sustainable solutions. for a better life.

VA TECH WABAG LIMITED

ANNUAL REPORT 2012-13

Passioneering

Forward-looking statement

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

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

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

Inside the document

Corporate Information

Board of Directors

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

Chief Financial Officer

S. Varadarajan

Company Secretary

Rajiv Balakrishnan

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
- HSBC
- ING VYSYA Bank
- Standard Chartered Bank

Statutory Auditors

Walker, Chandiok & Co.,
Chartered Accountants

Registrar and Transfer Agents

Karvy Computershare Private Limited

A passion to consistently outperform.

An insight into rich engineering excellence.

When you combine the two, amazing things can happen.

VA TECH WABAG's performance in 2012-13 is evident.

• Higher than sectoral revenue growth • Rising profits in a slowdown • Growing margins • Widening industry presence • Expanding footprint • Timely projects commissioning • Healthy order book

And all this in a year fraught with challenges and uncertainties.

At WABAG, the secret comes down to one word. Passioneering.

Our vision

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

Our mission

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

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

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

WABAG – An Indian multi-national. A pure-play water technology company.

Who we are...

- Engaged in providing total water management solutions since 1996
- Managed by a widely experienced management team of professionals
- Positioned as a pure-play water technology company
- Brand in existence since 1924

What we do...

Turnkey contracts in design, engineering, procurement, construction, erection, commissioning, operation and maintenance of the following:

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

Where we are…

- Headquartered in Chennai with 17 subsidiaries across three continents
- Established presence in India, Middle East, North Africa, Europe, China and South East Asia
- R&D centres in India, Austria and Switzerland
- Full-fledged offices in Pune, Delhi, Kolkata and multiple site offices
- International engineering centres in Pune and Vadodara

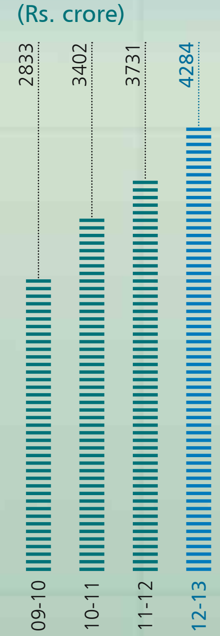
Prominent projects completed

- WTP - Meenad, Cherthala and Pattuvam for Kerala Water Authority
- ETP - ESSAR, Hindustan Petroleum Corporation Limited, Durgapur Projects Limited (Coke Oven)
- STP - Delhi Jal Board at Keshopur, Jaipur Municipal Corporation
- Desalination: Duqm, Oman, Nemmeli, Chennai

Consolidated financial highlights...

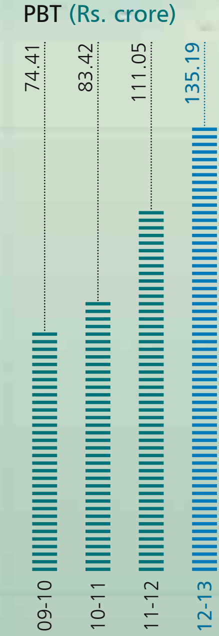
- Total revenue increased 12.12% from Rs. 1,444 crores in 2011-12 to Rs. 1,619 crores
- EBIDTA increased 19.23% from Rs. 130 crores in 2011-12 to Rs. 155 crores
- Profit after tax increased 22.49% from Rs. 73.75 crores in 2011-12 to Rs. 90.34 crores
- Fresh order intake increased 21.48% from Rs. 1,774 crores to in 2011-12 Rs. 2,155 crores
- Cash flow from operations increased from Rs. (92.60) crores in 2011-12 to Rs. 81.74 crores

Order book (Rs. crore)



Total revenue (Rs. crore)

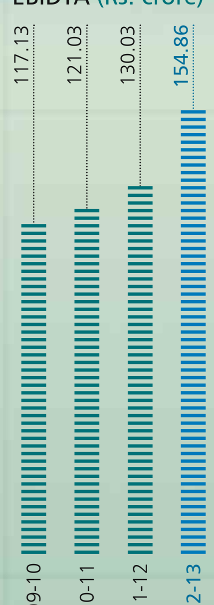
PBT (Rs. crore)



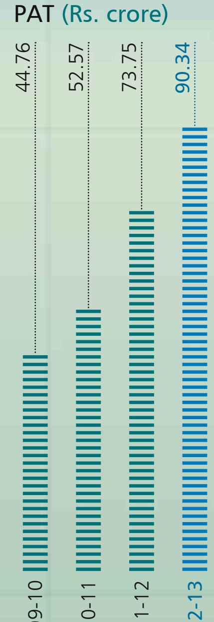
Orders from across the globe…

- Rs. 217 crores K&C Valley waste water treatment project (Bangalore)
- Rs. 270 cr waste water treatment project (Jamnagar) from Reliance Industries
- Rs. 80 crores waste water treatment order from Surat Municipal Corporation
- Rs. 125 crores water treatment plant order from Philippines
- First order from China through our Chinese subsidiary
- First order in Turkey through our Turkish subsidiary
- Project from Libya despite ongoing socio-political turmoil
- Rs. 380 crore desalination project from Al Ghubra, Oman

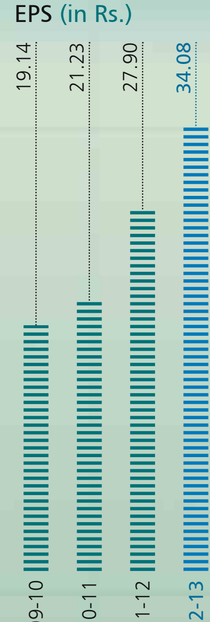
EBIDTA (Rs. crore)



PAT (Rs. crore)



EPS (in Rs.)



Chairman's message

"WABAG's strength lies in its proven engineering capabilities"

Dear shareholders,

I am pleased to present the Annual Report 2012-13 with the overarching observation that the bigger the challenge, the more spirited was our response.

During an adverse economic environment, when most municipal bodies and industrial clients were inclined to prune their spending, WABAG performed creditably across all critical financial parameters. During the year under review, when consolidation would have been a natural response for most companies, WABAG strengthened its business and is now attractively positioned to widen its presence across geographies in a rapidly growing sector.

Global perspective

The global economic environment in FY2012-13 continued to be challenging and our business environment remained difficult. Major economies witnessed slower growth and the Eurozone uncertainties continued. But the contextual framework of WABAG's business continues to be relevant. Based on inputs derived from expert international agencies, it appears that the world is witnessing a peak water demand. The long-term supply outlook appears gloomy marked by insufficient freshwater, uneven distribution, varying quality, water losses and climate change. On the other hand, water demand is expected to exceed supply by around 40% over the next 20 years following an increase in agricultural, industrial and municipal/residential usage. Unless sustainable water management practices are adopted with urgency, there is a visible likelihood that around 45% of the projected 2050 global GDP (at 2000 prices) – USD63tn – could be at risk. As a result, water is no longer going to be incidental to global growth; quite like oil in the early Seventies, it is going to increasingly determine whether countries or communities will grow or not.

This makes the water treatment business central to the progress of the world.

WABAG is attractively placed to address this global reality. Your Company continues to grow its presence in the North Africa, Middle East, China, Europe and South East Asia. During the year, the Company incorporated a subsidiary in Spain through which it plans to address regional and LatAm desalination opportunities. Your Company leverages its rich intellectual capital, passioneering culture, competence in managing project scale and complexity supported by a strong balance sheet to grow its business in a sustainable way. The successful completion of large and complex plants

within the project period also gives me the confidence that your Company will now qualify to participate in large projects in every category to address the growing opportunities of the future.

The India opportunity

India is one of the most vulnerable countries in the area of water security. The country accounts for around 17% of the global population but a mere 4% of the world's water resources. Of the average annual 1,869 billion cubic metre (BCM) of available water in India, only 1,120 BCM is available for consumption. Besides, the reality is only expected to worsen; the country has arrived at a point where personal and industrial consumption are rising on the one hand while water availability is beginning to taper on the other. Besides, rising temperature and fast drying of snow-fed rivers are causing increasing concern. It is only a matter of time before water availability becomes a critical survival determinant and possibly even a core manifesto agenda in the run-up to elections.

Even from an Indian perspective, the answer clearly lies in effective wastewater treatment (physical, chemical and biological treatments) leading to the generation of recycled water for non-potable applications and ground recharge. What is heartening is that the government of the day appears to have recognised this reality through its policy urgency and direction. For instance, the National Water Policy (2012) has prioritised and ensured the economic usage of water, focused on development of urban water supplies and sewage treatment schemes, encouraged water recycling and reuse, developed a mechanism for the implementation of a remunerative water tariff system, incentivised the reuse of water, evolved from its role as a service provider to that of a service regulator, introduced the PPP model to the sector and encouraged desalination in coastal states.

The Twelfth Five Year Plan increased the outlay for Rural Domestic Water Supply from Rs.110,000 crores in the Eleventh Five Year Plan to Rs.331,091 crore in the Twelfth Five Year Plan.

The NIJNNURM scheme to be implemented between 2012 and 2031 envisages a total capital expenditure of Rs.39.2 lac crores, with water, sewerage and waste management accounting for a high 20% of the expenditure and operation and maintenance expenditure estimated at a staggering Rs.19.9 lac crores across the scheme tenure. Correspondingly, Central Government funding to NIJNNURM is expected to increase from 0.10% to 0.25% of GDP.

2,250

The Company possesses an unmatched track record of delivering projects

The Company possesses an unmatched track record of having delivered more than 2,250 projects over the last three decades. The Company's intellectual capital is reflected in its ownership of more than 100 patents, translating into tangible project achievements, lower costs and a diversified client profile. Besides, the Company enjoys local presence in emerging economies, which makes it possible to position the Company as a local one and carve out projects with a higher strike rate when announced.

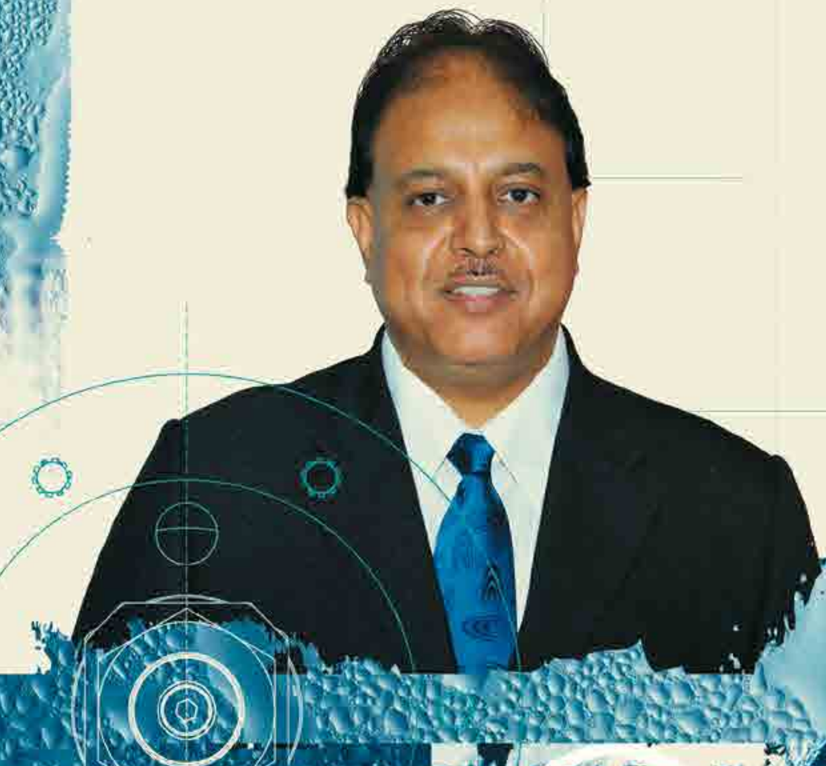
A report that McKinsey helped to write predicted that India would need to double its water-generation capacity by the year 2030 to meet the demands of its surging population.

I am confident that WABAG will reinforce its positioning as a preferred water management solutions provider across the world, enhancing value for customers, employees, shareholders and communities at large.

I would like to thank all our colleagues in India and around the world for their hard work and contribution in WABAG's success. I look forward to their continued support as we strive to make WABAG even stronger. I also take this opportunity to express my gratitude to all our stakeholders who have reposed trust in WABAG. Together, let us focus on delivering world-class plants to our customers globally.

Regards,

BD NARANG
Chairman



Managing Director's overview

"Our passioneering commitment was vindicated in a challenging 2012-13…yet again."

Despite macro-economic challenges during the year, WABAG achieved profitable growth.

Dear shareholders,

VA TECH WABAG posted another all-round performance in 2012-13 notwithstanding an unfavourable global economic environment.

Performance review

During a year when the infrastructure sector would have been happy to merely consolidate its presence, WABAG continued on its predictable growth path.

- Growth in standalone PAT by 20%
- Growth in consolidated revenue by 12%
- Growth in EPS by 22%
- Order book of Rs.4,284 crores
- Proposed dividend of 350%

Overcoming challenges

WABAG encountered a combination of diverse challenges in a difficult 2012-13, third-dip recession marked by slower infrastructure spending in Europe, Arab Spring that affected North African economies where WABAG enjoyed a significant presence and a slowdown in India's policy decisions which reduced order throughput.

WABAG countered these realities through various strategic initiatives.

The Company focused on emerging European economies with relatively better prospects and created subsidiaries in the countries of its presence. In India, there was an order slowdown in the municipal sector as a result of which our focus shifted to the industrial sector. There was a marked improvement in O&M order intake. The Company's desalination strategy paid off rich dividends through a prestigious order to build 191 MLD sea water desalination at Al Ghubra (Oman) which is almost double the size of the recently commissioned Nemmeli sea water desalination plant. WABAG secured a good amount of overseas orders and more particularly a maiden order from China. In 2012-13, the Company recorded the highest ever order intake of Rs.2,155 crores.

The key orders comprised Reliance Industries Limited for Dahej, Bangalore Water Supply and Sewerage Board at K&C Valley, Kolkata Municipal Development Authority, Al Ghubra Sea Water Desalination Plant (Oman) and Bajaj Infra.

Passioneering

Performance drivers

The principal reasons why the Company outperformed its sectoral average was a stringent focus on factors within its control, reflected in various initiatives such as innovative strategies, differentiated product offerings, technological edge, effective cost management and superior cash flow management. As a result, the Company widened its market coverage, received orders across all segments and partnered with large complementary organisations to enter new high potential growing geographies, segments and projects. The result was that our consolidated EBITDA margin improved from 9% in FY12 to 9.6% in FY13 and PAT margin from 5.1% to 5.6% in a challenging industry environment.

Sectoral optimism

There is a fundamental reason as to why the water treatment technology business represents the sunrise sector. There is a growing shortage of water even as consumption is rising. A growing urbanization is stressing water supply in cities and towns, warranting an increased water treatment infrastructure. There is a growing focus on desalination as an alternative source of drinking water that is viable, sustainable and reliable. A growing number of landlocked locations are finding reuse and recycling as preferred means towards water sustainability. Furthermore, there is an increasing consumer willingness to pay for clean water. A number of customers are opting for water treatment technologies high on energy efficiency.

