include Costs of materials such as steel, cement and payment to construction contractors.

l. **Taxation**

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

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

Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

m. **Foreign currency translations**

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

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

n. **Employee benefits**

Expenses and liabilities in respect of employee benefits are recorded in accordance with Accounting Standard 15 – Employee Benefits issued by the Companies (Accounting Standard) Rules, 2006.

Provident fund

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

Gratuity

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

Compensated absences

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

Superannuation fund

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

Overseas entities

Post employment benefits

- **Defined contribution**

  Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

- **Defined benefit liability**

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

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

o. **Employees stock option plan**

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

p. **Contingent liabilities and provisions**

Depending upon the facts of each case and after due evaluation of legal aspects, claims against the Company not acknowledged as debts are treated as contingent liabilities. In respect of statutory dues disputed and contested by the Company, contingent liabilities are provided for and disclosed as per original demand without taking into account any interest or penalty that may accrue thereafter. The Company makes a provision when there is a present obligation as a result of a past event where the outflow of economic resources is probable and a reliable estimate of the amount of obligation can be made. Possible future or present obligations that may but will probably not require outflow of resources or where the same cannot be reliably estimated, has been made as a contingent liability in the Financial Statements.

q. **Earnings per share**

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

r. **Leases**

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

4. **Capital commitments**

The estimated amounts of contracts to be executed on capital account and not provided for (net of advances) are Rs.77,085 (Previous year – Rs. 2,250).

5. **Investment in joint venture**

The Group has formed a joint venture VA TECH WABAG (Gulf) Contracting L.L.C in December 2007. The group has 49 per cent shareholding but a 100 per cent beneficial interest by way of a shareholders agreement dated September 11, 2007 entered into with the other equity shareholder wherein it has been agreed that all the assets, liabilities and economic benefits of the joint venture are exclusively to the account of the Company. The group therefore controls the composition of its Board of directors, operating and financial decisions of these entities so as to obtain benefits from its activities. Accordingly, this entity has been accounted as a subsidiary.

6. **Guarantees**

Particulars	As at March 31, 2011	As at March 31, 2010
Bank Guarantees/ Letter of Credit issued by the banks on behalf of the Company		
- Bank Guarantee	6,264,150	4,911,100
- Letter of Credit	978,692	374,961

7. **Provisions and Contingencies**

I. Provisions

Particulars	As at April 01, 2010	Additions	Utilisations	Reversals	Foreign Exchange Differences	As at March 31, 2011
Provision for warranty, liquidated damages, litigations and others	731,221	639,839	(193,229)	(276,097)	27,377	929,111
Total	731,221	639,839	(193,229)	(276,097)	27,377	929,111

Particulars	As at April 01, 2009	Additions	Utilisations	Reversals	Foreign Exchange Differences	As at March 31, 2010
Provision for warranty, liquidated damages, litigations and others	742,437	337,005	(181,731)	(118,837)	(47,653)	731,221
Total	742,437	337,005	(181,731)	(118,837)	(47,653)	731,221

Provision for Warranty, liquidated damages, litigations and others

A provision is recognized for expected warranty claims on construction contracts completed during the last two years, based on past experience of level of repairs and returns. It is expected that the most of this cost will be incurred during the warranty period in the next financial year and all will have been incurred within two years of the balance sheet date. Assumption used to calculate the provision for warranties were based on the company's completion status of contracts and current information available about expenditure more probable to be incurred based on the company's warranty period for contracts completed.

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

In respect of statutory dues disputed and contested by the Company, contingent liabilities are provided for and disclosed as per original demand without taking into account any interest or penalty that may accrue thereafter. The Company makes a provision when there is a present obligation as a result of a past event where the outflow of economic resources is probable and a reliable estimate of the amount of obligation can be made. Possible future or present obligations that may but will probably not require outflow of resources or where the same cannot be reliably estimated, has been made as a contingent liability in the financial statements.

II. **Contingencies**

	As at March 31, 2011	As at March 31, 2010
1. Income tax impact on account of non deductibility U/s 80 IA (Refer 'a' below)	241,923	241,923
. - Out of the above, Income tax demand contested in appeal Refer 'b' below)	57,849	57,849
2. Interest U/s 234 on the tax liability referred above (Refer 'c' below)	137,585	108,071
3. Sales tax matters under dispute (Refer 'd' below)	12,981	14,387

a. The Company had been claiming deduction under section 80-IA of the Income tax Act, 1961 from the financial year ended March 31, 2002 as a developer of infrastructure projects in India. The Finance Act 2009 amended the provisions of section 80-IA retrospectively with effect from April 1, 2000 to make it inapplicable to persons having a mere works contract with the Government or Statutory Authority. The Company believes that this amendment is in line with the objective of the Government of incentivizing only a developer of infrastructure facility and not a mere works contractor.

The Company strongly opines that, being a developer of infrastructure carrying out turnkey development contracts starting from the conceptualization to execution assuming significant financial commitment and risks, the Company would be treated as a developer and the amendment would not apply to it. Also based on legal opinion from a Senior Counsel, the Company has filed a writ petition in the High Court of Madras challenging the Constitutional validity of the retrospective amendment.

However, on a conservative basis, the liability on account of possible denial of deduction prospectively from April 1, 2009 has been fully provided as current tax in the respective years.

b. The Company's claim for deduction under Section 80 IA of the Income Tax Act, 1961 for the Assessment Years 2002-03 to 2008-09 has been disallowed by the Income tax authorities in respect of whom the company had preferred an appeal. The claim of the Company has been upheld by CIT (Appeals) for the assessment year 2002-03 to 2005-06. However, the department has gone on appeal and the matter has been referred to the Income Tax Appellate Tribunal (ITAT) for the years 2002-03 to 2004-05. The disputed amount is also included in paragraph 'a' as stated above.

c. The Company, also based on opinion taken from a professional firm believes that interest under Section 234B on account of the 80IA disallowance discussed in paragraph 'a', amounting to Rs. 137,585 thousands as at March 31, 2011 would not be payable as the Jurisdictional High Court rulings are in favor of the company on this aspect and on this basis, the amount of interest has been disclosed as Contingent Liability.

d. The additional liability assessed by sales tax authorities for various assessments years from 2003-04 to 2006-07 amounts to Rs. 12,981.

8. Auditors' remuneration*

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Audit fees	1,600	1,400
Tax audit fees	200	200
Certification and other services	790	5,100
Total	2,590	6,700

*excluding service tax

Auditor's remuneration is included as part of professional charges.

9. Share capital

During the year, the Company allotted 252,976 equity shares under ESOP scheme at a premium of Rs 84 per share, with a consequential increase in the paid up share capital of the Company by Rs 1265 thousands and share premium by Rs.21,250 thousands .

During the year 2009 – 2010, 1,039,629 shares of Rs. 5 each were issued as fully paid bonus shares by capitalization of securities premium amounting to Rs. 5,198 thousands.

Pursuant to the approval of shareholders of the Company in an Extra ordinary general meeting held on August 02, 2010, the Company has issued and allotted, through an IPO 954,198 equity shares of INR 5 each at a premium of Rs. 1,305 aggregating to 1,250,000 thousands. The issue was made in accordance with the terms of the Company's prospectus dated September 30, 2010. The shares of the Company were listed on Bombay Stock Exchange and National Stock Exchange on October 13, 2010.

In accordance with the 'Objects of the issue' as detailed in the above referred prospectus, the status of utilization of funds raised through the IPO is detailed below:

Particulars	Rs. in '000s
Gross proceed from the IPO	1,250,000
Amount utilized up to March 31, 2011	
Implementation of Global IT system	110,513
Construction of corporate office at Chennai	65,259
General corporate purposes	87,413
Issue related expenses	48,700
Working capital requirements	5,767
Unutilized amount	932,348
The balance of unutilized funds invested in mutual funds and short term deposits with banks	932,348

10. Construction contracts

In terms of the disclosures required to be made under the Accounting Standard (AS) 7 as notified in Section 211 (3C) of the Companies Act, 1956, the amounts considered in the financial statements up to the Balance Sheet date are as follows:

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Contract revenue recognised	10,174,313	7,098,890
Aggregate amount of costs incurred and recognised profits and losses for all contracts in progress	23,485,488	17,305,790
Less: Progress billings	22,777,773	15,907,219
	707,715	**1,398,571**
Recognised as:		
Due from customers for construction contract work, recognised in sundry debtors	1,125,494	1,660,129
Due to customers for construction contract work, recognised in current liabilities	(417,779)	(261,558)
	707,715	**1,398,571**
Advances received from customers for contracts related to work not yet performed	481,202	1,028,053
Retention on contracts included within 'sundry debtors'	754,636	634,595