Taking advantage of the above developments, WABAG, with its technical and project management skills, is poised to capture a lion's share of the business and achieve a profitable growth.

WABAG's positioning

WABAG is attractively placed to capitalize on this attractive sectoral outlook on account of –

- Proprietary ownership of advanced technologies
- Early mover's advantage in entering emerging markets through subsidiaries coupled with localized presence
- Robust business model with an attractive asset-light Balance Sheet, access to a strong pipeline of Indian engineering talent and
- Credible track record in project execution across geographies and segments.

> There is a growing focus on desalination as an alternative source of drinking water that is viable, sustainable and reliable.

The big goal

The Company is committed to its vision to achieve one billion euros in revenues without compromising its asset light model, liquidity and profitable growth. From a structural perspective, the Company expects to achieve this challenging target through a global hub-and-spoke operational architecture, wherein Chennai will continue to be the hub of the Company's existence supported by international subsidiaries. This structure is critical to the Company's success as it will liberate the management from centralized decision making, by empowering local management, enhancing the Company's familiarity with terrain realities and helping the Company leverage its multi-national identity (brand, people, patents) for effective market penetration.

WABAG, with its technical and project management skills, is poised to capture a lion's share of the business and achieve a profitable growth.

Strategic thrust

WABAG expects to achieve this challenging target through the various initiatives:

- Focus on fast growing emerging economies
- Enter local partnerships, strategic alliances and collaborations among MDUs to drive growth;
- To increase capacity building, capability building, leadership pipeline, standardization and productivity improvements
- To increase capacity building and capability building
- To optimise/reduce cost by shifting from high cost centralised structure to low cost decentralised structure
- Focus on desalination/recycle
- Increase service/O&M business by focusing on DBO/BOOT contracts

Positive outlook

The business outlook for WABAG continues to be quite optimistic due to the following factors:

- We are attractively positioned in this sunrise sector
- Our growing local presence, market leadership in emerging economies and significant position in global markets
- Robust order book leading to revenue visibility

With the above, we are confident of sustaining this momentum and achieving a substantial order intake during 2013-14.

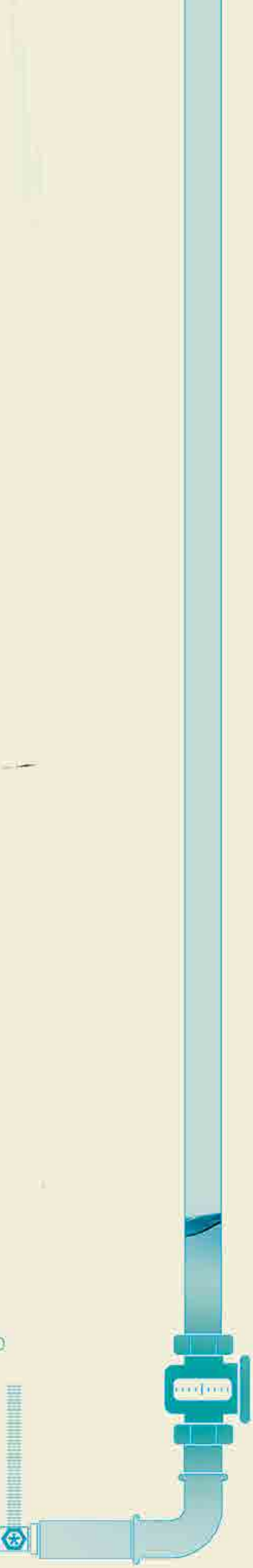
I would like to thank the Company's stakeholders and seek their continued cooperation in pursuit of our vision One Billion Euro.

RAJIV MITTAL
Managing Director

National Ganga River Basin Authority

The Government of India (GoI) developed a new comprehensive vision for the clean-up and conservation of the Ganga following the creation of the National Ganga River Basin Authority (NGRBA) in 2009. The NGRBA has been given a mandate to develop a multi-sector program leading to Ganga pollution abatement. The vision of the program involves a comprehensive, basin-level and multi-sectoral approach with investments in wastewater, solid waste and river front management. An estimated USD 4 bn investment by 2020 is expected to translate into assets and initiatives that ensure zero discharge of untreated water into the river.

Chlorine Injection
Cartridge Filter
Reverse Osmosis Stage 1
Reverse Osmosis Stage 2
USP Water Tank
After filtration, the water gets transferred everywhere from households to industrial establishments.
Water being stored.



passioneering is...

being able to leverage technology to outperform in a sustainable way

At WABAG, we believe that handsome is what handsome does. The result is a technology obsession not for its own sake but for tangible, measurable and unambiguous results.

Over the years, we have invested in technologies and we are pleased to present evidence of how this has translated into attractive industry-beating numbers:

- The global water treatment sector suffered margin compression in the face of rising competition and global slowdown; WABAG reported profitable growth whereby EBIDTA growth of 19% was higher than revenue growth of 12% in 2012-13
- The industry witnessed an order flow decline in a challenging 2012-13; WABAG grew its order book 15% and the largest ever annual order intake of Rs. 2,155 crores over the previous to a total of Rs. 4,284 crores in 2012-13
- WABAG's net cash position strengthened from Rs. 274 crores to Rs. 303 crores in 2012-13.

Passioneering prevails...

Rs. 2,155 crores

largest ever order intake in 2012-13

passioneering is…

combining European technologies with Indian costs to create an irresistible competitive advantage

At WABAG, we believe we have a unique business model. For decades, European water treatment technologies were considered the most specialised for achieving the highest purity standards, and due to the ability of being applied across diverse terrains. Over the last decade, Indian costs in project implementation have been established as one of the most competitive in the world.

There were two ways of combining these advantages: European companies extending their operations into India or Indian companies growing their technology capabilities to match the intellectual capital of the West.

Since 1997, WABAG (as an Indian subsidiary of the European water treatment conglomerate) acquired European technical knowhow and created large references in the municipal and industrial segments. Following the reverse-acquisition of its parent company, WABAG India now supplements overseas subsidiaries with Indian costs to create a distinct business advantage.

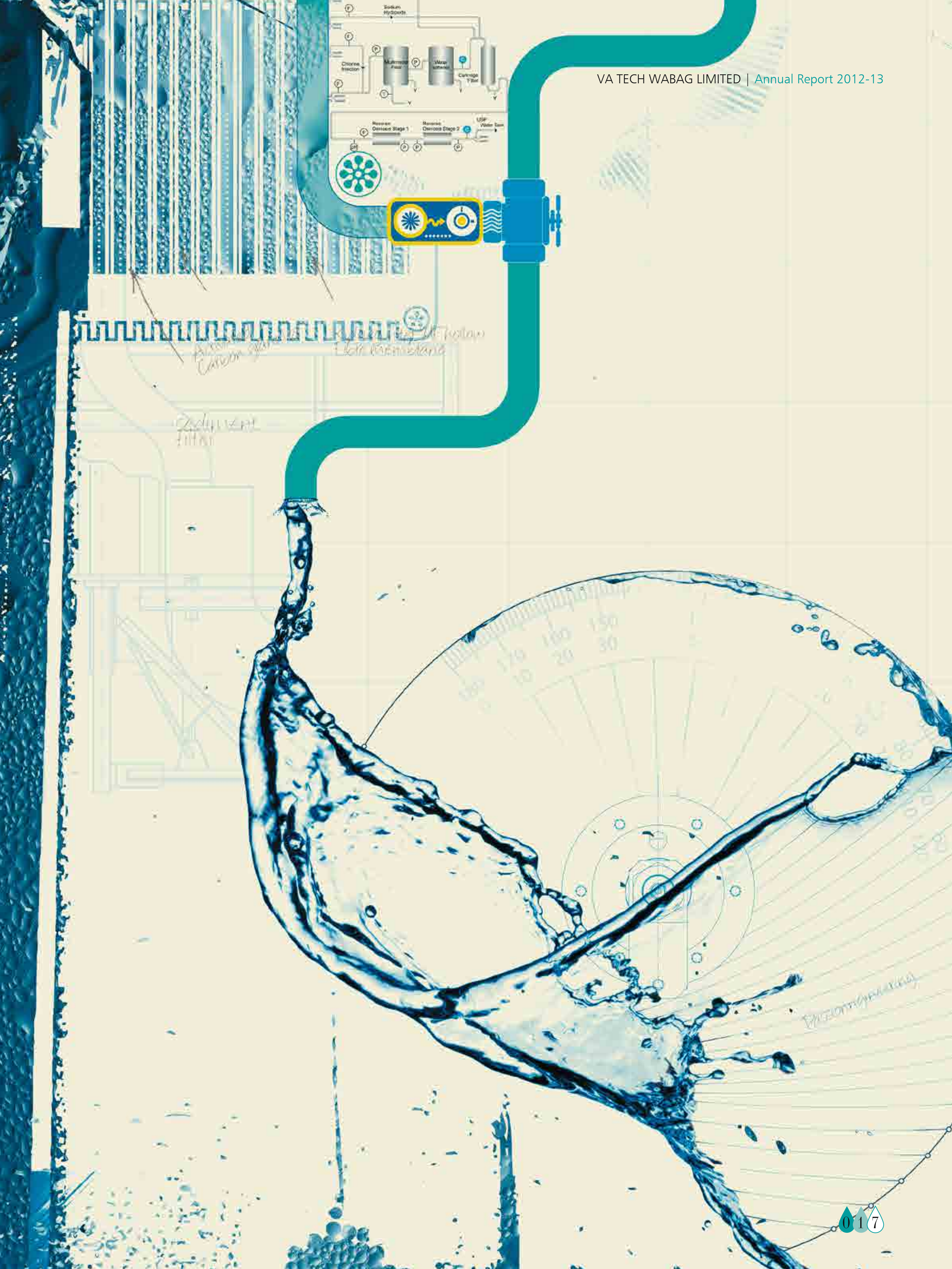
WABAG now has three research & development centres (Switzerland, Austria and India) dovetailed with half its employees located in India, a win-win combination representing the best in knowledge capital and cost management.

The result of this competitive advantage is a galloping order book: the annual order book increased from Rs. 1,998 crores in 2007-08 to Rs. 2,833 crores in 2009-10 to Rs. 4,284 crores in 2012-13.

Passioneering endures...

Rs. 4,284 crores

Order book as on 31 March 2013




Passioneering

passioneering is…

the ability to innovate and create landmarks

at WABAG, we believe that knowledge differentiates. This is particularly relevant in a sector, where evolving technologies have matured.

Over the years, WABAG differentiated itself through the absorption of diverse technologies and the specialised ability to cocktail select technologies leading to unique solutions. The result is an impressive array of project references where the Company has delivered landmark solutions in challenging circumstances.

- When a client required a water treatment facility in the Alps enduring extreme conditions, WABAG leveraged the flexible moving bed process to reduce operating costs; the Company leveraged the FLUOPUR technology to deliver the project at a high altitude.
- When a client needed to commission a desalination plant (100 MLD) in land scarce metro like Chennai, WABAG leveraged the RO technology to create an effective treatment facility in a mere 23 acres, emphasising the point that the Company's technologies are ideal for use in land-scarce pockets where they consume minimal footprint
- When a client in Chennai needed a power-efficient waste water treatment solution, WABAG leveraged the technology to generate biogas from sewage. The result is that the plant has run without needing to purchase electricity for the last seven years; moreover, the generation of green power has resulted in carbon credits and related revenues to the client.
- When a refinery client in Panipat needed to commission a zero liquid discharge plant in a land locked industrial location, WABAG leveraged the multi barrier system including UF and RO technology to the benefit of IOCL in terms of environmental protection, enhanced industrial water supply security, fresh water savings as well as economic and social development.

Passionering works, over time and over time...

passioneering is…

willingness to raise the bar continuously

at WABAG, we work with specialized technologies in some of the most demanding markets of the world.

This is most visibly showcased in our presence in Switzerland. The water purity standards in this land-locked country are the highest in the world where the absence of access to rivers or the sea makes it imperative to recycle as much water as possible.

WABAG is not just another player in this demanding country; the Company accounts for 65% of the advanced technology end of the Swiss water treatment market.

This exposure to the specialized technology segment has helped the Company educate prospective customers around these technologies, seed these technologies in new markets, raise the overall water treatment standard of that geography and account for a significant share of this growing market.

Passioneering is infectious...

CASE STUDY

Embracing the Nemmeli challenge… and making the project a reality

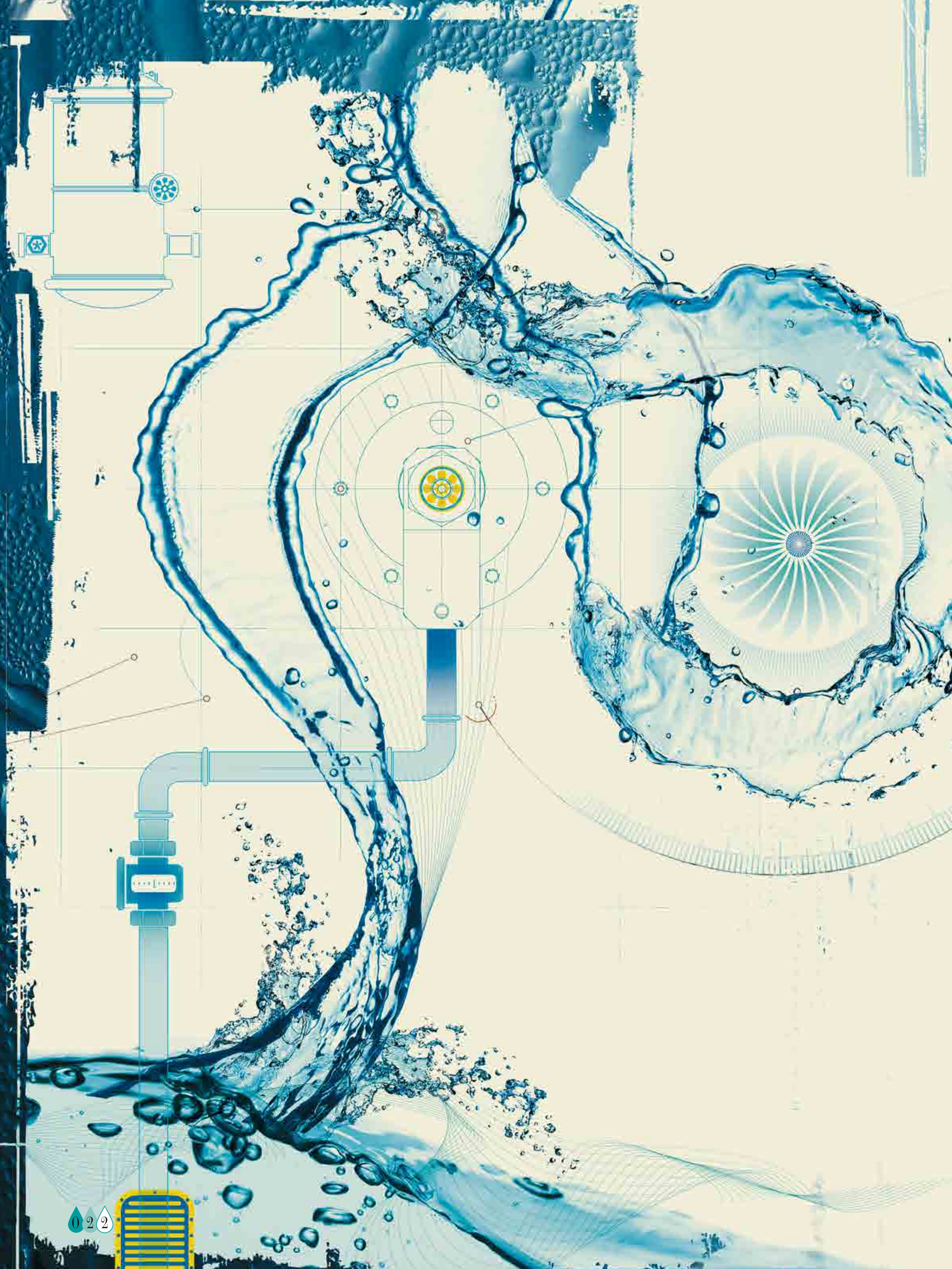
In response to the critical need for drinking water in Chennai, the 100 MLD project in Nemmeli (Chennai) was commissioned. The largest desalination project on DBO basis ever attempted in India was made even more challenging by the fact that a sub-sea pipe was required to be laid more than 1 km into the sea, countering under-sea currents, hazards, logistical issues and absence of any precedence. Besides, the area had encountered two cyclones and had a tsunami threat, enhancing WABAG's pre-emptive challenges.