11. Operating leases

The maximum obligations on long-term, operating leases payable as per the rentals stated in the respective agreements are as provided below:

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
The total of future minimum lease payments for each of the following periods:		
(i) Not later than one year	62,010	53,804
(ii) Due later than one year and not later than 5 years	166,331	170,814
(iii) Due later than five years	–	–

12. Related party disclosures

a. As per the requirement of Accounting Standards 18, issued by the Companies (Accounting Standard) Rules, 2006, on Related Party Disclosures, the name of the related parties with the description of the relationships and transactions between a reporting enterprise and its related parties, as identified and certified by the management are:

Key Management Personnel (KMP) Mr. Rajiv Mittal – Managing Director
Mr. S Varadarajan – Chief Financial Officer
Mr. Shiv Narayan Saraf – Executive Director, Management Board
Mr. Amit Sengupta – Executive Director, Management Board
Mr. Patrick Andrade – Vice President
Mr. KN Gokhale – Vice President
Mr. Rahul Jaiswal – President (from 03 May 2010)

The aggregate managerial remuneration payable to the key managerial personnel is:

Particulars	Year ended 31-Mar-2011	Year ended 31-Mar-2010
(a) Remuneration	37,848	31,924

Loans provided to KMP are interest free except in case of soft furnishing loan carrying an interest rate of 6%. (Refer note 16 for details of Managerial remuneration)

13. Employee share based plan

Employee share based plan- ESOP 2006 Scheme

In August 2006, the Company adopted the "ESOP 2006" (the "Plan") under which not more than 204,080 shares of the Company's equity shares was reserved for issuance to employees. The Board of Directors determined that the options granted under the Plan would vest not less than one year and not more than five years from the date of grant. The exercise price of options shall be Rs 200 on the grant date. The exercise period of the options is 4 years. According to the Guidance Note on "Share based payments" issued by Institute of Chartered Accountants of India, Rs. 6,055 thousands has been provided during the year as the proportionate cost of these options.

	Number of shares	Weighted average exercise price
Outstanding as at March 31, 2010	297,097	89
Exercised	252,976	89
Lapsed	3,308	89
Outstanding as at March 31, 2011	40,813	89

No additional options were granted during the year ended March 31, 2011. The Company has calculated the employee compensation cost using the intrinsic value of the stock options.

Since the enterprise used the intrinsic value method the impact on the reported net profit and earnings per share by applying the fair value based method is presented below:

	Year ended March 31, 2011	Year ended March 31, 2010
Profit after tax as reported	525,711	447,569
Add: Employee stock compensation under intrinsic value method	6,055	9,316
Less: Employee stock compensation under fair value method	(7,336)	(14,672)
Pro-forma profit	524,430	442,213
Earnings Per Share		
Basic		
- As reported	53.07	47.84
- Pro-forma	52.94	47.27
Diluted		
- As reported	52.96	47.04
- Pro-forma	52.83	46.48

Employee share based plan- ESOP 2010 Scheme

In August 2010, the Company adopted the "ESOP 2010" (the "Plan") under which not more than 4,67,831 shares of the Company's equity shares was reserved for issuance to employees. The Board of Directors determined that the options granted under the Plan would vest not less than one year and not more than five years from the date of grant. The exercise price of options shall be Rs 900 on the grant date. The exercise period of the options is 4 years. The company has calculated the value of options using fair value, which is lower than the exercise price.

	Number of shares	Weighted average exercise price
Outstanding as at August 2010	436,929	900
Forfeited	22,332	900
Exercised	Nil	900
Outstanding as at March 31, 2011	414,597	900

14. Employee benefit plan

Provision for employee benefits – Long term

The Status of all the plans (for the year ended March 31, 2011 and March 31, 2010) are set out in the following tables.

(For the Year ended March 31, 2011)

Particulars	Gratuity	Compen -sated Absences	Anniver -sary	Severance payment	Pension and other Obligations
Defined Benefit obligation 1 April 2010	13,447	23,072	13,561	117,539	587,588
Current Service Cost	2,533	2,375	748	4,586	13,125
Interest Cost	1,005	1,505	618	5,696	18,696
Actuarial (gain)/Losses	2,024	12,084	(2,798)	(628)	6,412
Benefits paid	(800)	(7,044)	(1,824)	(18027)	18,333
Past service costs	1,728	–	–	–	(10,873)
Effect of Foreign Currency			446	4,763	25,226
Defined Benefit obligation 31 March 2011	**19,937**	**31,992**	**10,752**	**113,929**	**658,507**
Represented by :					
- Unfunded	6,559	31,992	10,752	113,929	53,268
- Partly or Wholly Funded	13,378	–	–	–	605,239
Total	**19,937**	**31,992**	**10,752**	**113,929**	**658,507**
Reconciliation of the Plan Assets					
Fair value of plan assets as at start of the year	13,255	–	–	–	551,704
Expected return on plan assets	1,158	–	–	–	14,794
Actuarial gains/ (losses)	(235)	–	–	–	2,617
Contributions by the Group	–	–	–	–	24,359
Benefits paid	(800)	–	–	–	(18,333)
Effect of Foreign Currency			–	–	30,098
Fair value of plan assets at Year End	**13,378**	**–**	**–**	**–**	**605,239**
Reconciliation of the liability:					
Defined benefit obligation	19,937	31,992	10,752	113,929	658,507
Fair value of plan assets	13,378	–	–	–	(605,239)
Defined benefit plans	6,559	31,992	10,752	113,929	53,268
Classified as:					
Provisions	**6,559**	**31,992**	**10,752**	**113,929**	**53,268**

Particulars	Gratuity	Compen -sated Absences	Anniver -sary	Severance payment	Pension and other Obligations
Expense recognized:					
Current service cost	2,533	2,375	747	4,585	13,125
Interest costs	1,005	1,505	618	5,696	18,696
Expected return on plan assets	(1,158)	–		–	(14,794)
Actuarial (gains) losses	235	12,084	(2,798)	(628)	6,412
Total expense recognized in the income statement	**2,615**	**15,964**	**(1,433)**	**9,653**	**23,438**

Actuarial Assumptions:	
Discount rate	**3.00% - 7.60%**
Expected rate of return on plan assets	**2.00% - 9.00%**
Expected rate of salary increases	**1.00% - 8.00%**
Attrition Rate	**20.00%**

(For the Year Ended March 31, 2010)

Particulars	Gratuity	Compen -sated Absences	Anniver -sary	Severance payment	Pension and other Obligations
Defined Benefit obligation 1 April 2009	9,393	16,661	14,883	123,863	599,110
Current Service Cost	1,940	1,786	878	5,507	10,350
Interest Cost	670	1,050	630	5,846	17,880
Actuarial (gain)/Losses	1,778	8,129	304	3,652	(2,856)
Benefits paid	(334)	(4,554)	(1,295)	(5,394)	(5,661)
Past service costs	–	–	–	–	10,355
Effect of Foreign Currency	–	–	(1,839)	(15,935)	(41,590)
Defined Benefit obligation 31 March 2010	**13,447**	**23,072**	**13,561**	**117,539**	**587,588**
Represented by :					
- Unfunded	192	23,072	13,561	117,539	35,807
- Partly or Wholly Funded	13,255	–	–	–	551,781
Total	**13,447**	**23,072**	**13,561**	**117,539**	**587,588**
Reconciliation of the Plan Assets					
Fair value of plan assets as at start of the year	6,852	–	–	–	562,006
Expected return on plan assets	859	–	–	–	14,135
Actuarial gains/ (losses)	161	–	–	–	(2,342)
Contributions by the Group	5,717	–	–	–	22,687
Benefits paid	(334)	–	–	–	(5,661)
Effect of Foreign Currency	–	–	–	–	(39,045)
Fair value of plan assets at Year End	**13,255**	**–**	**–**	**–**	**551,780**

Particulars	Gratuity	Compen-sated Absences	Anniver-sary	Severance payment	Pension and other Obligations
Reconciliation of the liability:					
Defined benefit obligation	13,447	23,072	13,561	117,539	587,588
Fair value of plan assets	(13,255)	–	–	–	(551,780)
Defined benefit plans	192	23,072	13,561	117,539	35,808
Classified as:					
Provisions	**192**	**23,072**	**13,561**	**117,539**	**35,808**
Expense recognized:					
Current service cost	1,940	1,786	878	5,507	10,350
Interest costs	670	1,050	630	5,846	17,880
Expected return on plan assets	(859)	–	–	–	(14,135)
Actuarial (gains) losses	1,778	8,129	304	3,652	(2,856)
Total expense recognized in the income statement	**3,529**	**10,965**	**1,812**	**15,005**	**11,239**

Actuarial Assumptions:	
Discount rate	3.00% - 7.70%
Expected rate of return on plan assets	2.50% - 9.00%
Expected rate of salary increases	1.00% - 7.50%
Attrition Rate	15.00%

15. **Earnings per share (basic and diluted)**

Particulars	As at March 31, 2011	As at March 31, 2010
Nominal Value of equity shares	5	5
Profit attributable to equity shareholders (A)	525,711	447,569
Weighted average number of equity shares outstanding during the year (B)	9,905,720	9,355,637
Basic earnings per share (A/B)	**53.07**	**47.84**
Dilutive effect on profit (Rs. '000) (C)	-	-
Profit attributable to equity share holders for computing diluted EPS (D) = (A+C)	525,711	447,569
Dilutive effect on weighted average number of equity shares outstanding during the year (E)	21,225	158,941
Weighted average number of equity shares and equity equivalent shares for computing Diluted EPS (F) = (B+E)	9,926,945	9,514,578
Diluted earnings per share (Rs.) (D/F)	**52.96**	**47.04**

16. **Managerial remuneration**

Remuneration to Managing Director	Year ended March 31, 2011	Year ended March 31, 2010
Salary and bonus*	11,023	14,945
Superannuation fund	360	720
Others	134	95
Total	**11,517**	**15,760**

* The amount excludes the Company's contribution/ provision for gratuity and compensated absences for the year, which is determined annually for the company as a whole on actuarial basis.

Payment to non-executive directors

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Director's sitting fees	260	356

17. **Deferred tax asset (net)**

The breakup of net deferred tax asset/ (liability) is as follows:

Particulars	As at March 31, 2011	As at March 31, 2010
Deferred tax asset arising on account of:		
Current assets	257,338	3,101
Liabilities	260,534	180,247
Total Deferred Tax Asset	**517,872**	**183,348**
Less: Deferred tax liability arising on account of:		
Difference between book and tax written down value of Fixed assets	14,458	2,061
Liabilities	288,338	-
Total Deferred Tax Liability	**302,796**	**2,061**
Foreign Exchange fluctuation	932	(273)
Net deferred tax Asset	**216,008**	**181,014**

18. **Prior period adjustments**

Prior period adjustment for 2009 – 10 comprise of goodwill amounting to Rs.31,107

The company has during the year charged an amount of Rs.64,495 in current tax, with a corresponding impact on deferred tax asset pertaining to the previous year.

19. **Exceptional items**

The company has, during the year accounted for Rs.96,780 (Euro 1.6 million) representing the loss on litigations on account of an adverse arbitration in a case between one its overseas subsidiaries, VA Tech Wabag Deutschland GmbH in relation to a project named Constanta which was executed prior to acquisition of the subsidiary by the company.

Further, the company has also accounted for Rs.31,800 (Euro 0.525 million) representing an adverse arbitration decision against one of its subsidiaries, VA Tech Wabag Deuschland GMBH. The case was filed by Societe TPFE in relation to the Project named Mexenna which was executed prior to acquisition of the subsidiary by the company.

20. **Segment reporting**

The Company operates in a single segment "Construction and maintenance of Water and Waste water treatment plants". Therefore, the Company's business does not fall under different business segments as defined by AS-17 'Segment Reporting" issued by Companies (Accounting Standards) Rules, 2006.

On behalf of the Board of Directors

	Rajiv Mittal Managing Director	Sumit Chandwani Director
Place : Chennai Date : May 26, 2011	S. Varadarajan Chief Financial Officer	S. Ramasundaram Company Secretary

Financial Details of Subsidiary Companies for the Year Ended on March 31, 2011

S. No.	Name of the Company	Capital	Reserves	Total Assets	Total Liabilities	Details of Investment (Except in case of Investment in Subsidiary)	Turnover	Profit before Taxation	Provision for Taxation	Profit after Taxation	Proposed Dividend
		Rs.Lakhs	Rs.Lakhs	Rs.Lakhs	Rs.Lakhs	Rs.Lakhs	Rs.Lakhs	Rs.Lakhs	Rs.Lakhs	Rs.Lakhs	Rs.Lakhs
1	VA TECH Wabag(Gulf) Contracting (L.L.C)	36.42	-	39.90	39.90	-	19.78	-	-	-	-
2	VA TECH Wabag (Singapore) Pte. Ltd	802.17	357.01	2,360.42	2,360.42	-	108.07	(13.49)	-	(13.49)	-
3	VA TECH Wabag (Hongkong) Ltd.	480.28	(38.23)	493.88	493.88	-	0.01	(29.95)	-	29.95)	-
4	Beijing VA TECH Wabag Water treatment technology co.ltd	480.38	(324.91)	252.29	252.29	-	-	(340.14)	(45.86)	(294.28)	-
5	VA TECH Wabag GmbH, Vienna	632.40	14,795.23	39,009.18	39,009.18	1,355.22	30,527.59	(685.57)	41.93	(727.50)	-
6	VA TECH WABAG Deutschland GmbH	145.61	18.23	2,991.41	2,991.41	-	414.30	2.01	-	2.01	-
7	VA TECH Wabag Algerie SARL	6.51	(294.04)	4,439.39	4,439.39	-	2,803.94	(379.57)	-	(379.57)	-
8	WABAG Wassertechnik AG	432.57	1,016.98	10,038.94	10,038.94	-	9,749.78	856.27	185.43	670.83	-
9	VA TECH WABAG BRNO spol. S.r.o.	46.88	428.58	4,322.42	4,322.42	-	4,878.41	399.78	2.95	396.83	-
10	VA TECH WABAG Tunisie S.A.R.L.	3.44	194.74	1,356.21	1,356.21	-	1,095.38	1.74	1.04	0.70	-
11	Engenharia Hidraulica de Macao Ltd.	126.55	414.71	1,217.56	1,217.56	-	2,550.47	273.96	31.09	242.87	-
12	Wabag water services (Macao)ltd	1.33	61.16	161.90	161.90	-	406.00	22.97	1.35	21.62	-
13	WABAG Water Services S.R.L.	6.32	789.41	1,996.47	1,996.47	-	5,830.43	554.55	90.71	463.84	-
14	VA TECH Wabag Tecknolojisi Ve Ticaret Limited	14.42	(96.02)	33.41	33.41	-	0.12	(91.87)	-	(91.87)	-
15	VA TECH Wabag Egypt Ltd	28.29	-	-	-	-	-	-	-	-	-

Note : Exchange rate used for Balance sheet items is the rate as on 31st March 2011 and for Profit and Loss account items is the average rate for the Financial Year 2010-11.

Currency	Rate for Balance Sheet items Rs.	Rate for Profit & Loss Account items Rs.
1 Euro	63.24	60.51
1 Singapore dollar	35.93	34.38
1 AED	12.14	12.46
1 HKD	5.82	5.89
1 CNY	6.91	6.82
1 EGP	7.64	-

Global Offices

HEAD QUARTERS

INDIA
VA TECH WABAG Ltd.
#11, Murray's Gate Road
Alwarpet, Chennai 600 018
Tel: +91 44 4223 23 23
Fax: +91 44 4223 2324
E-mail: wabag@wabag.in

EUROPE

HEAD OFFICE Europe

AUSTRIA
VA TECH WABAG GmbH
Dresdner Str. 87-91
1200 Vienna
Austria
Tel: +43 (1) 25105-0
Fax: +43 (1) 25105-130
E-mail: contact@wabag.com

SWITZERLAND
WABAG Wassertechnik AG
Bürglistrasse 31, Postfach
8401 Winterthur
Switzerland
Tel: +41 (52) 262 43 43
Fax: +41 (52) 262 00 73
E-mail: water@wabag.net

CZECH REPUBLIC
VA TECH WABAG Brno spol. s r.o.
Železná 492/16,
619 00 Brno
Czech Republic
Tel: +420 (5) 45 427-710
Fax: +420 (5) 45 427-736
E-mail: wabag@wabag.cz

ROMANIA
WABAG Water Services SRL
Sos. Bucuresti-Ploiesti, Nr. 17,
Etaj 3, Sector 1,
013682 Bucuresti
Romania
Tel: +40 21 203 19 19
Fax: +40 21 202 24 11
E-mail: contact@wabag.com

POLAND
VA TECH WABAG Office Poland
Ul. Dabrowskiego 51/53
42-200 Czestochowa
Poland
Tel: +48 34 368 1717
Fax: +48 34 361 4602
E-mail: biuro@wabag.com.pl