The Company engaged more than 200 engineers to supervise project implementation, the largest such team, in the water management industry in India. Whereas most desalination projects required the commissioning of around six skids, the Nemmeli project was invested with 12 reverse osmosis skids and 30 ultra filtrations. An unexpected rock formation in the subterranean structure required specialized blasting. Hundreds of kms of cabling and piping were needed.

The three-year project was inaugurated in February 2013, servicing a growing South Chennai's requirement for water and triggering the city's big leap towards self-sufficiency.

Passionering makes difficult things easy.


the Nemmeli challenge



passioneering is...

an ability to collaborate and address growing demands

WABAG, in association with Cadagua (Spain) and Galfar (Oman), were awarded EPC contract for 191 MLD SWRO desalination project in Al Ghubra, Oman. The BOO project is being developed by a consortium of Malakoff International Limited (Malaysia), Sumitomo Corporation (Japan) and Cadagua (Spain). Oman Power and Water Procurement Company awarded the project to the developer consortium, which, in turn, entered into an EPC contract with a special purpose company formed by Cadagua, WABAG and Galfar.

With this alliance in place, WABAG embarked on graduating the partnership to its logical conclusion: it roped in Oman's largest construction agency to manage ground realities in the terrain of the project's presence.

The WABAG-led consortium helped pull off the contract in the face of fierce seven-way international bidding which resulted in a Rs. 380 crores order for WABAG. Besides, this consortium helped WABAG fast-track into global desalination prominence.

Passioneering makes unthinkable things happen...

Passioneering… is the aggregation of the competitive advantages that we bring to the sectoral opportunity

Strength 01

Presence

Geographic spread: WABAG enjoys a project and corporate presence across diverse geographies covering three Continents, resulting in a lower risk arising out of an excessive dependence on a limited number of geographies.

Localisation: WABAG enjoys a ground-up understanding of municipal (its largest customer segment) developments, derived from localised presence in a number of countries (through subsidiaries, joint ventures and localized arrangement).

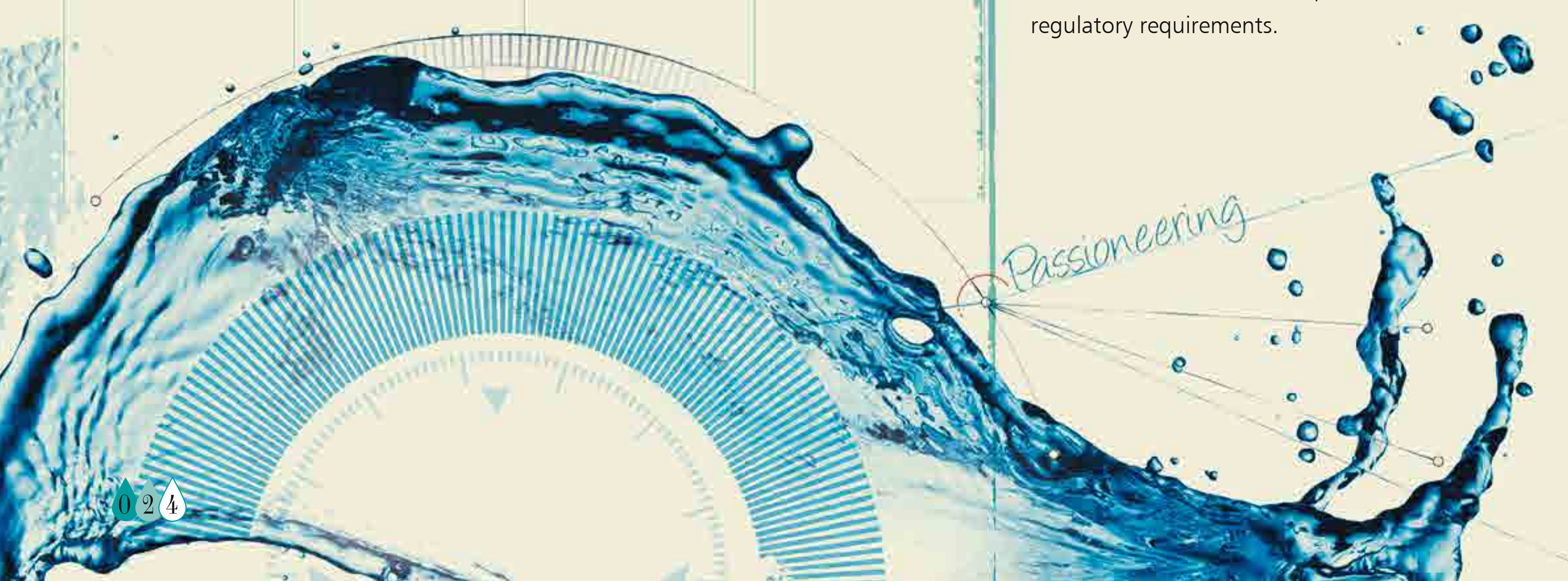
Strength 02

Delivery

Scale: WABAG possesses the capability to manage large, growing and complex projects. The Company has graduated its project management capability from Rs. 30 cr projects (1997) to around Rs. 1000 cr today.

Delivery: WABAG is respected the world over for its commitment to projects delivery. The Company has completed every single project embarked upon.

SHE record: WABAG enjoys a formidable SHE record, marked by minimal accidents. Periodic medical camps and others amenities for workmen are carried out as per regulatory requirements.



Strength 03

Recall

Brand: The nine-decade old WABAG brand is respected the world over, a significant advantage in terrains where it is entering for the first time.

End-to-end solution: WABAG possesses complete life-cycle capabilities in the area of water management solutions (design to construction to maintenance) at a time when there is a growing respect for life cycle costs among customers.

Sectoral presence: WABAG is in the right sector at the right time on account of a declining global availability of pure water resources and a growing global population, driving towards an imminent 'water stress'.

Strength 04

Financial

Liquid: WABAG possesses a liquid Balance Sheet, unusual for a company of its size and sector. Revenues of Rs. 1,619 crore for 2012-13 were supported by net cash balance of Rs. 303 crore as on 31 March 2013.

Asset-light: WABAG's asset-light business model is to in-source project engineering and outsource project construction (relieving it of the need to make large investments).

Cost advantage: WABAG represents a unique convergence of globally-endorsed technology capabilities on the one hand and Indian costs on the other.

Revenue mix: WABAG's business model reconciles chunky EPC revenues on the one hand and annuity BOOT cum O&M revenues on the other, strengthening organisational de-risking

Strength 05

Intellectual capital

Experience: WABAG possesses an enviable track record of having completed more than 2,250 projects in three decades, representing a rich insight into project complexity, scale, terrains, clients, workflow and sub-segments. The Company is headed by professional management team with rich experience in the global water sector.

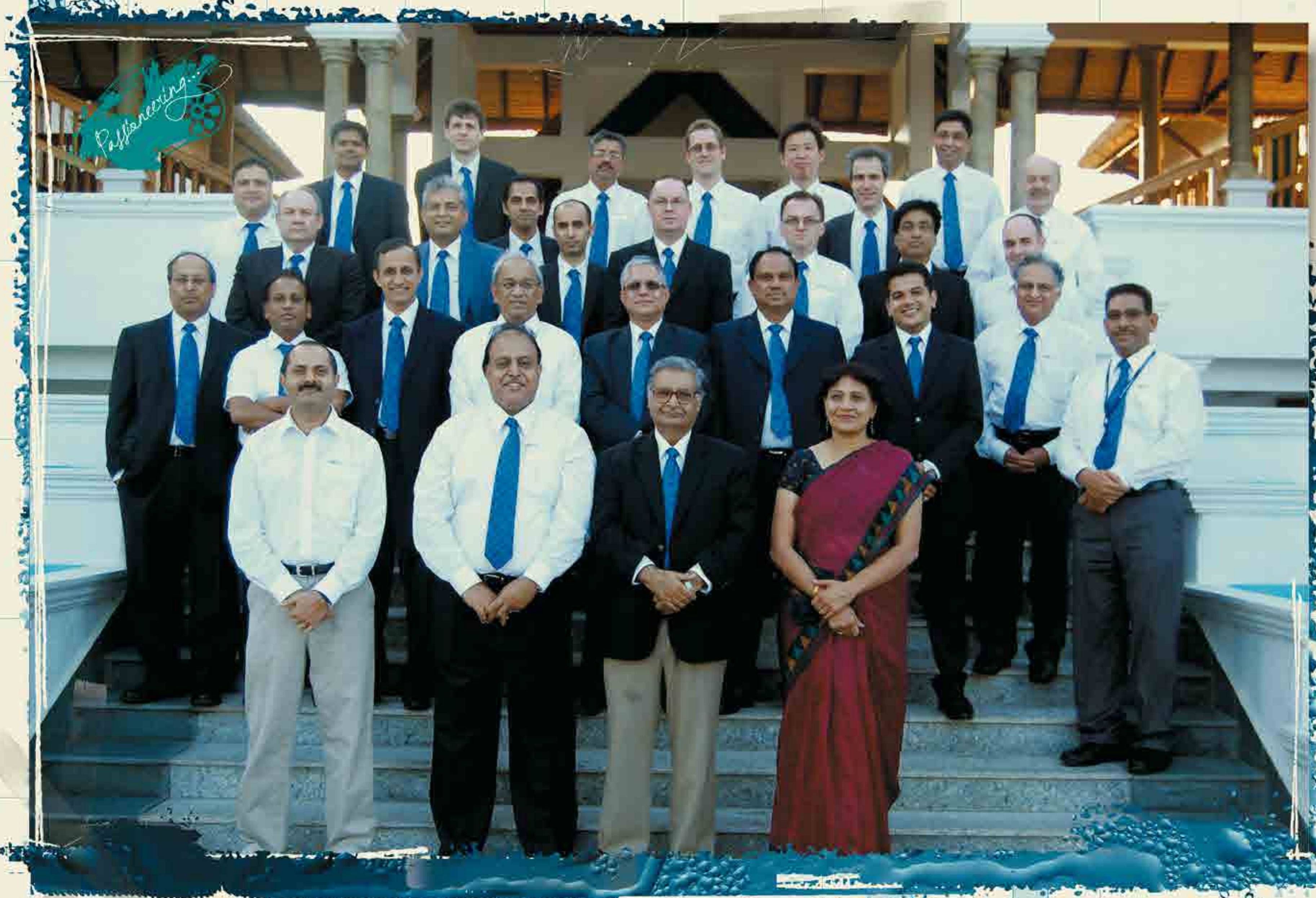
Intellectual property: WABAG's competitiveness is derived from its rich intellectual capital (detailed design and process engineering) in the area of water technologies. The Company holds more than 100 global patents in the field, which are progressively leveraged to provide customised solutions in challenging terrains for customers.

Complement: WABAG possesses the insight to permute and combine diverse technologies leading to a unique and customized solution

Research & Development: WABAG's three globally-dispersed R&D centres (Switzerland, Austria and India) have helped converge cutting-edge competencies leading to pre-qualification and a growing order book

Alliances: WABAG has entered into strategic alliances with international players of repute (like Sumitomo Corporation) with the objective to win large projects. While the alliance partner brings in the strength of its Balance Sheet to the fore, WABAG provides the technological expertise – a potent win-win combination.

WABAG's passioneering team



What impresses me about WABAG is the commitment to complete projects comprehensively without cutting corners. In a business where cutting corners is tempting, their brand revolved around one word- trust.

Mr. I.S. Malhotra,
MD, Pentair Valves and Controls

100-MLD sea water desalination plant, Nemmeli, Chennai

WTP, Meenad, Kerala

Directors' Report

Dear Shareholders,

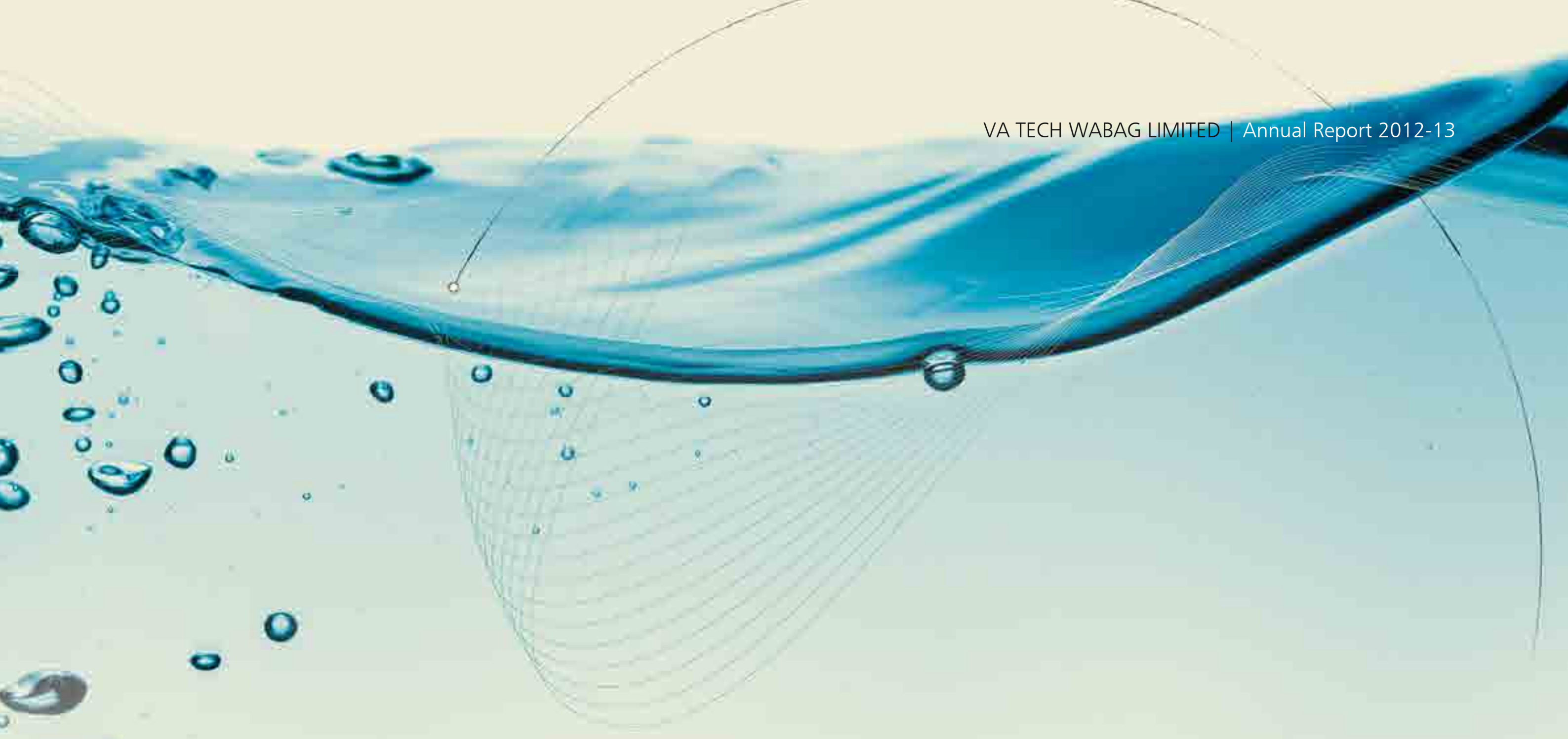
Your Directors are pleased to present the 18th Annual Report and the audited accounts for the financial year ended 31 March, 2013

Financial Results

The financial performance of the Company, for the year ended 31 March, 2013 is summarised below:

(Rs. In lakhs)

	Standalone		Consolidated	
	2012-13	2011-12	2012-13	2011-12
Gross Turnover	1,05,717	1,00,347	1,61,885	1,44,352
Profit Before Interest and Depreciation (EBITDA)	13,884	11,542	15,486	13,003
Profit Before Taxation	13,327	11,002	13,519	11,105
Provision for Tax	4,316	3,490	4,559	3,792
Profit After Taxation (PAT)	9,011	7,512	9,034	7,375
Proposed Dividend (including Dividend Tax)	(2,174)	(1,844)	(2,174)	(1,844)
Transfer to General Reserve	(901)	(751)	(901)	(751)
Profit / (Loss) Brought Forward	19,187	14,270	21,567	16,794
Retained Profit Carried Forward to the following year	25,123	19,187	27,526	21,567



Dividend

Based on the Company's performance, your Directors are pleased to recommend a dividend of Rs. 7 per Equity Share (350%) of the face value of Rs. 2 per Equity Share for the financial year 2012-13. The dividend, on approval of the members at the forthcoming Annual General Meeting, will be paid to members whose names appear in the register of members of the Company as on 12 July, 2013; in respect of shares held in dematerialised form, it will be paid to members whose names are furnished by National Securities Depository Limited and Central Depository Services (India) Limited, as beneficial owners as on that date. The equity dividend outgo for the financial year 2012-13, inclusive of tax on distributed profits will absorb a sum of Rs. 21.74 crores.

Business Performance

In the financial year 2012-13, your Company continued to report profitable growth. Your Company has a healthy order book of Rs. 4,284 crores as on 31 March 2013, supported by highest ever order intake in a financial year of Rs. 2,155 crores during the year. The standalone turnover stood at Rs. 1,057 crores compared to previous year's Rs. 1,003 crores, recording a marginal growth of 5%. The consolidated turnover stood at Rs. 1,619 crores compared to previous year's Rs. 1,444 crores, recording a growth of 12% over last year. The EBITDA for the year on a standalone basis stood at Rs. 139 crores registering a growth of 20% as against previous year's Rs. 115 crores. The consolidated EBITDA increased from Rs. 130 crores of previous year to Rs. 155 crores for the current year. Your Company recorded healthy growth in both consolidated and standalone PAT% as compared to last year. The consolidated PAT recorded a 22% growth over the previous year while the standalone PAT recorded a 20% increase over the previous year. EPS growth recorded a 22% increase for the year ended 31 March, 2013. Your Company will continue to focus on both organic and inorganic growth models through strategic acquisitions that will pave way for its entry into various new geographies and access to latest technologies.

Sustainability

Sustainability is an integral part of our business and cannot be an independent function. Keeping this in view, we provide sustainable solutions to our customers in terms of projects with the objective of converting bio-gas waste into energy in running the STPs on self-sustaining basis, recycling and reuse of water for industrial business, converting salt water into sweet water thus providing a sustainable, reliable and viable alternative water source.

Sustainability is a business opportunity to WABAG in terms of making a real difference both to our people in terms of access to clean drinking water and to our planet by keeping the carbon footprint under check.

At WABAG, the sustainability initiatives go hand in hand with our projects execution which in turn benefit our customers too.

Stock Options

In order to attract, retain, reward and motivate employees to contribute and participate in the Company's growth and profitability, your Company implemented two stock option schemes viz., the ESOP Scheme 2006 and the ESOP Scheme 2010 ('the Schemes') in accordance with the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ('the SEBI Guidelines'). The schemes are administered in accordance with the directions of the Remuneration Committee of the Board.

The applicable disclosures as stipulated under the SEBI Guidelines as at 31 March, 2013 are provided in Annexure I to this Report.

The Company has received a certificate from its Auditors that the Scheme has been implemented in accordance with the SEBI Guidelines and the resolution passed by the shareholders. The Certificate would be placed at the Annual General Meeting for inspection by the members.

Management discussion and analysis report

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

Subsidiaries

Your Company had eighteen subsidiaries at the beginning of the year. One new subsidiary was set up during the year at Spain: During the year, Va Tech WABAG (Gulf) Contracting L.L.C., Dubai and Engenharia Hidraulica De Macau Ltd., Macau ceased to be subsidiaries of the Company.

The total number of subsidiaries as on 31 March, 2013 is seventeen. There has been no change in the nature of business or of the subsidiaries.

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the balance sheets, profit and loss accounts and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. However, the financial information of the subsidiary companies is disclosed in the Annual Report in compliance with the said Circular. The Company will make available the annual accounts of the subsidiary companies and the related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection at the registered office of the Company and that of the respective subsidiary companies. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies. Details of major subsidiaries of the Company are covered in the Management's discussion and analysis report forming part of the Annual Report.

Directors

Mr. Bhagwan Dass Narang and Mr. Jaithirth Rao, Directors retire by rotation at the ensuing Annual General Meeting. Being eligible Mr. Bhagwan Dass Narang and Mr. Jaithirth Rao offer themselves for reappointment. Members' attention is drawn to the corresponding resolution in the Notice dated 23 May, 2013 convening the Annual General Meeting.

As stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, brief resumes of Mr. Bhagwan Dass Narang and Mr. Jaithirth Rao are provided in the report on Corporate Governance, which forms part of this Annual Report. Your Directors recommend their reappointment at the ensuing Annual General Meeting.

Director's Responsibility Statement

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

(i) in the preparation of the annual accounts for the year ended 31 March, 2013, the applicable accounting standards read with requirements set out under Schedule VI to the Companies Act, 1956, have been followed and there are no material departures from the same;

(ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 March, 2013 and of the profit of the Company for the year ended on the date;

(iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

(iv) the Directors have prepared the annual accounts of the Company on a 'going concern' basis.

Auditors

M/s. Walker, Chandiok & Co, Chartered Accountants, Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

The Company has received letter from the Auditors to the effect that their reappointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for reappointment within the meaning of Section 226 of the said Act.

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

Public Deposits

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

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

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

Corporate Social Responsibility (CSR)

In keeping with the Company's CSR philosophy to identify CSR projects close to its project sites and implement projects within the framework of its expertise, this year also your Company repeated the Innovative Learning Project for Nemmeli Govt. Higher Secondary School. The school is in proximity to your Company's Sea Water Desalination Plant at Nemmeli. Your Company also arranged field trips to the school students to create awareness on environment with focus on 'waste to energy' concept and practice. Further, your Company offered free ETP solution to the Cancer Institute as part of CSR besides a few other initiatives on philanthropy.

Particulars of Employees

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

Corporate Governance Report

Your Company is committed to maintain the highest standards of Corporate Governance and adhere to the Corporate Governance requirements set out by SEBI. The Company has also implemented several best Corporate Governance practices as prevalent globally.

The Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report.

The requisite Certificate from the Auditors of the Company confirming compliance with the conditions of Corporate Governance as stipulated under the aforesaid Clause 49 is attached to this Report.

Acknowledgements

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

For and on behalf of the Board of Directors

23 May, 2013	**Rajiv Mittal** Managing Director	**Sumit Chandwani** Director

Annexure I to the Directors' Report for the year ended 31 March, 2013

Disclosure as required under SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and forming part of the Directors' Report for the year ended 31 March, 2013

A. Summary

Sr. No.	Particulars	ESOP 2006	ESOP 2010	
			Grant I	Grant II
1	Number of options granted	9,95,053	10,92,355	1,06,927
2	The Pricing Formula	The options were granted prior to the listing of Company's shares. These options were granted, based on the valuation done by an Independent Chartered Accountant using Net Asset Value (NAV)/Profit Earning Capacity Value Method (PECV)	The options were granted prior to the listing of Company's shares. These options were granted, based on the valuation done by an Independent SEBI Registered Merchant Banking Company using Net Asset Value (NAV) / Profit Earning Capacity Value Method (PECV).	Discount up to a maximum of 25% to the Closing Market price per options, where the Closing Market Price shall be the latest available closing price one day prior to the date of the meeting of the Remuneration Committee in which the options are granted. The market price on the stock exchange showing the highest volume of trading would be considered. The Discount rate applicable will be decide by the Remuneration Committee.
3	Number of options vested	9,35,362	3,78,517	26,227
4	Number of options exercised	9,17,539	50,753	2,820
5	Total number of shares arising as a result of exercise of options	9,17,539	50,753	2,820
6	Number of options lapsed	59,691	2,41,466	22,935
7	Variation in the terms of options	NA	NA	NA
8	Money realised by exercise of options (Rs.)	3,26,27,687	1,82,71,080	10,15,200
9	Total number of options in force	17,823	8,00,136	81,172
B.	**Employee-wise details of options granted to**			
(i)	Senior managerial personnel			
		The Company has not granted options during the current financial year		
(ii)	Employees who were granted, in any one year, options amounting to 5% or more of the options granted during the year			
		The Company has not granted options during the current financial year		
(iii)	Indentified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant			
		The Company has not granted options during the current financial year		

Sr. No.	Particulars	ESOP 2006	ESOP 2010 Grant I and Grant II
C.	Diluted Earning per Share pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20	Rs. 33.76	
D.	The impact on the Profits and EPS		
	of the fair value method is given in the table below -		
		Rs. in Lakhs	
	Profits as reported	9,034	
	Add - Intrinsic Value Cost	–	
	Less - Fair Value Cost	137	
	Profits as adjusted	8,897	
		Rs.	
	Earnings Per Share (Basic) as reported	34.08	
	Earnings Per Share (Basic) adjusted	33.57	
	Earnings Per Share (Diluted) as reported	33.76	
	Earnings Per Share (Diluted) adjusted	33.20	
E.	Weighted average exercise price and fair value of options		
	Weighted average exercise price of options whose		
	(a) Exercise price equals market price (b) Exercise price is greater than market price (c) Exercise price is less than market price	The Company has not granted options during the current financial year	
	Weighted average fair value of options whose		
	(a) Exercise price equals market price (b) Exercise price is greater than market price (c) Exercise price is less than market price	The Company has not granted options during the current financial year	
F.	Method and Assumptions used to estimate the fair value of options granted during the year	The fair value has been calculated using the Black Scholes Option Pricing model, however the Company has not granted options during the current financial year.	

For and on behalf of the Board of Directors

	Rajiv Mittal	**Sumit Chandwani**
23 May, 2013	Managing Director	Director

Annexure II to the Directors' Report for the year ended 31 March, 2013

Particulars as per the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31 March, 2013.

A. Conservation of Energy

a.		Energy conservation measures taken :	N.A.
b.		Additional investments and proposals, if any, being implemented for reduction of consumption of energy :	N.A.
c.		Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:	N.A.
d.		Total energy consumption and energy consumption per unit of production as per Form-A of the Annexure in respect of industries specified in the schedule:	N.A.
B.		**Technology Absorption**	
e.		Efforts made in technology absorption	
		Research & Development (R&D)	
	1.	Specific areas in which R&D initiatives are carried out by the Company	Please refer to MDA section forming part 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	(Rs. in lakhs)
		a. Capital	–
		b. Recurring	37.95
		c. Total	37.95
		d. Total R&D expenditure as a percentage of total turnover	0.02%

5.	Technology absorption, adoption and innovation	
	(1) Efforts, in brief, made towards technology absorption, adoption and innovation (2) Benefits derived as result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, among others	Please refer to MDA section forming part of the Annual Report
	(3) Incase of imported technology (imported During the last five years reckoned from the beginning of the financial year), following information may be furnished:	
	(a) Technology imported	N.A.
	(b) Year of import	N.A.
	(c) Has technology been fully absorbed?	N.A.
	(d) If not fully absorbed, areas where this has not taken place, reasons there for and future plans of action.	N.A.