TURKEY
VA TECH WABAG
SU TEKNOLOJİSİ VE TİCARET LİMİTED ŞİRKET
Tekstilkent Koza Plaza Tem Otoyolu Yanı
A Blok Kat:12 No.46
34235 Esenler
İstanbul / Türkiye
Tel: +90 212 438 12 26
Fax: +90 212 438 12 36
E-mail: contact@wabag.com

GERMANY
VA TECH WABAG Deutschland GmbH
Baumeisterallee 13-15
04442 Zwenkau
Germany
Tel: +49 (34203) 43546
Fax: +49 (34203) 43547
E-mail: contact@wabag.com

AFRICA

ALGERIA
VA TECH WABAG Algérie S.A.R.L.
2, Rue Bois des Pins
Kouba-16050 Alger
Algeria
Tel: +213 (21) 68 9315
Fax: +213 (21) 28 2372
E-mail: contact.algeria@wabag.com

TUNISIA
VA TECH WABAG Tunisie S.A.R.L.
13, Rue Taher Memmi
El Menzah VI, 2091 Ariana,
Tunis, Tunisia
Tel: +216 71 750 760-223
Fax: +216 71 750 611
E-mail: contact@wabag.com

EGYPT
VA TECH WABAG Egypt LLC
3, EL MALEK EL AFDAL STREET
2nd FLOOR, FLAT NR. 11
ZAMALEK
Cairo, Egypt
Tel: +202 27 35 34 86
Fax: +202 27 35 34 76
E-mail: wabag@internetegypt.com

LIBYA
VA TECH WABAG Branch Libya
Souk al Guma
11th of June Street / 2nd Ring Road
PO Box 91531
Tripoli, Libya
Tel: +218 21 483 1431/2
Fax: +218 21 282 5711
E-mail: contact@wabag.com

NAMIBIA
WINGOC — Windhoek Goreangab
Operating Company (PTY) Ltd.
Matshitshi Street, Goreangab Ext.3
Windhoek, Namibia
Tel: +264 (0)61 27 2138/27 1742
Fax: +264 (0)61 27 2263
E-mail: contact@wabag.com

NEAR / MIDDLE EAST

IRAN
VA TECH WABAG GmbH
Branch office Iran
Sadr Express way (South of Qeytariyeith Park)
No. 63 Roushanaie Str.
19319 Tehran, Iran
Tel:+98 21 222 30 557
Fax: +98 21 222 03 462
E-mail: wabag.tehranoffice@wabag.com

SAUDI ARABIA
VA TECH WABAG GmbH
Al Mutawa Building
Idg. No. 3535, Office No. 6
Prince Fawaz Bin Abdulaziz Street
Al Rabwa, P.O. Box 13527
Riyadh 11414
Kingdom of Saudi Arabia
Tel.: +966 1 472 7345
Fax: +966 1 472 6925
E-mail: contact@wabag.com

OMAN
VA TECH WABAG Muscat LLC
Flat No. 32, Building No. P/22,
Azaiba, Muscat
Sultanate of Oman
PO Box 997, Postal Code 116
Tel.: + 968 2461 3320
Fax: + 968 2461 3321
E-mail: contact@wabag.com

UAE
VA TECH WABAG (Gulf)
General Contracting LLC.
PO Box 122598
Dubai, UAE
E-mail: wabag@wabag.in

ASIA

SINGAPORE
VA TECH WABAG (Singapore) PTE i
55 MARKET STREET
#08-01
SINGAPORE (048941)
E-mail: wabag@wabag.in

CHINA
VA TECH WABAG (Hong Kong) Limited
Room 1704, 17/F., Jubilee Centre,
18 Fenwick Street, Wan Chai,
Hong Kong
E-mail: wabag@wabag.in

Beijing VA TECH WABAG
Water Treatment Technology Co., Ltd.
Rm. 1113, Tower B, Fulllink Plaza, No. 18
Chaoyangmenwai Street
Chaoyang District
100020 Beijing
P.R. China
Tel: +86 10 6588 6300
Fax: +86 10 6588 5100
E-mail: contact@wabag.cn

Macao
WABAG Water Services (Macao) Ltd.
Coloane E.T.A.R.
Estrada Seac Pai Van, S/N
Etar de Coloane, R/C Coloane
Macao
Tel: 00853 28882080
E-mail: wabag@macau.ctm.net

Macau
EHdML
Engenharia Hidraulica de Macau Limitada
Estaca de Tratemento de Aguas Residuais de Macau
Avenida Primeiro de Maio
Aterro da Areia Preta, Macao
Tel: +853 28 761 586/587
Fax: +853 28 761 578
E-mail: ehdml@macau.ctm.net

INDONESIA
VA TECH WABAG Indonesia
Representative Office Jakarta
A-403 Menera Kondiminum
J1 Terusan Gading Timur Boulevard No. 88
Kelapa Gading, Jakarta,
Indonesia
Tel: + 62 21 46835715
Fax: + 62 21 46835715
E-mail: wabag@wabag.in

VIETNAM
VA TECH WABAG GmbH
Office Hanoi
Room 1005, HAREC Building,
04 Lang Ha Street, Ba Dinh District
Hanoi, Vietnam
Tel: +84 4 772 4901
Fax: +84 4 7724903
E-mail: contact@wabag.com

PHILIPPINES
VA TECH WABAG (PHILIPPINES) INC.
Unit 1005, 10th Floor
Security Bank Centre
6776 Ayala Avenue, Condominium
Makati City, Philippines
E-mail: wabag@wabag.in

VA TECH WABAG Limited
11, Murray‘s Gate Road
Alwarpet, Chennai 600 018
India

T +91 – (0)44 - 4223 2323
F +91 – (0)44 - 4223 2324
www.wabag.com

WABAG

VA TECH WABAG LIMITED

Registered Office: 11, Murray's Gate Road, Alwarpet, Chennai – 600018.

NOTICE

The SIXTEENTH ANNUAL GENERAL MEETING OF VA TECH WABAG LIMITED will be held at Rani Seethai Hall, 603, Anna Salai, Chennai – 600 006 on Friday, the 15th July 2011 at 10.30 A.M. to transact the following business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2011, the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare dividend on Ordinary (Equity) Shares.
3. To appoint a Director in place of Mr. Bhagwan Dass Narang who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Jaithirth Rao who retires by rotation, and being eligible, offers himself for re-appointment.
5. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an **Ordinary Resolution:**

   "**RESOLVED** that pursuant to section 224 of the Companies Act, 1956, Messrs. Walker Chandiok & Co., Chartered Accountants, Chennai, bearing ICAI Registration Number 001076N, the retiring Auditors of the Company, be re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting, until the conclusion of the next Annual General Meeting of the Company on a remuneration to be determined by the Board in addition to reimbursement of out of pocket expenses as may be incurred by them during the course of the Audit."

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an **Ordinary Resolution:**

   "RESOLVED that Mr. Sumit Chandwani who was appointed by the Board of Directors as an Additional Director of the company with effect from 1st June, 2011 and who holds office up to the date of this Annual General Meeting of the company in terms of Section 260 of the Companies Act, 1956 ("Act") and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Act proposing his candidature for the office of Director of the Company, be and is hereby appointed a Director of the Company, liable to retire by rotation".

7. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a **Special Resolution:**

   "**RESOLVED** that pursuant to the provisions of sections 198, 309 and other applicable provisions of the Companies Act, 1956, and Article 104 of the Articles of Association of the Company, such sum by way of commission, not exceeding in the aggregate 1% (one percent) per annum or such other percentage as may be specified by the Companies Act, 1956, from time to time in this regard, of Net Profits of the Company computed in the manner referred to in Section 309(5) of the Companies Act, 1956 be paid for each of the five financial years of the Company commencing from 1st April 2011, to those Directors of the Company, other than the Managing Director, Executive Director and Whole-Time Directors, and distributed amongst themselves in such proportions as they may from time to time decide between themselves."

8. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a **Special Resolution**:

   "**RESOLVED** that pursuant to the provisions of sections 198, 269, 309, 310, 311 and all other applicable provisions of the Companies Act, 1956 ("the Act") (including any statutory modification or re-enactment thereof for the time being in force) read with Schedule XIII of the Act and subject to approval of the Central Government, if necessary, and such other approvals, permissions and sanctions, as may be required, and subject to such conditions and modifications, as may be prescribed or imposed by any of the authorities in granting such approvals, permissions and sanctions, approval of the Company be accorded to the re-appointment of Mr. Rajiv Mittal as the Managing Director of the Company with effect from 1st October 2010 and revision in remuneration payable to him with effect from 1st April, 2011 for the remainder of his term of office i.e upto 30th September 2015 as follows:

   Managing Director

   Mr. Rajiv Mittal

   Basic Salary of Rs. 6,25,000 per month.