C. Foreign Exchange Earnings and Outgo

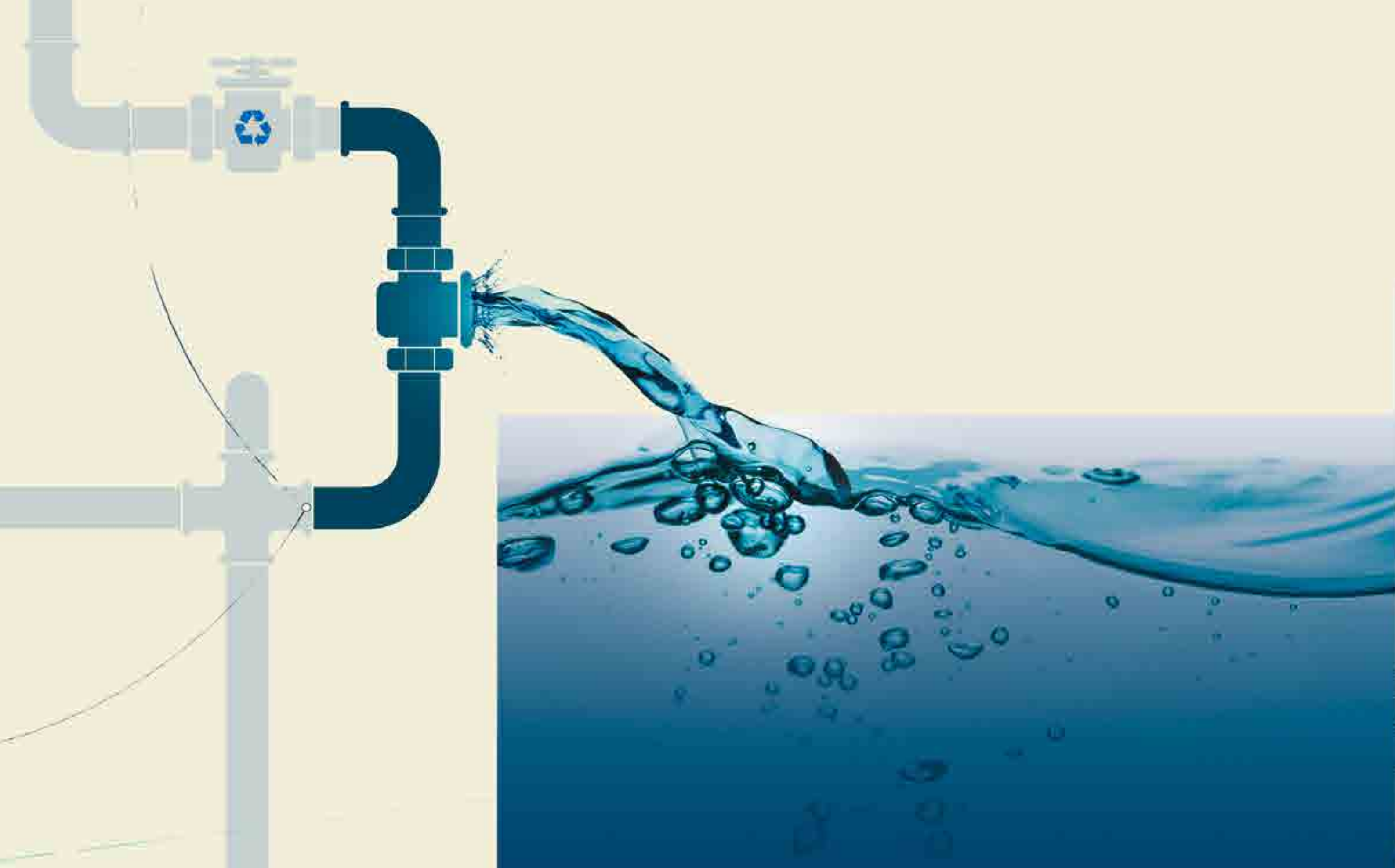
(f)	Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services; and export plans;	The Company continuously strives to improve its export earnings. Further details in respect of exports are set out elsewhere in the report
(g)	Total foreign exchange used and earned :	For the year ended 31 March, 2013 (Rs. In Lakhs)
	Earning in foreign exchange :	18,504
	Expenditure in foreign currency :	3,392

For and on behalf of the Board of Directors

Rajiv Mittal Managing Director

Sumit Chandwani Director

23 May, 2013



Management discussion and analysis

THE GLOBAL WATER MARKET

The world's supply of available freshwater is finite and never before in the recorded history of mankind has this finiteness become more evident. Consider these realities:

- **Some 783m people the world over lack access to clean drinking water with 2.6bn having no access to proper sanitation.** The one reason why these numbers are causing alarm is because of a worsening supply side (insufficient freshwater, uneven distribution, poor quality, non-revenue water, climate change) and demand side (rapidly growing use by agriculture, industry, and municipal/residential sectors).

- **There has been an unprecedented growth in global population in the last 40 years – to nearly seven billion today.** There is manifold surge in freshwater demand across agriculture, energy, industry and domestic applications. Scientists have estimated that we withdraw about 50% of globally accessible and renewable water on an

WTP at Red Hills, Chennai

annual basis and this is set to increase as the world's population touches 9.4 billion by 2050 *(Source: UN)*.

- **Demand for water is expected to overshoot supply by 40% in the next 20 years with half the world's population living under 'water stress' conditions by 2030.** What the oil shock caused in the early Seventies is now likely to happen in the area of water, translating into probable social and political unrest.

- **Declining freshwater sources:** Freshwater accounts for 2.5-3% of the total water on the planet, most of which is locked in two polar ice caps. Ground water (critical source of potable water for the world's major cities) makes up about only 30% of freshwater resources whereas lakes, rivers, wetlands and different soil types account for 1.2% of freshwater. Freshwater ecosystems are estimated to have declined 37% since the 1970s with certain segments with tropical freshwater having declined 70%. As a result, an estimated 2.7 bn people are now living in water catchment areas (e.g., river basins) with water scarcity

783 mn

Number of people the world over who lack access to clean drinking water

I was the project in-charge for the Chennai desalination project and for an unprecedented project of this scale, there was only one reason for its success: the ability to cocktail the customized cutting-edge work of different teams into one.

Mr. K. R. Ramalingam
Wabagite

for at least a month in a year *(Source: WWF)*.

- **Skewed distribution:** In theory, there is enough water to satisfy all human needs on a sustainable basis but in reality, nine countries (Brazil, Russia, United States, Canada, China, Colombia, Indonesia and Peru) possess close to 60% of the world's freshwater resources while nearly 46 countries suffer conditions that can be described as 'water stress' to 'water scarcity'.

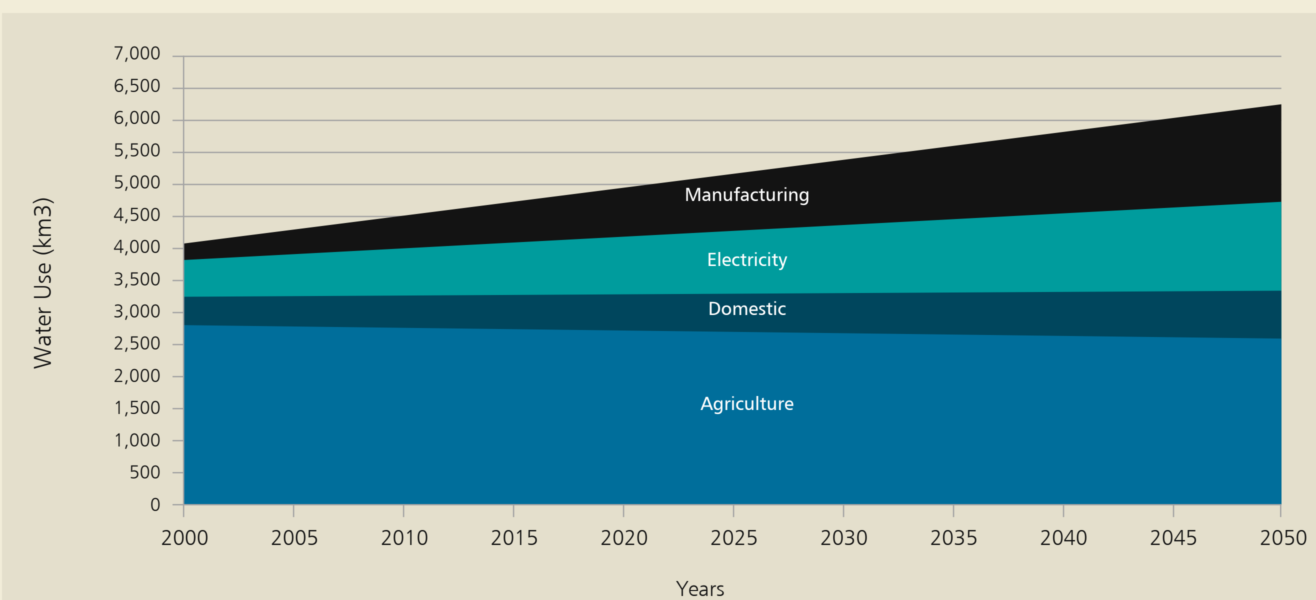
- **Varying quality:** There is a rising instance of urban fresh water pollution arising from inappropriate land use and poor water treatment. Chemical fertiliser run-offs are creating excessive nutrient concentrations in sea and oceans (+ 10% to 20% in the next 30 years). Irrigation is reducing the capacity of rivers to transport sediments.

- **Others:** There are other concerns like changes in the hydrological cycle, and rainfall patterns, rising sea levels and saltwater mixing with freshwater.

The first signs of this grimness translating into market reality are evident. The global slowdown notwithstanding, the global water market represents US$500bn sector growing at a CAGR of 6-7%, well above the global growth rates across various sectors. This higher-than-average growth is being catalysed by water scarcity, population growth, urbanisation, industrial growth, infrastructure development, pricing, rising private sector investment, food and energy security, stakeholder pressure and tightening regulation.

By 2020, the water industry could be worth US$1tn, marked by robust growth coming out of the water treatment, water management, water infrastructure and supply segments.

Global water demand 2050



[Source: OECD, BoA Merril Lynch Global Research]

INDIAN WATER MARKET

A country like India is at the cusp of water insecurity, perhaps more than any other country in the world on account of its sizable population, increasing industrialization, erratic investment and rapid urbanization.

Following the New Economic Policy in 1991, the government attempted to initiate market-based approaches and urban water privatisation. The National Water Policy (2012) finally interpreted water as an economic good. While these are initiatives in the right direction, the reality is that most cash-crunched municipalities are in serious need of financial support to implement water projects of any nature. A number of local governments with their prevailing policies (low or no water tariff) are unable to recover even their investment. A piping network for distribution and metering is absent in most Indian cities and towns.

The policy encourages growing opportunities for treatment plants, private participation in the management of public utilities, industrial water recycling, sea water desalination and the installation of wastewater treatment plants. The result is a growing recognition that the private players in this space in India are possibly at the right place at the right time.

Water Resource Market

While the industrial sector accounts for a little less than 50% of this growing market, the municipal sector accounts for the rest. The market is expected to grow 10-12% annually; the drinking water and industrial water segments are expected to grow at around 18%.

Given that 25% of India's rural population and 15% of its urban population do not enjoy an access to public water supply at a time when its overall population is growing, the size of the total Indian water market is expected to exceed USD 15 billion over the foreseeable future. A combination of scale and growth make this market one of the most attractive in the world for water management projects.

Market overview

India accounts for 17.3% of the world's population, a mere 4% of its total water resources and only 2.5% of the landmass - a case for growing water appetite.

India's water demand is growing at 2.8% per annum *(Source: Global Water Resource)* and by 2030, the country's total water demand is estimated at around 1498 billion cu meters while supply could account for no more than ~ 744 billion cu meters. It is inevitable that this gap will translate into projects directed at water recycling, reuse, sewage, sludge treatment and desalination.

This projected gap is already translating

Water resources	2010	2025	2050
Estimated utilizable water (km3)	1123		1379
Surface (km3)	690		910
Ground (km3)	433		469
Existing surface storage (km3)	214	412	412
Population (million)	1150	1394	1750
Per capita actual water availability (m3)	977	806	685
Per capita actual storage (m3)	186	296	235
Water demand (km3)			
Domestic	43	62	111
Irrigation	557	611	807
Industry	37	67	81
Energy	19	33	70
Total	656	773	1069

Source: Central Water Commission, adapted from Thatte et al. (2009)

into revealing estimates. A recent government assessment has indicated that India's industrial water requirement will quadruple from a prevailing level of 30 billion cubic metres to 120 cubic metres by 2025.

Besides, the country's 20-year water supply capital expenditure is estimated at around Rs. 3,20,908 crores translating into a staggering investment of Rs. 16,000 crores per annum *(Source: High Powered Expert Committee)*

Trends

India's National Water Policy will inevitably translate into growing investments in the area of drinking water, irrigation water, hydroelectric power, industries (agricultural and non-agricultural).

In India, municipal authorities and public health departments are the major water service providers. Among industrial consumers, the major water consumers are the paper, cement, chemicals, fertilisers, food-beverages, pharmaceuticals, power, refineries, sugar, tanneries and textile sectors. India's major commercial consumers comprise hospitals, hotels and housing developments. What makes this picture relevant is that India is extensively under-penetrated in most of these sectors; over the foreseeable future, the country expects to report significant investments in each of these sectors, potentially translating into higher water consumption

The National Water Policy (2012) of India encourages private participation in water system planning and operations. Some municipal bodies and water boards have begun to revise their water systems and fees with the objective to generate higher revenues and a superior investment payback.

Industry catalysts

The catalysts of India's water sector comprises the following points:

- **Increasing fresh / potable demand:** A growing population and industrialisation are draining drinking water resources. As the Indian population approaches 1.38 billion by 2030, the demand for potable water will stress the finite closed-loop water-cycle responsible for supplying freshwater.

- **Growing opportunities:** The projected wastewater generation in India by 2050 is estimated at around 50,000 mld, which makes it imperative to invest in more wastewater treatment plants. There are growing opportunities in India related to water audits, emerging technologies, alternative sources, turnkey solutions and outsourcing operations and management (O&M) services.

- **Others:** There is an increased awareness about drinking water quality even as there is a decline in water quality. There are environmental pressures on unrestricted waste water discharge from pollution control boards. There is a declining availability of water, compelling users to explore options related to reuse and recycling. A growth in the chemical, pharmaceutical, power plants, food and textile industries is driving water consumption and emphasising the water stress.

Key imperatives

There is a greater pressure today on governments than ever before to reform, restructure and rejuvenate the water sector through various initiatives:

Central government

- Modify the National Water Policy to emphasise the re-use of treated wastewater and reduce the use of groundwater, especially relevant for sectors like agriculture that consume

State of urban water services in India vis-a-vis other countries

Water services	India	Other countries
Water coverage	64% of urban population is covered by individual connections	Urban populations covered by individual connections and stand-posts are 91% in China, 86% in South Africa and 80% in Brazil
Water supply duration	One to six hours	24 hours in Brazil and China; 22 hours in Vietnam. Asia-Pacific average of 19 hours per day.
Urban per capita water supply	From 37 lpcd to 298 lpcd for a limited period	Paris supplies 150 LPCD continuously Mexico 171 LPCD for 21 hours a day.
Metering system	Absent in most Indian cities.	Proper metering systems.
Revenue water	Covering 50% of water production	95% in Singapore.

(Source: HPEC report)

over 80% of fresh water supplies.

- Expand the funding for water source development, sewerage networks and sewerage treatment plants through schemes like JNNURM.
- Increase technical assistance grants for capacity building of Urban Local Bodies to manage Public-Private Partnership Projects.
- Increase technical assistance grants for urban local bodies to set up sewage treatment facilities.
- Increase technical assistance grants to urban local bodies in the areas of loss reduction, sewage treatment, recycling and groundwater recharge projects.

State government

- Define roles and responsibilities of each entity in the sector.
- Create regulatory institutions to oversee the management of water resources and pricing of bulk water. Initiate reforms of urban local bodies to diversify revenue sources, improve creditworthiness, facilitate operational autonomy and improve technical capabilities.
- Improve information sharing of state-wide water resources among agencies responsible for planning regional development.
- Support urban local bodies in developing robust water supply and wastewater treatment project structures to attract private investments.