   FURTHER RESOLVED that the perquisites (including allowances) payable or allowable and other benefits to Mr. Rajiv Mittal, Managing Director be as follows:

   Perquisites:

   i) Additional Allowance :
      Rs. 1,25,000 per month.
   ii) HRA /Company Leased Accommodation :
      Rs. 3,12,500 per month.
   iii) Medical Expenses Reimbursement :
      Expenses incurred for the Managing Director and his family as per the Company's Rules.

iv) Life Insurance/ Personal Accident Insurance :
Premium as per the Company's Rules.

v) Leave Travel Concession :
For the Managing Director and his family in accordance with the Company's Rules.

vi) Performance Pay :
Not exceeding Rs. 50,00,000 per annum as per the Company's Rules.

vii) Encashment of leave, Contribution to various statutory Funds, Provision of car and telephone at the Managing Director's residence for his use, other amenities and benefits:

As per the Company's Rules.

FURTHER RESOLVED that the remuneration payable to the Managing Director by way of salary, perquisites and other allowances and benefits does not exceed the limits laid down in sections 198 and 309 of the Act, including any statutory modifications or re-enactment thereof.

FURTHER RESOLVED that where in any financial year during the currency of the tenure of the Managing Director, the Company has no profits or its profits are inadequate, the Company may pay to the Managing Director for a period of three years from the effective date of revision of his remuneration, the above remuneration as the minimum remuneration by way of salary, perquisites and other allowances and benefits as specified above subject to receipt of the requisite approvals, if any.

FURTHER RESOLVED that for the purpose of giving effect to this Resolution, the Board of Directors of the Company (hereinafter referred to as the 'Board' which term shall be deemed to include any duly authorised Committee thereof, for the time being exercising the powers conferred on the Board by this Resolution) be authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, proper or desirable and to settle any questions, difficulties or doubts that may arise in this regard and further to execute all necessary documents, applications, returns and writings as may be necessary, proper, desirable or expedient."

9. To consider and if thought fit to pass with or without modification(s), the following Resolution as a **Special Resolution**:

"**RESOLVED** that in furtherance of and supplemental to the Special Resolution under Item No. 1 passed by the Shareholders at the Extra Ordinary General Meeting of the Company held on 19th July, 2010 and in accordance with the provisions of the Articles of Association of the Company, Sections 79A, 81 and all other applicable provisions of the Companies Act, 1956 ("the Act") including any amendments thereto or statutory modification(s) or re-enactment of the Act for the time being in force and the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 including any modifications thereof or supplements thereto ("the Guidelines") and subject to such approvals, consents, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, consents, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee constituted or to be constituted by the Board as the (Remuneration/ Compensation Committee), the Employees' Stock Option Scheme 2010 ("ESOP 2010") formulated prior to the Initial Public Offering (IPO) of the Company by the Board of Directors/ Remuneration/ Compensation Committee ("the Committee") pursuant to the authority of the Shareholders granted vide Resolutions passed at its Extra Ordinary General Meeting held on 19th July, 2010 be and is hereby ratified.

FURTHER RESOLVED that the maximum number of stock options that can be granted under the scheme, to non-executive directors, including independent directors, in any financial year and in aggregate shall collectively not exceed such number of Options as would entitle such Directors to subscribe to shares not more than 1% of the total Paid-up Equity Share Capital as on 31st March 2010.

FURTHER RESOLVED that the Board be and is hereby authorized to issue and allot Equity shares to the employees upon exercise of options from time to time in accordance with the employee stock option scheme and such Equity shares shall rank *pari passu* in all respects with the then existing Equity Shares of the Company.

FURTHER RESOLVED that for the purpose of creating, offering, issuing, allotting and listing of the Securities, and/or for the purpose of complying with any Guidelines or Regulations that may be issued from time to time, by any appropriate authority, the Board be authorised on behalf of the Company to make any modifications, changes, variations, alterations or revisions in the Scheme from time to time or to suspend, withdraw or revive the Scheme from time to time provided such variation, modification or alteration is not detrimental to the interests of the Employees/Directors.

FURTHER RESOLVED that for the purpose of giving effect to this Resolution the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary for such purpose and with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in this regard without requiring to secure any further consent or approval of the Shareholders of the Company."

10. To consider and if thought fit to pass with or without modification(s), the following Resolution as an **Ordinary Resolution**:

"**RESOLVED** that pursuant to the provisions of Section 94 and other applicable provisions, if any of the Companies Act, 1956, and the provisions of the Memorandum and Articles of Association of the Company and subject to the approval(s), consent(s), permission(s) and sanction(s) as may be necessary from the concerned Statutory Authority(ies), each Ordinary (Equity) Share of the Company having a face value of Rs. 5 each fully paid-up be sub-divided into Ordinary (Equity) Shares of the face value of Rs. 2 each fully paid-up.

FURTHER RESOLVED that fractional entitlements, if any, arising out of the sub-division of equity shares, as resolved above, be vested in a special account held by Mr. Bhagwan Dass Narang, Chairman and Independent Director of the Company, who be and is hereby authorized to act as "Trustee" for this purpose, and these entitlements be dealt by the Trustee in the best interest of the Members.

FURTHER RESOLVED that the Board of Directors if need be, to give effect to the above sub division of shares be and is hereby authorized to carry out such adjustments as may be necessary and permitted by law and to settle any practical difficulties arising out of the above and that the Board's decision shall be final and binding on all members and other interested persons.

FURTHER RESOLVED that upon sub-division of Equity Shares as aforesaid, the existing Share Certificate(s) in relation to the existing Equity Shares of the face value of Rs.5 each held in physical form shall be deemed to have been automatically cancelled and be of no effect on and from the Record Date to be determined by the Board (which expression shall include a Committee thereof) and the Company may, without requiring the surrender of the existing Share Certificate (s), directly issue and dispatch the new Share Certificate(s) of the Company, in lieu of such existing Share Certificate(s) subject to the provisions of the Companies (Issue of Share Certificate) Rules, 1960 and in the case of Shares held in the dematerialised form, the number of sub-divided Equity Shares be credited to the respective beneficiary accounts of the Shareholders with the Depository Participants, in lieu of the existing credits representing the Equity Shares of the Company before sub-division as on record date.

FURTHER RESOLVED that in partial modification of the Special Resolutions passed at the Extraordinary General Meetings held on 3rd August, 2006 and 19th July 2010 in connection with the Employees Stock Option Schemes, the ESOP Scheme 2006 and the ESOP Scheme 2010 respectively, consent and approval of the shareholders be and is hereby accorded to the Board for carrying out such adjustments as may be necessary to give effect of the sub-division, in the number and/or price of the options to the eligible employees under and pursuant to the ESOP Scheme 2006 and the ESOP Scheme 2010.

FURTHER RESOLVED that the Board of Directors of the Company (which expression shall also include a Committee thereof) be authorized to take such steps as may be necessary for obtaining approvals, statutory, contractual or otherwise, in relation to the above and to settle all matters arising out of and incidental thereto, and to execute all deeds, applications, documents and writings that may be required, on behalf of the Company and generally to do all acts, deeds, matters and things that may be necessary, proper, expedient or incidental for the purpose of giving effect to this Resolution."

11. To consider and if thought fit to pass with or without modification(s), the following Resolution as an **Ordinary Resolution**:

"**RESOLVED** that pursuant to Section 16 and all other applicable provisions, if any, of the Companies Act, 1956, Clause V of the Memorandum of Association of the Company be altered by substituting in its place and stead the following:

V. The authorized share capital of the company is Rs.15,00,00,000/- (Rupees Fifteen Crores only) which shall consist of 5,08,75,000 Ordinary (Equity) Shares of Rs. 2/- (Rupees Two only) each and 48,25,000 Preference Shares of Rs. 10/- (Rupees Ten) each with such ordinary preferential or deferred rights, privileges and other conditions attaching thereto as may be provided by the regulations of the Company for the time being in force and operation with power to increase or reduce the capital of the Company and to divide the shares in the capital for the time being original or increased into different classes and to consolidate or sub-divide such Shares and to convert Shares into Stock and reconvert the Stock into Shares and to attach to such Shares or Stock such ordinary preferential or deferred rights, privileges and other conditions as may be provided by the regulations of the Company for the time being in force and operation."

Notes:

A. Explanatory Statement as required under section 173(2) of the Companies Act, 1956 in respect of item Nos. 6 to 11 is annexed hereto and forms part of the Notice.

B. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

C. Members / Proxies should bring the Attendance Slip duly filled in for attending the Meeting.

D. The Company's Registrar and Share Transfer Agents for its Share Registry Work (Physical and Electronic) are Karvy Computershare Private Limited having their office premises at Plot No. 17 to 24, Vithalrao Nagar, Madhapur, Hyderabad - 500 081, Andhra Pradesh, India.

E. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, July 2, 2011 to Friday, July 15, 2011 (both days inclusive) for the purpose of payment of dividend.

F. The dividend as recommended by the Board, if approved at the Annual General Meeting, will be paid on or after 15th July, 2011 but before 22nd July, 2011 to those persons or their mandates:

(a) whose names appear as Beneficial Owners as at the end of the business hours on 1st July, 2011 in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic form; and

(b) whose names appear as Members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company/its Registrar and Share Transfer Agents on or before 1st July 2011.

G. Members can avail of the facility of nomination in respect of shares held by them in physical form pursuant to the provisions of section 109A of the Companies Act, 1956.

Members desiring to avail this facility may send their nomination in the prescribed Form No.2B duly filled in to Karvy Computershare Private Limited at the above mentioned address. Members holding shares in electronic form may contact their respective Depository Participant for availing this facility.

H. The Securities & Exchange Board of India (SEBI) has made it mandatory for all Companies to use the bank account details furnished by the Depositories for crediting dividend. The Company has made arrangements for crediting the dividend through National Electronic Clearing Services (NECS) / Electronic Clearing Services (ECS) to investors where NECS / ECS facility is available. Members holding shares in electronic form, are requested to therefore, give details regarding bank accounts in which they wish to receive dividend, through their Depository Participants (DPs). Members holding shares in physical form and desirous of availing the NECS/ECS facility, are requested to update their bank details and send it to the Company's Registrar and Share Transfer Agents, M/s. Karvy Computershare Private Limited directly.

I. In order to provide protection against fraudulent encashment of the dividend warrants, Members holding Equity Shares in physical form, are requested to intimate the Registrar & Share Transfer Agents, M/s. Karvy Computershare Private Limited, by a duly signed letter by all the holders, the following information required to be printed on the dividend warrants:

   i) Name of Sole/Joint holders and their respective Folio Numbers

   ii) Particulars of Bank Account, viz.

      (a) Name of the Bank and Branch alongwith complete address of the Bank with Pin Code Number.

      (b) Account type, whether Savings (SB) or Current Account (CA) and Account number allotted by the Bank.

J. The Members are requested to:

   (a) Intimate change in their registered address, if any, to the Company's Registrar and Share Transfer Agents, M/s. Karvy Computershare Private Limited, Plot Nos. 17-24, Vittalrao Nagar, Madhapur, Hyderabad - 500081 in respect of their holdings in physical form.

   (b) Notify immediately any change in their registered address to their Depository Participants in respect of their holdings in electronic form.

   (c) Non-Resident Indian Members are requested to inform M/s. Karvy Computershare Private Limited immediately of the change in residential status on return to India for permanent settlement.

   (d) Register their email address and changes therein from time to time with M/s. Karvy Computershare Private Limited. for shares held in physical form and with their respective Depository Participants for shares held in demat form.

   (e) Quote their folio numbers / Client ID / DP ID in all correspondence;

   (f) Consolidate their holdings into one folio in case they hold shares under multiple folios in the identical order of names.

K. Appointment / Re-appointment of Directors

Mr. Bhagwan Dass Narang holds 50% of the share capital of Shri Venimadhav Portfolio Private Limited, which in turn held 7148 Ordinary (Equity) shares of the Company as on 31st March 2011. Mr. Jaithirth Rao held 80,408 Ordinary (Equity) Shares in the Company as on 31st March 2011. Mr. Sumit Chandwani does not hold any Ordinary (Equity) Shares in the Company.

None of the Directors of the Company are inter-se related to each other.

In respect of the information to be provided under Clause 49 (IV) (G) of the Listing Agreement pertaining to the Directors being appointed / re-appointed, Members are requested to kindly refer the Chapter on Corporate Governance in the Annual Report.

L. Corporate Members intending to send their authorized representatives are requested to send duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the ensuing Annual General Meeting so as to reach the Company on or before July 13, 2011.

M. The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/documents including Annual Report can be sent by e-mail to its members.

Accordingly, as communicated to all members vide a letter dated 15th May 2011, the Company proposes to send Notices, Annual Report and such other documents to those Members who have registered their email address via electronic mode/ e-mail unless otherwise intimated by the members to the Company's Registrar & Share Transfer Agents their desire to receive the aforesaid documents in physical form.

Members who have not yet registered their email addreses are requested to register their e-mail address(es) and changes therein from time to time, by directly sending the relevant email address alongwith details of name, address, Folio No., shares held:

   i) To the Registrars and Share Transfer Agents, M/s. Karvy Computershare Private Limited for shares held in physical form and;

   ii) In respect of shares held in demat mode, also provide DP ID/Client ID with the above details and register the same with their respective Depository Participants.

By order of the Board
For VA Tech Wabag Limited

S Ramasundaram
Company Secretary

Registered Office:

11, Murray's Gate Road,
Alwarpet, Chennai – 600 018.
email: companysecretary@wabag.in

31st May 2011

Annexure to the Notice

Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956

Item No. 6

Mr. Sumit Chandwani, Nominee Director appointed by ICICI Venture Funds Management Company Limited resigned from the Board as a Nominee Director with effect from 31st May 2011. The Board of Directors vide a circular resolution passed on 31st May 2011 accepted his resignation as a Nominee Director. Further, the Board of Directors on the same day appointed Mr. Sumit Chandwani as an Additional Director on the Board with effect from 1st June 2011. Mr. Sumit Chandwani holds office upto the date of the forthcoming Annual General Meeting of the Company.

The Company has received a notice from a member under Section 257 of the Companies Act, 1956 signifying his intention to propose Mr. Sumit Chandwani as a candidate for the office of Director of the Company at the forthcoming Annual General Meeting.

The Directors are of the view that Mr. Sumit Chandwani's appointment, considering his long association with the Company and expertise in understanding the various business verticals and guidance on complex contracts will be beneficial to the growth of the Company.

Your Directors recommend passing the Resolution at item no. 6 of the Notice as an Ordinary Resolution.

Mr. Sumit Chandwani is interested in the Resolution as it relates to his apoointment.

None of the other Directors is concerned or interested in the Resolution.

Item No. 7

The Directors guide the policies and supervise the affairs and the working of the Company. Various Statutes and Rules have cast enormous duties, responsibilities and liabilities on the Directors. In the light of services rendered and the responsibilities shouldered by the Non-executive Directors for the business of the Company and considering the remuneration drawn by Non-executive Directors in other companies / industries, it is considered desirable that they be paid remuneration up to the limits laid down in Section 309(4) and other provisions contained in the Companies Act, 1956.

Revised Clause 49 of the Listing Agreement as well as the provisions of the Companies Act, 1956 require that compensation payable to Non-executive Directors, including the Independent Directors shall be fixed by the Board of Directors and shall require previous approval of Members in general meeting and of the Central Government as may be necessary.

Article No. 104 of the Articles of Association of the Company, entitles the Board of Directors for remunerating the Directors either by a fixed sum, or by a percentage of profits or otherwise and such remuneration may be either in addition to or in substitution for any other remuneration to which they may be entitled.

Presently the Company pays sitting fees of Rs. 20,000 to the Non-executive Directors of the Company for attending each meeting of the Board of Directors and the various Committees of the Board. No sitting fee is paid to the Managing Director.

It is now proposed subject to requisite approvals, to authorize the payment of commission upto one per cent per annum of the net profits of the Company of that financial year to the Non Executive Directors of the Company, for each of five years commencing from 1st April, 2011. Such commission may be distributed amongst themselves in such proportions as they may from time to time decide between themselves.

Your Directors recommend passing the Resolution at item no. 7 of the Notice as a Special Resolution.

The Non Executive Directors may be deemed to be concerned or interested in this resolution to the extent of commission that may be payable to them from time to time.

Item No. 8

The tenure of appointment of Mr. Rajiv Mittal as the Managing Director of the Company expired on 30th September 2010. The Board of Directors of the Company at their meeting held on 16th September 2010 re-appointed Mr. Rajiv Mittal as the Managing Director of the Company for a period of 5 years with effect from 1st October 2010 subject to the approval of the shareholders on the same terms and conditions. In view of the contribution of Mr. Rajiv Mittal in the Company's performance, the Board of Directors at their meeting held on 26th May 2011, has pursuant to the approval of the Remuneration/ Compensation Committee and subject to the approval of Members, approved the revision in remuneration payable to Mr. Rajiv Mittal, Managing Director with effect from 1st April 2011, for the remainder of his term of office i.e., upto 31st September 2015, in line with the current market trends to provide a stimulus to Mr. Rajiv Mittal's efforts in leading the Company to achieve greater heights.