Urban local bodies

- Upgrade planning capacity within local bodies by increasing the number of planners and environmental engineers.
- Initiate a gradual increase in water tariffs to optimize the utilisation of water resources.
- Expand sewage collection networks and build sewage treatment plants.
- Explore alternative technologies for sewage treatment like soil-biotechnology-based systems and reed-bed systems.
- Lobby to increase water and sewerage tariffs to pay for capacity expansion.
- Re-organise a subsidy system to ensure that subsidies reach the poor via targeted, area-based subsidies instead of general subsidies.
- Cut non-revenue water by fixing leaks, monitoring water supply quantity and quality.

Industrial users

While several industries have initiated zero-discharge projects in their factories/plants, many continue to discharge effluents into the open without treatment. There is a need for self-monitoring and regulation to become the norm for industries. There is also a need for industry associations like CII and ASSOCHAM to facilitate the dissemination of best practices in water and wastewater management.

Focus areas

The provision of basic services requires to keep in step with India's urbanization. As per a latest survey, only about 44 percent of India's population enjoys access to tap water. The existing distribution system is marked by leaks and weak water management practices even as wastewater generation has increased: a CAGR of 7.8 percent (2003-09) to 38,254 million litres per day (mld) in Tier-I and Tier-II cities. However, the stark reality is that treatment capacity has increased from 7,044 mld to 11,787 mld only. It is this – among other – perspective that promoted the Government of India to initiate landmark initiatives like Jawaharlal Nehru National Urban Renewal Mission, Urban Infrastructure Development for Small Scale and Medium Towns and public-private partnership projects related to THE water sector.

I am a member of a number of Boards and there is a tendency in some to communicate only the rosy side of the performance to Directors. At WABAG, it is the other way around: there is a stark honesty in the communication which makes it possible for the Directors to arrive at informed decision-making. This is not just one-off; it is part of a high integrity approach which itself is rare in the sector that the company is present in. Besides, this integrity has extended to a sense of fairness towards all stakeholders, evolving into a culture of excellence.

Mr. Sumit Chandwani

Independent Director

JNNURM: This ambitious urban programme was launched by the GOI in 2006 with the aim to encourage reforms and to fast-track the planned development of identified cities. It focuses on efficiency in urban infrastructure and service delivery mechanisms, community participation and accountability of ULBs/ parastatal agencies towards citizens. The Indian Government assured Rs 50,000 crores with matching contribution by cities/states over six years (2006-12). The government also envisaged an investment of Rs 1,50,000 crores. JNNURM prioritised investments in urban services like water supply, sewerage and solid waste management (accounted for 66 per cent of the total investments approved and sanctioned). Going ahead, it is estimated that around 20% of the total envisaged investment in India's urban infrastructure development across 20 years will be accounted by water, sewerage, solid waste managements and storm water drains (Source: HPEC report).

NIJNNURM

- NIJNNURM to be implemented over next 20 years covering Four Five Year Plans
- Focus on Urban Infrastructure development and building Capacity to ensure Project Implementation across cities
- Capex of Rs. 8 Lac crores is envisaged in next 20 years
- Water, Sewerage and Waste management constitutes ~20% of the expenditure
- O&M Expenditure to operate & maintain assets envisaged at Rs. 11 Lac crores over 20 years
- Water, Sewerage and Waste management constitutes ~55% of the expenditure
- Central Government funding to NI JNNURM to increase to 0.25% of GDP (compared to 0.10% of GDP under JNNURM)
- Focus also on Capacity Building at State and Municipal bodies and commit 5% of the total Capex
- Central Government funding to NI JNNURM to increase to 0.25% of GDP (compared to 0.10% of GDP under JNNURM)

Plan outlays: The Indian Government is expected to invest Rs 166,000 crores during the 12th Five Year Plan to enhance the rural availability of drinking water: from 40 litres per capita per day (lpcd) to 55 lpcd by the end of the Plan period. This Central assistance would need matching contributions by state governments. Currently, the government is spending only Rs 10,500 crores; with state funding for rural drinking water, the total expenditure is expected to be Rs 30,000 cr.

National Water Policy 2012: The Ministry of Water Resources published National Water Policy 2012 to address water scarcity, distribution inequities and the lack of a unified perspective in

State of urban water services in India.

(Rs. in crore)

Water services	2012-13	2013-14	2014-15	2015-16	2016-17	12th Plan Total
Water supply	13,392	14,085	14,861	15,732	16,708	74,788
Sewerage	4,299	4,675	5,097	5,569	6,098	25,738
Solid waste	3,901	4,395	4,947	5,565	6,257	25,065
Urban roads	6,044	6,677	7,387	8,183	9,075	37,367
Mass transit	3,721	4,293	4,935	5,655	6,461	25,065
Traffic management systems	78	165	264	373	497	1,377
Storm water drains	758	807	861	922	990	4,337
Street lighting	94	101	109	118	128	550
Annual O&M	32,287	35,199	38,461	42,117	46,214	194,278
O&M for all sectors including above 8 sectors.	35,516	38,718	42,307	46,329	50,835	213,706
Establishment charges	34,812	37,200	39,843	42,765	45,994	200,614
Revenue expenditure	70,328	75,919	82,150	89,094	96,830	414,320

planning, management and use of water resources. The policy was adopted by the National Water Resources Council in August 2012 and is under deliberation by the National Water Board. Under the framework proposed by the NWP, water needs to be managed as a community resource by states under the public trust doctrine to achieve food security, livelihood, equitable and sustainable development. The NWP makes recommendations on several issues such as adapting the availability of water to climate change, water pricing as well as conservation of river corridors, water bodies and infrastructure.

The key recommendations comprise an adaptation to climate change, enhancing water available for use, water pricing, conservation of river corridors, water bodies and infrastructure, demand management and water use efficiency, water supply and sanitation, management of flood and drought as well as trans-boundary river management.

Union budget 2013-14: The Government of India raised allocation for the water sector in Budget 2013-14 in line with the overall increase in allocation for the social sector. The GOI allocated Rs 15,260 crores to the Ministry of Drinking Water and Sanitation to improve drinking water supply. The allocation represented an increase of Rs 2,260 crores to the Ministry's outlay over the revised Budget estimates of Rs 13,000 crores during 2012-13. The 2013-14 allocation to the Ministry translated into a hike of 17 per cent over the revised Budget estimates of the previous fiscal. The 2012-13 Budget had proposed a Rs 14,000 crores outlay for drinking water and sanitation (revised to Rs 13,000 crores). The Budget also included a provision of Rs 4,260 crores for Nirmal Bharat Abhiyan, a Central Government sanitation programme.

The water sector proposals of Budget 2013-14 comprise the following:

- Allocation of Rs 15,260 crores towards clean drinking water and sanitation (against revised estimates of Rs 13,000 crores).
- Allocation of Rs 80,194 crores to Rural Development Ministry, a 46 per cent hike over 2012-13.
- Allocation of Rs 1,400 crores for water purification plants for 2,000 arsenic and 12,000 fluoride-affected rural habitations.
- Allocation of Rs 5,387 crores for water savings plans.
- Allocation for integrated water programmes from Rs 3,050 crores to Rs 5,387 crores.
- A Rs 1 trillion water infrastructure target for the 12th Five Year Plan.

National Ganga River Basin Authority (NGRBA): The Ganga basin accounts for over a quarter of India's land and water resources, 37% of the country's human resources (more than 400 million people) and nearly half the country's irrigated area. And yet, the Ganga suffers from high organic and bacterial pollution, especially in its critical middle stretch as a result of the following:

- Inadequate municipal wastewater infrastructure and services, compounded by an increasing population and poor urban management. Only a third of the sewage generated in the mainstream towns and cities is treated before being discharged into the river. Untreated municipal sewage accounts for over 75 percent of the Ganga pollution, mostly generated by the larger cities.
- Industrial pollution accounts for around 20% of wastewater inflows to the Ganga.
- Almost 90% of the Ganga flows are used for irrigation, resulting in low in-stream flows, exacerbating the water quality problems, especially in the dry season and in the middle stretch.

Tertiary treatment plant at ESSAR, Jamnagar

MUNICIPAL BUSINESS GROUP (MBG)

66%

of the Company's revenues, 2012-13

MBG CATERS TO THE WATER AND WASTE WATER TREATMENT SOLUTIONS OF MUNICIPALITIES. It also caters to the waste water treatment solutions of industries considering the similarities in technology used in municipalities and industries. MBG is the largest contributor to the standalone revenues of the company through EPC contracts in India.

Strengths

- This SBU possesses the ability to address the complexity of large plants and the treatment of challenging liquids
- Ability to innovate and create sewage treatment plants with green energy modules (1 or 2 MW)
- Trained manpower to address the large municipal market in India
- Ability to support other SBUs in India

Highlights, 2012-13

- The SBU successfully executed large projects for Delhi Jal Board, Kerala Water Authority, Jaipur Municipality and Chennai Metro
- Its fresh order intake comprised projects from large Indian refineries, BWSSB, KMDA and Delhi Jal Board.
- Its order book comprised Rs. 944 crores by end March 2013

Road ahead

MBG expects to grow the order book by 100% over the previous year, enhance productivity and achieve commercial closure on many projects during FY 2013.

DESALINATION BUSINESS GROUP (DBG)

8%

of the Company's revenues, 2012-13

FOLLOWING A BUSINESS REALIGNMENT, WABAG CREATED A SPECIFIC BUSINESS GROUP TO ADDRESS THE GROWING OPPORTUNITIES COMING OUT OF THE GLOBAL DESALINATION BUSINESS. The management felt that the growing rollout of desalination projects the world over would need to be addressed by a focused business group. The result was that geographic responsibilities were replaced with a product vertical focus. The creation of this SBU helped consolidate the Company's global desalination marketing under a unified umbrella.

Strengths

- Investment in cutting-edge design tools (3D, CAD and smart tools) translating into enhanced design efficiency and accuracy
- Ability to manage large and complex desalination projects through alliances with complementing partners

Highlights, 2012-13

- The completion of the 100 MLD Nemmeli (Chennai) desalination plant, which will serve as a reference of the company's ability to manage scale and complexity translating into O&M references.
- Received a desalination project order (Al Ghubra) in Oman, reinforcing its international presence.
- Established a subsidiary in Spain to address the attractive desalination growth coming out of Latin America.
- Its order book comprised Rs. 472 crores by end March 2013

Road ahead

The Company expects to leverage its local presence in addressing the growing need for desalinated drinking water in coastal India. The Company plans to double SBU manpower, reinforce processes, tools and structure in 2013-14 to address the growing opportunities.

INDUSTRIAL WATER GROUP (IWG)

16%

of the Company's revenues, 2012-13

WABAG'S INDUSTRIAL WATER GROUP (IWG) PROVIDES WATER MANAGEMENT SOLUTIONS FOR DEMINERALIZATION PLANT, RO plant and CPU for use by various downstream industries (power, refineries, fertilizers and steel, among others) in India and abroad

Strengths

- Strong EPC management competence
- Combines with MBG to deliver total water solutions to industries
- Strong references in the refinery, steel and power sector
- Meets challenging customer delivery expectations

Highlights, 2012-13

- Achieved successful project closure and handover of a number of ongoing projects
- Received repeat orders from Reliance Industries and orders from APGENCO (ultra mega power project) and Bajaj Infra (power project), among others
- Achieveda 26% CAGR in order book
- Its order book comprised Rs. 229 crores by end March 2013

Road ahead

The Company is focusing on enhancing its exposure in the refinery and fertilizer sectors besides enhancing its international presence.

OPERATIONS BUSINESS GROUP (OBG)

10%

of the Company's revenues, 2012-13

THE OPERATIONS BUSINESS GROUP (OBG) OPERATES AND MAINTAINS EXISTING AND UPCOMING WATER TREATMENT PLANTS IN INDIA AND ABROAD. OBG addresses emerging needs in industrial, municipal and desalination projects. WABAG is the largest company of its kind in India's organised sector, expecting to grow on the back of the growth coming out of India. The business extends to water management projects in ASEAN and the Middle East too.

Strengths

- Presence across the water management value chain, enabling it to capitalize on emerging deal flow
- Intense technology understanding makes it possible to operate non-WABAG plants as well.
- Multi-year contracts ensure annuity incomes and revenue visibility
- Currently, OBG is operating and maintaining 60 O&M projects in India alone
- Focus on plant rehabilitation, efficiency increase and plant automation

Highlights, 2012-13

- Received Rs. 200 crores worth of contracts
- Conducted a customer satisfaction survey. The overall Customer Satisfaction Index score was 84%.
- Its order book comprised Rs. 1,236 crores by end March 2013

Road ahead

Going ahead, the business group expects to contribute substantially to the order book.

VA Tech WABAG is the only listed company in which I have selected to remain Director. This is a terrific engineering play, working at the cutting-edge of technology with a truly global aspiration. There is another interesting side to the company. Over the last couple of years, the company has attracted a number of young professionals not just inspired by the engineering challenge but by the desire to contribute to a cleaner and more sustainable world. This is really an evangelistic company!

Mr. Jaithirth Rao

Independent Director

MAJOR OVERSEAS SUBSIDIARIES

The Company's international subsidiaries did well in repeating a successful order intake of Euro 100 mn during the year under review.

Their aggregate revenues grew 28% despite execution challenges in some geographies. Unlike in India where profit centers are product verticals, in overseas market the company created locally-based profit centres in the form of multi-domestic units (MDU) in major locations of the Company's business to derive a better understanding of the customer and competitive landscape, which began to generate superior results. While existing MDUs strengthened their position in the local markets, the new MDUs bagged orders and penetrated markets. The Company expects the MDUs to contribute significantly to overall performance in a few years.

WABAG Austria

This subsidiary possesses strong technological capabilities with a history of creating quality plants in Europe, Middle East and Northern Africa. It possesses the capability to handle large ticket size plants (Euro 10 Mn and above) and cater to the demanding requirement of municipal markets in Saudi Arabia, Algeria, Tunisia, Libya Central and Eastern Europe. Its revenues grew 14% over the previous year; it finished with an order book of 110 Mn Euros in March 2013.

Its fresh order booking in 2012-13 comprised the following: Madinah STP Phase A, Siverek WWTP and Saudi WTP O&M.

WABAG Switzerland

This subsidiary enjoys around 70% municipal market share of the advanced technology segment of the Switzerland market. By virtue of an access to its own R&D Centre, many WABAG patents have been derived from this unit . Its revenues grew 26% over the previous year and finished with an order book of 33 Mn Euros in March 2013. Its fresh order booking during the year comprised Muttenz, Choutrana and Windisch Brugg.

WABAG Czech Republic

This subsidiary is headquartered in Brno and caters to the industrial and municipal water market of the Czech Republic. Revenues grew 51% and it finished with an order book of 14 Mn Euros in March 2013. Its fresh order booking during the year under review comprised Yunus Emre, KP RIA - CHÚV Prunéøov and Syner-ÚV Bíly potok

WABAG Romania

This subsidiary caters to the industrial, municipal water and waste water treatment EPC and O&M needs in Romania. The order book in March 2013 was 25 Mn Euro and largely addressed the industrial refinery segment.

WABAG Turkey

This subsidiary was started in 2011-12 and caters to the municipal water and waste water treatment (EPC and O&M) needs in Turkey. The young team did well to penetrate a large competitive market like Turkey. The fresh order booking during the year included Adana and Siverek.