The Remuneration / Compensation Committee was also of the unanimous view that the above revision is justified considering his vast experience and strong ability to lead and expand the business initiatives of the Company.

The other terms of remuneration payable to Mr. Rajiv Mittal, Managing Director is set out in the Special Resolution under Item No.8.

Pursuant to the provisions of Sections 198,269,309,310,311 and all other applicable provisions of the Companies Act, 1956 ("the Act"), including Schedule XIII to the Act, the re-appointment of Mr. Rajiv Mittal as the Managing Director of the Company with effect from 1st October 2010 and revision in remuneration payable to him with effect from 1st April, 2011 for the remainder of his term of office i.e upto 30th September 2015 is now placed before the Members for their approval.

The members may note that in compliance with the requirements of Section 302 of the Companies Act, 1956, an abstract of the terms of Mr. Rajiv Mittal's revised remuneration payable together with the Memorandum of Concern or Interest was sent to all Members on 13th June 2011.

Your Directors recommend the Resolution under Item No.8 as a Special Resolution for approval of the Members.

Mr. Rajiv Mittal, is interested in the Resolution as it relates to his appointment and revision in remuneration. None of the other Directors is concerned or interested in this item of business.

The following additional information as required by Schedule XIII to the Act is given below:

I. General Information:

i) **Nature of Industry:**

The Company is engaged in turnkey execution of Water & Waste Water Treatment Plants.

ii) **Date or expected date of commencement of commercial production:**

The Company was incorporated on February 17, 1995.

iii) **In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:**

Not Applicable.

iv) **Financial performance based on given indicators - as per audited financial results for the year ended 31st March, 2011:**

Particulars	(Rupees in crores)
Turnover & Other Income	734
Net profit as per Profit & Loss A/c (After Tax)	55
Profit as computed under section 309(5) read with Section 198 of the Act	81
Net Worth	409

v) **Export performance and net foreign exchange collaborations:**

The Company's earnings in foreign exchange were Rs.62 Crs for the financial year ended 31st March, 2011. The Company has no foreign exchange earnings or outgo in relation to any foreign collaborations.

vi) **Foreign investments or collaborators, if any:**

Nil

II. Information about the appointee(s):

i) **Background details:**

Rajiv Mittal has been the Managing Director of our Company since September 27, 2000. He is a British national, resident in India and holds a Person of Indian Origin card. He is a graduate in chemical engineering from the University of Bombay. He has previously worked with Wabag Water Engineering Limited, UK as a deputy director (International Sales). He has over 27 years of experience in the water industry.

ii) **Past remuneration during the financial year ended 31st March, 2011:**

Mr. Rajiv Mittal was re-appointed as the Managing Director of the Company by the Board of Directors on 16th September, 2010 for a period of 5 years with effect from 1st October 2010. Prior to his re-appointment Mr. Rajiv Mittal's remuneration is as under

Name of the Managing Director	Amount (Rs. in Crores)
Mr. Rajiv Mittal	1.15

iii) **Recognition or Awards:**

Finalist - E & Y Entrepreneur of the year - 2010

iv) **Job Profile and their suitability:**

Mr. Rajiv Mittal is responsible for the operations and the affairs of the Company. Taking into consideration his qualifications and expertise in the relevant field, the Managing Director is best suited for the responsibilities assigned to him by the Board of Directors.

v) **Remuneration proposed:**

Managing Director

Mr. Rajiv Mittal

Basic Salary of Rs. 6,25,000 per month and other perquisites and allowances as fully set out in the notice.

vi) **Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin):**

Taking into consideration the size of the Company, the profile of Mr. Rajiv Mittal, the responsibilities shouldered by him and the industry benchmarks, the remuneration proposed to be paid is commensurate with the remuneration packages paid to similar senior level counterpart(s) in other companies.

vii) **Pecuniary relationship(s) directly or indirectly with the Company, or relationship with the managerial personnel, if any:**

The Managing Director is one of the Promoters of the Company. He does not have pecuniary relationship with any other managerial personnel of the Company.

III. Other Information:

i) **Reasons of loss or inadequate profits:**

Not applicable, as the Company has posted a net profit after tax of Rs. 55 crores during the year ended 31st March, 2011.

ii) **Steps taken or proposed to be taken for improvement and expected increase in productivity and profits in measurable terms:**

The Company posted a profit of Rs. 55 crores for the year ended 31st March, 2011. The company continuously strives to improve its performance and profitability through various strategic initiatives to maximize the stakeholders' wealth.

Item No.9

Pursuant to the authority of the Members granted at the Extra-Ordinary General Meeting of VA Tech Wabag Limited ("the Company") held on 19th July 2010, the Board of Directors of the Company has formulated the ESOP Scheme 2010. ("the Scheme"). The logic and rationale for introducing the Scheme as also the salient features of the Scheme were set out in the Explanatory Statement annexed to the Notice dated 10th July 2010 convening the Extra-Ordinary General Meeting of the Company on 19th July 2010. The approval, inter alia, pursuant to section 81(1A) of the Companies Act, 1956, authorized issue and allotment of 4,67,831 Equity Shares of Rs.5 each to or for the benefit of such person(s) who are in the permanent employment of the Company including Directors of the Company and/or its subsidiary Company (ies) and grant of an equivalent number of Options under the Scheme.

The Scheme shall be administered by the Remuneration cum Compensation Committee of the Board. The Exercise price for the first grant under the Scheme was fixed at Rs. 900/- per option. For further grants, under the Scheme the exercise price shall be fixed by the Remuneration Committee with a maximum discount of 25% to the closing market price of the Company's shares on the stock exchange where the trading volume is higher. The Company has granted 4,36,929 options at an Exercise Price of Rs. 900/- share to the eligible employees under the Scheme on 20th August 2010.

As the shares of the Company have since been listed it is necessary for the shareholders to ratify the Scheme.

The salient features of the Scheme which has been duly approved by the Board of Directors are as follows:

1. **The total number of options to be granted:**

   The total number of Options that may, in aggregate, be issued would be up to 4,67,831 Equity Shares, which represent 5% of the paid up Equity Share Capital of the Company as on 31st March 2010.

   Vested options lapsed due to non-exercise and/or unvested options that get cancelled due to resignation of the employees or otherwise, would be available for being re-granted at a future date. The Board is authorized to re-grant such lapsed / cancelled options as per the ESOP scheme 2010.

   SEBI guidelines require that in case of any corporate action (s) such as rights issues, bonus issues, merger and sale of division, sub-division / split of shares and others, a fair and reasonable adjustment needs to be made to the options granted. Accordingly, if any additional equity shares are issued by the Company to the Option Grantees for making such fair and reasonable adjustment, the ceiling of 5 % of the total paid-up Equity Share Capital as on 31st March 2010 (or 4,67,831 options convertible into 4,67,831 shares) as stated above from time to time shall be deemed to be increased to the extent of such additional equity shares issued.

2. **Identification of classes of employees entitled to participate in the Employee Stock Option Scheme(s):**

   All permanent "employees" of the company as defined in the Guidelines for the time in force including any subsidiaries or holding companies in or outside India, including the Directors other than the nominee Directors of ICICI Venture Funds Management Company Limited and the promoters of the Company, as may be decided by the Remuneration Committee of the Board from time to time.

   The class of employees eligible for participating in the Stock Options and the parameters shall be determined by the Remuneration Committee in its sole discretion from time to time.

3. **Transferability of employee stock options**

   The stock options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner. However, in the event of the death of an employee stock option holder while in employment, the right to exercise all the options granted to him till such date shall be transferred to his legal heirs or nominees.

4. **Requirements of vesting and period of vesting:**

   The Options granted shall vest so long as the employee continues to be in the employment of the Company. The Board may, at its discretion, lay down certain performance metrics on the achievement of which the granted options would vest, the detailed terms and conditions relating to such performance-based vesting, and the proportion in which options granted would vest (subject to the minimum and maximum vesting period as specified below).

   Options granted under ESOP 2010 would vest not earlier than 1 year and not later than 5 years from the date of grant of such options. The exact proportion in which and the exact period over which the options would vest would be determined by the Remuneration Committee / Board, subject to the minimum vesting period of 1 year from the date of grant of options.