WABAG Philippines

This subsidiary was started in the previous year, addressing the municipal water and waste water treatment (EPC) markets in Philippines. It succeeded in reporting a large order intake of 956 Mn PHP for a water treatment plant.

WABAG China

This subsidiary bagged its maiden order as an MDU based in China. It is now well placed to bag larger projects. It recruited local management team and expects to generate good orders.

100-MLD sea water desalination plant, Nemmeli, Chennai

International Engineering Centre (IEC)

The International Engineering Centre (IEC) in Pune and Vadodara facilitates project design and engineering for SBUs in India and international subsidiaries that are part of the WABAG Group. This captive team, possessing the ability to engineer projects at an international standard makes it possible for the Company to enhance execution efficiency and shrink project turnaround tenures. The business also provides key pre-bidding support.

System tools: The team invested in software-driven detailed pressure vessel design. It developed proprietary software related to 3D piping modeling leading to an accurate insight into project reality. This 3D modeling support makes it possible for all departments to review the model, which is upgraded based on their inputs. The Company also invested in STADD software for structure analysis, and cable tray routing software (where cable is laid on the 3D piping model) to check interference.

Equipment engineering: Captured customised equipment requirement in a datasheet leading to informed purchase. The Company standardised instrumentation models for enhanced accuracy and efficiency.

SKID technology: Adopted SKID technology for the reverse osmosis plant; the plant is assembled beforehand to minimise on-site construction.

Engineering closure: A periodic audit of stage-wise closure enabled the Company to rectify defects stage-wise rather than detecting them following project completion.

Training: The Company's engineering and technical teams conducted periodic employee training.

Highlights, 2012-13

- Implemented a project management module making it possible for the engineer to check project development without visiting the sites
- Completed the design for a desalination project for the Tata Group
- Completed the designing for an ultra-pure water plant in solar cell manufacturing facility
- Standardised a de-mineralisation plant to reduce the bill of quantity and shrink the project life cycle

Road ahead

IEC expects to invest in software that focuses on integrating, modeling, instrumentation, analysis packages and actual requirement to empower a department to immediately view project changes made by another department.

Research and Development

The Company's competitive advantage is drawn from its rich nine-decade insight into challenges, capabilities, technologies and customization. This edge has been reinforced through growing investments across research and development facilities in Austria, Switzerland and India with ownership of more than 100 patents.

At WABAG, the R&D focuses on the following: reduction in operational and life cycle costs, reduction in space utilisation for water infrastructure projects, enhanced efficiency in converting waste into biogas, environment friendliness, scalability from pilot scale to plant level and systems standardisation to accelerate design generation.

Over the years, WABAG has strengthened its insight into technologies and competencies, translating into the successful implementation of projects for its customers.

- WABAG Austria's principal R&D projects comprise 'Fine sieving (MICROPUR®) in municipal and industrial wastewater treatment', 'Membrane distillation as a technology for zero liquid discharge' and 'Ceramic membranes (CERAMOPUR®) in drinking water treatment' (jointly with WABAG India).
- WABAG Romania is approaching completion and commercialization of an early warning system (NOTOPUR™) related to the sustainable treatment of industrial wastewater (e.g. refinery effluents).

Human Resource Management

In a business that develops and deploys advanced technologies, the recruitment and retention of competent human resources across diverse geographies is critical to sustain growth.

The Company employs around 1,500 individuals across diverse nationalities;,of which around 60% is based out of India and the rest is based out of various overseas geographies.

The Company creates a balance between engineering competencies on the one hand (around 80% of the employees possess a technical background) and a youthful profile on the other (mid-30s).

Recruitment: The Company attracted its talent pool through campus and lateral recruitments.

Training: All new recruits were imparted classroom training followed by on-the-job training. The employees were trained on the basis of annual appraisals. Employees with entrepreneurial skills were inducted into a 'Young entrepreneurial program' to develop the leadership pipeline. Employees were provided opportunities to attend industry seminars in India and abroad.

Rewards and recognition: Following two years of intense training, trainee engineers are appointed and outstanding graduate engineer trainees are awarded (star performer, special contribution award and employee of the month awards among others).

WABAG believes in sharing wealth with employees across the Group through various ESOP schemes.

The Company provides growth opportunities to employees through the formation of SBUs and MDUs. Functional Heads in different disciplines have now become Country Managers in subsidiaries abroad. Talent transformation is on the top of management agenda and focussed leadership programmes are conducted to develop young leaders.

The Company initiated global employee exchange programmes to integrate culturally diverse employees across geographies.

Health, Safety and Environment

In an engineering business that requires projects to be commissioned across terrains by using various construction materials and challenging processes, it is critical to keep the sites and workplace safe for the Company's employees and contracted construction workers at all times.

High risks are involved in constructing, operating and maintaining plants like deep excavation, working at heights, electrocution, and fall of materials, fire, radiation and hazardous chemical exposure, among others. Over the years, the Company enhanced awareness of the importance of safety practices through HSE Communication such as induction training, tool box talks and specific training modules for medium and high risk activities. These risks are controlled by suitable engineering and personal protective equipment as well.

The Company aims to establish HSE standards on par with global practices.

Internal controls

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. Various transactional risks are effectively taken care of not only through assurances, but also various tools in the ERP system. The Company has documented procedures and authorisation levels that govern the conduct of business at various levels. The Company has a strong internal assurance team to support the Group Managing Director directly to identify and manage operational and business risks. The effectiveness of the internal control mechanism is reviewed by an independent internal audit function and by the statutory auditors. The Audit Committee of the Board periodically reviews the functioning of the internal audit and the implementation of recommended measures to improve the internal control framework.

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.

At the end of the day, people don't work for banners, they work for individuals. And here is where Mr Mittal's leadership comes in; friendly yet professional, informal yet hard working, gentle yet demanding.

Dr. Papa Rao

Director, (MEKA Infrastructure Pvt. Ltd.)

Report on Corporate Governance

Company's Philosophy on Corporate Governance

At VA TECH WABAG LIMITED ("Wabag" or "the Company") we are committed to meet the aspirations of all our stakeholders through ethical business conduct which is critical to retain and enhance investor trust. This is ensured by taking ethical business decisions and conducting the business with a firm commitment to values, while meeting stakeholders' expectations.

At Wabag, we created a modern business around enduring values. Principally, we believe that we are engaged in a business that makes the world a better and cleaner place – through the nature of services we provide and the way we conduct our business.

We conduct our business in a manner that is fair for all our stakeholders, we practice a high standard of integrity in all our actions and we respect and comply with the laws of the geographies in which we are present. At Wabag transparency lies at the heart of our governance intent. We at Wabag consider it our inherent responsibility to disclose timely and accurate information regarding our financials and performance, as well as the leadership and governance of the Company.

In the years of its existence, Wabag has created a richly competent, informed and independent Board of Directors ("the Board"). The Board of Wabag is at the core of our corporate governance practice. It oversees how the management serves and protects stakeholder interests by following best practices. These practices ensure that the Board possesses the necessary authority and processes to review and evaluate operations whenever required and open to change as required. It also allows the Board to arrive at decisions independent of the Management. The majority of our Board, 4 out of 5 are Independent members. Further all the committees of the Board comprises majority of Independent Directors. The Board will continue to focus on upholding the core values of excellence, integrity, responsibility, unity and understanding to ensure that there is a strong legacy of fair, transparent and ethical governance practice in the Company.

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

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 majority of the Board comprises of Independent Directors. 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 the value for stakeholders' are met.

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

Apart from reimbursement of expenses incurred in discharge of their duties and the remuneration that the Non-Executive Independent Directors and Managing Director would be entitled under the Companies Act, 1956, none of the Directors have any other material pecuniary relationships or transactions with the Company, its Directors, its Senior Management, its subsidiaries and associates which in their judgment would affect their independence. None of the Directors of the Company are interrelated to each other.

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

As on 31 March, 2013 the Board comprises of five Directors. The Chairman of the Board is an Independent Director. Besides the Chairman, the Board comprises of the Managing Director, who is a Promoter Director, and three Independent Directors.

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 four times during the year: on 24 May 2012, 11 August 2012, 9 November 2012 and 8 February 2013. 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 Financial Year ending 31 March, 2013 and at the last Annual General Meeting:

Name	Category	Attendance Particulars			No. of Directorships and Committee Memberships/Chairmanships as on 31 March 2013[1]		
		No. of Board Meetings		Last AGM	Directorships[2]	Committee Memberships[3]	Committee Chairmanships[3]
		Held	Attended				
Mr. Bhagwan Dass Narang	Independent Chairman	4	4	Present	10	7	3
Mr. Rajiv Mittal	Managing Director	4	4	Present	1	1	0
Mr. Sumit Chandwani	Independent Director	4	4	Present	1	1	1
Mr. Jaithirth Rao	Independent Director	4	2	Present	2	1	0
Dr. Guenter Heisler	Independent Director	4	0[4]	Absent	0	0	0
Ms. Revathi Kasturi	Independent Director	4	4	Absent	1	0	0

1. Excludes Private Limited Companies, Foreign Companies and Companies registered under Section 25 of the Companies Act,1956
2. Excludes alternate Directorships but includes Additional Directorships and Directorship in VA TECH WABAG LIMITED
3. Committees considered are Audit Committee and Shareholders/Investors Grievance Committee, as per Clause 49.
4. Dr. Guenter Heisler ceased to be a Director of the Company effective 23 July 2012.

Board Procedure

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

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

Directors seeking appointment/ reappointment

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 reappointment.

Brief resumes of Directors seeking appointment/reappointment 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 7 June, 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 Committees of various Companies.

Name of the Company	Name of Committee	Position Held
VA Tech Wabag Limited	Audit Committee	Chairman
Dish T.V. India Limited	Audit Committee	Chairman
Revathi Equipments Limited	Audit Committee	Member
Shivam Autotech Limited	Audit Committee Investor Grievance Committee	Member Chairman
Afcon Infrastructure Limited	Audit Committee	Member
Karvy Stock Broking Limited	Audit Committee	Member
Lakshmi Precision Screws Limited	Audit Committee	Member
Mayar Health Resorts Limited	Audit Committee	Member
Karvy Financial Services Limited	Audit Committee	Member

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 31 January, 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 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 Audit Committee of the Board of Directors of the company.He holds 1,92,734 shares in the company as on 31 March 2013.

Directors' Shareholding

Name of Director	Category	No. Of shares held (Rs.2/- paid up) as on 31 March 2013
Mr Bhagwan Dass Narang*	Chairman / Independent	Nil
Mr Rajiv Mittal	Managing Director	48,11,438
Mr Sumit Chandwani	Independent Director	Nil
Mr Jaithirth Rao	Independent Director	1,92,734
Ms. Revathi Kasturi	Independent Director	Nil

*Mr Bhagwan Dass Narang currently holds 50% of the share capital of Shri Venimadhav Portfolio Private Limited, which in turn held 17,870 Equity Shares of the Company as on 31 March, 2013.

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
- Share Allotment / Transfer cum Investors' Grievance Committee
- Remuneration cum Compensation Committee
- Monitoring Committee

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

All the members of the committee are Independent Directors are knowledgeable in 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. Oversight 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 judgment 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 and 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 whistleblower 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, among others).

The Company Secretary acts as 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. During the Financial Year 2012-13, the Committee met on: 24 May 2012, 11 August 2012, 9 November 2012 and 8 February 2013.

The attendance at the meetings is as under:

	Number of Meetings	
Members	Held	Attended
Mr. Bhagwan Dass Narang	4	4
Mr. Jaithirth Rao	4	2
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 17th Annual General Meeting of the Company held on 23 July 2012.

Share Allotment/Transfer cum Investors' Grievance Committee

Members of the Share Allotment/Transfer cum Investors' Grievance Committee are

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 Share Allotment/Transfer cum Investors' Grievance Committee are as follows:

To allot equity shares to option grantees under prevailing ESOP schemes of the Company; to look into and redress shareholders/investors grievances relating to transfer of shares, non-receipt of declared dividends, annual reports, all such complaints directly concerning the shareholders/investors as stakeholders of the Company and any such matters that may be considered necessary in relation to shareholders/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 met three times during the year on 24 May 2012, 11 July 2012 and 8 February 2013.

The attendance at the Meetings is as under:

Members	Number of Meetings	
	Held	Attended
Mr. Sumit Chandwani	3	3
Mr. Rajiv Mittal	3	3

During the year, five complaints were received from the shareholders, all of which have been attended to/resolved. As of 31 March 2013, there are no pending share transfers or complaints from the shareholders.

Remuneration cum Compensation Committee

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

1. Mr Bhagwan Dass Narang, Chairman
2. Mr Jaithirth Rao
3. Mr. Sumit Chandwani.
4. Ms. Revathi Kasturi

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 direction for administration of the ESOP schemes including grant of ESOPs to eligible employees and to attend to any other responsibility as may be entrusted by the Board within its terms of reference.

The Committee met on 11 August 2012 and 9 November 2012 during the Financial Year 2012-13 which was attended by the members as below:

Members	Number of Meetings	
	Held	Attended
Mr. Bhagwan Dass Narang	2	2
Mr. Jaithirth Rao	2	1
Mr. Sumit Chandwani	2	2
Ms. Revathi Kasturi	2	2

Remuneration Policy

The Company's remuneration policy is driven by the success and performance of the individual employee and the Company. Through its compensation programme, the Company endeavours to attract, retain, develop and motivate a high performance workforce. The Company follows a compensation mix of fixed pay, benefits and performance-based variable pay. Individual performance pay is determined by business performance and the performance of the individual is measured through the annual appraisal process.

The members have at the Annual General Meeting of the Company on 15 July, 2011 approved payment of commission to the Non-Executive Directors within the ceiling of 1% of the net profits of the Company as computed under the applicable provisions of the Companies Act, 1956. Subject to the above limits, the Board of Directors has fixed a sum of Rs. 10 lakhs/7.5 lakhs p.a. as commission to the Chairman / other Non Executive Directors respectively for a period of three years w.e.f. FY 2011-12. The Company also reimburses the out-of-pocket expenses incurred by the Directors for attending the meetings.

Details of Remuneration paid to Directors for the year ended 31 March, 2013.

(Rs. in lakhs)

Name	Category	Commission (Refer Note. 1)	Salary and Perquisites	Performance Incentive	Superannuation and Provident Fund	Total
Mr. Bhagwan Dass Narang	Independent Chairman	10.0	Nil	Nil	Nil	10.0
Mr. Rajiv Mittal	Managing Director	Nil	142.2	50	16.5	208.7
Mr. Sumit Chandwani	Independent Director	7.5	Nil	Nil	Nil	7.5
Mr. Jaithirth Rao	Independent Director	7.5	Nil	Nil	Nil	7.5
Ms. Revathi Kasturi	Independent Director	7.5	Nil	Nil	Nil	7.5

Notes:

1. Commission was paid to Non-executive and Independent Directors as approved by the Board and Shareholders.
2. Aggregate of the Company's contributions to the Superannuation Fund and Provident Fund.
3. The Company has not advanced loans to any Directors during the year.