5. **Exercise Price:**

   The options would be granted at an exercise price as follows:

   A) **For Grant I:** Rs.900/- per option

   B) **For Future Grants:** Discount up to a maximum of 25% to the Closing Market price per option, where the **Closing Market price** shall be the latest available closing price one day prior to the date of the meeting of the Remuneration cum Compensation Committee in which the options are granted. The market price on the stock exchange showing the highest volume of trading would be considered. The Discount rate applicable will be decided by the Remuneration Committee for each of the Future Grants of options.

6. **Exercise Period and the process of Exercise:**

   Exercise period would be within 5 years from the date of vesting / date of listing whichever is later. The shares arising out of exercise of vested options would not be subject to any lock-in period after such exercise.

   The options will be exercisable by the Employees by a written application to the Company to exercise the options in such manner, and on execution of such documents, as may be prescribed by the Remuneration Committee/ Board from time to time. The options will lapse if not exercised within the specified exercise period.

7. **Appraisal Process for determining the eligibility of the employees to ESOP:**

   The appraisal process for determining the eligibility of the employee will be specified by the Remuneration Committee / Board, and will be based on criteria such as role / designation of the employee, length of service with the Company, past performance record, future potential of the employee and / or such other criteria that may be determined by the Remuneration Board at its sole discretion.

8. **Maximum number of options to be issued per employee and in aggregate:**

   The number of options that may be granted to any specific employee, and in aggregate, under the Scheme shall not exceed 1% of the paid issued capital of the Company at the time of grant of options. The maximum no of stock options that can be granted under the Scheme to Non-Executive Directors, including Independent Directors, in any financial year and in aggregate shall not exceed 1% of the total paid up Capital of the Company.

9. **Disclosure and Accounting Policies:**

   The Company shall comply with the disclosure and the accounting policies prescribed by the Securities and Exchange Board of India and any other appropriate authority, from time to time.

10. **Method of option valuation**

    To calculate the employee compensation cost, the Company shall use the Fair Value Method for valuation of the options granted.

    In case the Company calculates the employee compensation cost using the Intrinsic Value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the Fair Value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the Company shall also be disclosed in the Directors' Report.

The Remuneration Committee/Board shall have the absolute authority to vary or modify the terms of the Scheme in accordance with the Regulations and Guidelines prescribed by the Securities and Exchange Board of India or Regulations that may be issued by any appropriate authority, from time to time, unless such variation, modification or alteration is detrimental to the interests of the employees/Directors.

Clause 22.2A of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 stipulates that no listed company can make any fresh Grant of Options under any Employees Stock Option Scheme framed prior to its IPO and prior to the listing of its equity shares (hereinafter referred to as "pre-IPO scheme") unless such pre-IPO scheme is in conformity with the Guidelines and such pre-IPO Scheme is ratified by its Shareholders in General Meeting subsequent to the IPO.

Accordingly, consent of the Shareholders is sought for ratification of the pre-IPO Scheme. The Non Executive Directors of the Company are eligible/qualify for Stock Options under the Scheme and may be deemed to be concerned or interested in this item of business to the extent of Options that may be granted to them under the Scheme.

Your Directors recommend passing the Resolution at Item No. 9 as a Special Resolution.

A copy of the extract of the Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 and the Resolutions adopted at the Extra-Ordinary General Meeting held on 19th July 2010 and a copy of the Scheme will be available for inspection by the Members at the Registered Office of the Company between 10.00 A.M. and 01.00 P.M. on all working days (Except Saturdays, Sundays and Public Holidays) upto 14th July, 2011.

The members are also informed that pursuant to the authority granted by the members at the Extra-Ordinary General Meeting of the Company held on 3rd August 2006, the Board of Directors of the Company had formulated the ESOP Scheme 2006. Disclosures pertaining to ESOP Scheme 2006 as per the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 forms part of the Annual Report. However, approval of the shareholders for ratification of the ESOP Scheme 2006 is not sought in view of the fact that no further options are proposed to be granted under the ESOP Scheme 2006 by the Company, post listing of its Equity Shares.

Item Nos.10 and 11

The Ordinary (Equity) Shares of your Company were listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited on 13th October 2010 and are actively traded. However, the high market price of the Equity Shares of the Company keeps the small retail investors away from trading in your Company's Equity Shares leading to reduction in liquidity of the Shares of your Company in the Stock Market.

In order to improve the liquidity of your Company's Equity Shares in the Stock Markets with higher floating stock in absolute numbers and to make it more affordable for the small retail investors to invest in the Company, the Board of Directors of the Company, at its Meeting held on 26th May 2011, has recommended sub-division (Stock-Split) of each Equity Share of the Company having a present face value of Rs. 5/- into face value of Rs.2/- each subject to the approval of Shareholders and all concerned Statutory Authority(ies).

The Record Date for the aforesaid sub-division of the Equity Shares will be fixed by the Board after the approval of the Shareholders is obtained.

The sub-division of Equity Shares would inter alia require appropriate adjustments to be made to the number of Options granted and outstanding as at the Record Date and the Exercise Price, in accordance with the Employees Stock Option Scheme 2006, the Employees Stock Option Scheme 2010 and Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

Presently the Authorised Capital of the Company is Rs. 15 Crores divided into 2,03,50,000 Equity Shares of Rs.5/- each and 48,25,000 Preference Shares of Rs.10 /- each.

The sub-division as aforesaid would require consequential amendement to the existing Clause V of the Memorandum of Association as set out in Item No.11 of the Notice.

Accordingly, the Resolutions at Item Nos. 10 and 11 seek the approval of the Shareholders for the proposed sub-division of the Equity Shares of the face value of Rs. 5 each and the consequent amendment to the existing Clause V of the Memorandum of Association of the Company.

The Board of Directors is of the opinion that the aforesaid sub-division of the face value of the Equity Shares, is in the best interest of the Company and the investors and hence commends passing of the Resolutions at Item Nos.10 and 11 as Ordinary Resolutions.

A copy of the existing Memorandum and Articles of Association of the Company alongwith the proposed draft amendments is available for inspection by any Shareholder at the Registered Office of the Company between 10.00 A.M. and 01.00 P.M. on all working days (except Saturdays, Sundays and Public Holidays) upto 14th July 2011.

It may be noted that Mr. Rajiv Mittal, Mr. Jaithirth Rao, Mr. Guenter Heisler are the Shareholders of the Company and may be deemed to be concerned or interested in these resolutions only to the extent of their respective Shareholding in the Company to the same extent as that of every other Shareholder of the Company. None of the other Directors of the Company is concerned or interested in these items of business.

Your Directors recommend passing the Resolutions at Item Nos.10 and 11 as set out in this Notice as Ordinary Resolutions.

By order of the Board
For VA Tech Wabag Limited

S Ramasundaram
Company Secretary

Registered Office:

11, Murray's Gate Road,
Alwarpet, Chennai – 600 018.
email: companysecretary@wabag.in

31st May 2011

VA TECH WABAG LIMITED

Registered Office : No. 11, Murray's Gate Road, Alwarpet, Chennai 600018
Website : www.wabag.com email:companysecretary@wabag.in

ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.

Joint Shareholders desiring to attend the Meeting may obtain additional Attendance Slips on request provided such request is received by the Company / Registrar and Transfer Agents, Karvy Computershare Private Limited at Plot No. 17 to 24, Vittalrao Nagar, Madhapur, Hyderabad - 500081 on or before 05th July, 2011.

Folio No. :	DP ID :	Client ID:
No. of Shares :		
Name & Address of the Shareholder :		

I hereby record my presence at the SIXTEENTH ANNUAL GENERAL MEETING of the Company being held at Rani Seethai Hall, 603, Anna Salai, Chennai-600006 on Friday, the 15th July 2011 at 10.30 a.m.

Name(s) of the Shareholder(s) / Proxy (In BLOCK CAPITALS) ....

....

....

Signature(s) of the Shareholder(s) or Proxy

NOTE : Members/Proxyholders who have opted for physical copies of the Annual Report are requested to bring their copy of the Annual Report to the Meeting.

VA TECH WABAG LIMITED

Registered Office : No. 11, Murray's Gate Road, Alwarpet, Chennai 600018
Website : www.wabag.com email:companysecretary@wabag.in

PROXY FORM

Folio No. :	DP ID :	Client ID:
No. of Shares :		

I/We ....

of .... being a member / members of VA TECH WABAG LIMITED hereby appoint...of... or failing him ....of .... as my / our Proxy to vote for me / us and on my / our behalf at the Sixteenth Annual General Meeting of the Company to be held on Friday, the 15th July 2011 at 10.30 a.m. and at any adjournment thereof.

As witness my / our hand(s) this .... day of .... 2011.

Affix Re.1 Revenue Stamp

Signed by the said ....

NOTE : The Proxy to be effective should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.