Monitoring Committee

The Monitoring Committee of the Board comprises of the following Directors:

1. Bhagwan Dass Narang, Chairman
2. Sumit Chandwani, Member.
3. Revathi Kasthuri, Member.
4. Rajiv Mittal, Member*.

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 among others, apart from reviewing specific matters assigned by the Board.

There is no meeting held during the Financial Year 2012-13.

*The Monitoring Committee was reconstituted on 11 August 2012 inducting Mr. Rajiv Mittal as a member.

General Body Meetings:

(i) Details of Annual General Meetings (AGMs) held during past three years and Special Resolutions passed:

Year	Date	Time	Venue	Special Resolutions passed
2009-10	2 August, 2010	10.00 a.m.	No.11, Murray's Gate Road, Alwarpet, Chennai 600 018	Approval for Initial Public Offer as per Section (81)(1A) Approval for Increase in limit of investment by foreign institutional investors in the Company.
2010-11	15 July, 2011	10.30 a.m.	Rani Seethai Hall, 603, Anna Salai, Chennai 600 006	Approval for Payment of Commission to Non-executive Directors up to 1% of net profit. Approval for reappointment and revision in Remuneration Payable to Mr. Rajiv Mittal, Managing Director of the Company. Approval of Pre-IPO ESOP Scheme 2010.
2011-12	23 July, 2012	10.00 a.m	Russian Centre of Science and Culture, 74, Kasturi Rangan Road, Alwarpet, Chennai 600018	Nil

(ii) Details of Extraordinary General Meetings (EGMs) held during past three years and Special Resolutions passed

Year	Date	Time	Venue	Special Resolutions passed
2009-10	14 September 2009	10.00 a.m.	No.11, Murray's Gate Road, Alwarpet, Chennai 600 018	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 10,39,629 (equity)Bonus shares of Rs. 5/- Approval for Initial Public Offer (IPO) Sec (81)(1A)
2010-11	19 July, 2010	10.30 a.m.	No.11, Murray's Gate Road, Alwarpet, Chennai 600 018	Approval of Pre-IPO ESOP Scheme 2010.

No Extraordinary General Meeting of the Members was held during the year 2011-12.

(iii) Postal Ballots

No special resolution was passed through Postal Ballot during the Financial Year 2012-13. None of the business proposed to be transacted at the ensuing Annual General Meeting require passing a special resolution through Postal Ballot.

Disclosures

Corporate Governance Voluntary Guidelines, 2009

The Ministry of Corporate Affairs, Government of India, published the Corporate Governance Voluntary Guidelines in 2009. These guidelines provide corporate India a framework to govern themselves voluntarily as per the highest standards of ethical and responsible conduct of business. The guidelines broadly focus on areas such as Board of Directors, responsibilities of the Board, audit committee functions, roles and responsibilities, appointment of auditors, compliance with secretarial standards and mechanism for whistleblower support. 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.

Code of Conduct

The Board has laid down a Code of Conduct ('Code'), for Board Members and Senior Management Personnel 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 forming part 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 31 March, 2013 which is annexed to this Report.

Risk Management

The Monitoring committee of the Board reviews the Company's risk management practices and activities on a periodic basis. This includes review of risks of achieving key business objectives, and actions taken to mitigate them. The Committee reviews risk management aspects in the areas of competitive position in different geographies, leadership development, informational security, high risk projects, contracts management and financial risks.

Subsidiary Companies

All the Company's major subsidiaries are Board managed with their Boards having the rights and obligations to manage such Companies in the best interest of their stakeholders. The Company does not have any material unlisted subsidiary and hence is not required to nominate an Independent Director of the Company on the Board of any subsidiary. The Audit Committee reviews the financial statements, in particular investments made by the subsidiary companies. The minutes of the subsidiary companies are placed and reviewed periodically by the Board at its meetings.

Related Party Transactions

None of the transactions with any related parties were in conflict with the interest of the Company. Attention of members is drawn to the disclosure of transactions with the related parties set out in Note No. 32 of Notes to Accounts, forming part of the Annual Report. The Audit Committee of the Board periodically reviews the related party transactions entered into by the Company.

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

The Company's Equity Shares are 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 Capital Markets.

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, the Audit Committee has been monitoring the uses and applications of funds on a quarterly basis. The details of utilisation of funds generated out of IPO form part of quarterly declaration of Company's 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 two shareholders with 39 outstanding shares lying in the above suspense account for the year ended 31 March, 2013. The voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

Management Discussion and Analysis Report

A detailed report on the Management's discussion and analysis is provided in the Management's discussion and analysis section of the 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/Compensation 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 whistleblower policy for employees to report to the management concerns about unethical behaviour, actual or suspected fraud or violation of the Company's 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 the Clause 49.

Occupation Health & Safety Policy

The Company has in place Occupational Health & Safety Policy which focuses on people, technology and facilities, supported by Management commitment as the prime driver. A dedicated 'Safety Management Team' is working towards the prevention of Man, Machine and Material incidents at the corporate and manufacturing units level, and towards education and motivation of the employees on various aspects of Health, Safety and Environment through training programmes and seminars. The Company holds certificates on Integrated Management Systems of ISO 14001 (Environmental Management Systems) and BS OHSAS 18001 (Health and Safety). The Company recognizes its human force as the most important asset and is deeply committed to providing a safe and healthy working environment for its employees.

Means of Communication:

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

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

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

d) **Website:** The Company's website www.wabag.com contains a separate dedicated section namely 'Investor Relations' where shareholders information is available. The Annual Report of the Company is also uploaded on the website in a user-friendly and downloadable form.

General Shareholder Information

i) Company Registration Details:

The Company is registered in the State of Tamil Nadu, India. The Corporate Identity Number (CIN) allotted to the Company by the Ministry of Corporate Affairs (MCA) is L45205TN1995PLC030231

ii) Annual General Meeting

Date : 25 July, 2013

Time : 10.00 a.m.

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

iii) Financial Year

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

(iv) Financial Reporting for 2013-14

The First Quarter Results – 30 June, 2013	By end of 2nd week of August 2013
The Half Yearly Results – 30 September, 2013	By end of 2nd week of November 2013
Third Quarter Results – 31 December, 2013	By end of 2nd week of February 2014
Approval of Annual Accounts – 31 March, 2014	By end of May 2014

Note: The above dates are indicative.

v) Dates of Book Closure/Record Date

Saturday, 13 July, 2013 to Monday, 25 July, 2013, (both days inclusive) for payment of dividend.

vi) Dividend Payment Date

Credit/dispatch of dividend warrants, if approved at the Members' meeting, would be on or after 26 July, 2013 but before 2 August, 2013

vii) Listing on Stock Exchanges

a) **Bombay Stock Exchange Limited (BSE)**
Phiroze Jeejeebjoy Towers,
Dalal Street, Mumbai 400 001
Scrip Code: 533269

b) **National Stock Exchange of India Limited (NSE)**
'Exchange Plaza', Bandra Kurla Complex, Bandra(E),
Mumbai 400 051
Trading Symbol – WABAG

c) **Payment of Listing Fees:**
Annual listing fee for the year 2013-14 has been paid by the Company to BSE and NSE.

d) **Payment of Depository Fees:**
Annual Custody / Issuer fee for the year 2013-14 has been paid by the Company to NSDL and CDSL.

f) **Demat International Security Identification Number (ISIN) in NSDL and CDSL for equity shares**
ISIN: INE956G01038

viii) Stock Performance

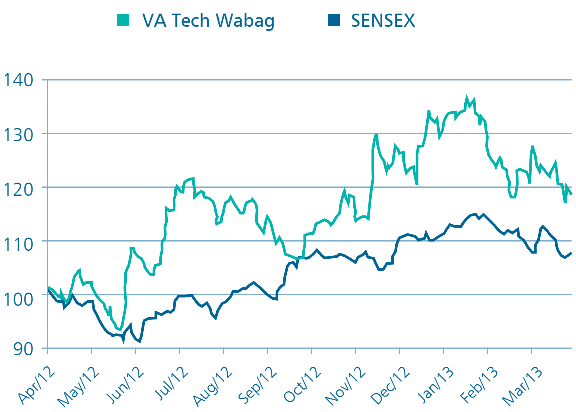
BSE and NSE – Monthly High/Low and Volumes

Month	National Stock Exchange of India Limited			Bombay Stock Exchange Limited		
	High (Rs.)	Low (Rs.)	Monthly Volume	High (Rs.)	Low (Rs.)	Monthly Volume
April 2012	444.90	400.95	157570	447.90	399.30	9523
May 2012	473.00	381.55	135851	475.00	390.00	110284
June 2012	516.80	425.05	150965	525.00	426.70	58468
July 2012	525.00	471.00	126790	525.00	466.60	49543
August 2012	515.00	460.30	107472	524.00	465.60	35373
September 2012	498.80	370.00	200669	497.70	445.00	110429
October 2012	518.50	462.00	411120	519.00	465.25	48691
November 2012	559.90	478.00	359771	564.35	475.70	157443
December 2012	577.70	495.00	384981	577.80	496.95	100192
January 2013	588.00	524.00	502421	589.00	530.00	111375
February 2013	559.55	491.95	352299	579.00	491.10	90531
March 2013	550.00	483.50	293059	551.00	483.00	33385

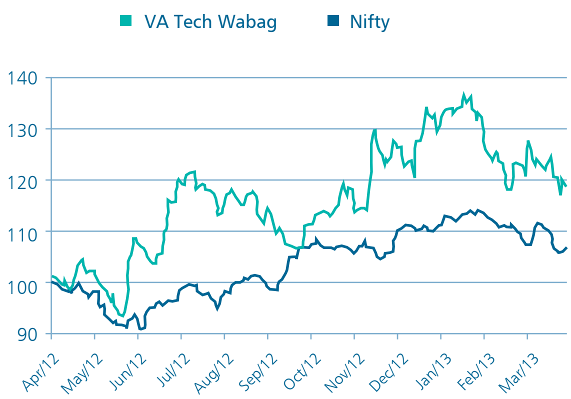
Performance in comparison to BSE Sensex and NSE Nifty

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
April, 2012	431.50	17,318.81	5248.15
May, 2012	454.30	16,218.53	4924.25
June, 2012	505.65	17,429.98	5278.90
July, 2012	484.40	17,236.18	5229.00
August, 2012	483.80	17,429.56	5258.50
September, 2012	469.75	18,762.74	5703.30
October, 2012	478.10	18,505.38	5619.70
November, 2012	532.65	19,339.90	5879.85
December, 2012	556.20	19,426.71	5905.10
January, 2013	533.35	19,894.98	6034.75
February, 2013	512.95	18,861.54	5693.05
March, 2013	500.00	18,835.77	5682.55

VA TECH WABAG Share performance versus BSE Sensex



VA TECH WABAG Share performance versus NSE Nifty



ix) Share Transfer System

Share transfers are processed and share certificates duly endorsed are returned within a period of 21 days from the date of receipt, subject to the documents being valid and complete in all respects. The share allotment/Transfer-cum-Investors' Grievance Committee ('the Committee') has delegated the authority for approving transfer, transmission among others, of the Company's securities to the Managing Director/Chief Financial Officer/Company Secretary. A summary of transfer/transmission of securities of the Company so approved by the Managing Director / Chief Financial Officer/Company Secretary is placed at the Committee meeting. The Company obtains from a Company Secretary in Practice half-yearly certificate of compliance with the share transfer formalities as required under Clause 47(C) of the Listing Agreement and files a copy of the said certificate with the Stock exchanges. As of 31 March, 2013, there are no pending share transfers pertaining to the year under review.

x) Distribution of Shareholding as on 31 March, 2013

Number of Shares	No. of Shareholders	% to Shareholders	Total No. of Shares	% of Amount
1-5000	28274	99.381371	1963618	7.397103%
5001- 10000	41	0.144112	141465	0.532910%
10001- 20000	35	0.123023	251189	0.946249%
20001- 30000	18	0.063269	227151	0.855696%
30001- 40000	12	0.042179	218825	0.824331%
40001- 50000	6	0.021090	137285	0.517163%
50001- 100000	18	0.063269	677596	2.552557%
100001 and Above	46	0.161687	22928643	86.373992%
TOTAL	28450	100.00 %	26545772	100.00%

xi) Shareholding Pattern as on 31 March, 2013

Category of Shareholders	Total Holdings	Holdings in Percentage
Promoters holdings	8204360	30.91
Mutual funds	5374032	20.24
Banks, financial institutions	55053	0.21
Foreign institutional investors	8180567	30.82
Bodies corporate	1027453	3.87
NRIs	57858	0.22
Foreign venture capital investors	0	0.00
Clearing members	20081	0.08
Foreign corporate bodies	1325998	5.00
HUFs	79249	0.30
Foreign nationals	9475	0.03
Trusts	2182	0.01
Indian public	2016730	7.60
Directors	192734	0.73
Total	**26545772**	**100**

xii) Dematerialisation of shares

As on 31 March, 2013, 99.93% of the paid-up Equity Share Capital is held in dematerialised form. Trading in Equity Shares of the Company is permitted only in dematerialised form.

xiii) 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.

xiv) Offices of the Company

Registered Office:
VA TECH WABAG LIMITED
No.11, Murray's Gate Road,
Alwarpet, Chennai 600 018.
Phone: 91-44-42232323
Fax : 91-44-42232324

xv) Registrar and Share Transfer Agents

M/s. Karvy Computershare Private Limited (Karvy)
Unit: VA Tech Wabag Limited
Plot No.17-24,
Vittalrao Nagar, Madhapur,
Hyderabad – 500 081,
Andhra Pradesh, India.
Phone: + 91-040-23420815/16/ 17/18/19/20
Fax: + 91-040-23420814/57
E-mail: einward.ris@karvy.com

xvi) Address for Correspondence

Shareholders may correspond with the Company at its Registered Office or with the Registrar and Transfer Agents, Karvy 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.

xvii) Company Secretary & Compliance Officer

Mr. Rajiv Balakrishnan
11, Murray's Gate Road
Alwarpet, Chennai 600 018
Tel: 91-44-42232323
Fax: 91-44-42232324

xviii) Designated exclusive email-id:

The Company has designated the following email-id exclusively for investor servicing.

companysecretary@wabag.in

This has also been displayed on the Company's website.

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 31 March 2013 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
Date: 23 May, 2013

S. Varadarajan
Chief Financial Officer

Rajiv Mittal
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 31 March, 2013.

Place: Chennai
Date: 23 May, 2013

Rajiv Mittal
Managing Director

Auditors' certificate on compliance with the conditions of Corporate Governance under Clause 49 of the Listing Agreement.

To

The Members of **VA TECH WABAG LIMITED**

We have examined the compliance of conditions of Corporate Governance by VA TECH WABAG LIMITED 'the Company') for the year ended on 31 March 2013, as stipulated in Clause 49 of the Listing Agreement of the said Company with the 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 accordingly to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

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

per Sumesh E S
Partner
Membership No. 206931

Place: Chennai
Date: 23 May, 2013

INDEPENDENT AUDITORS' REPORT

To
The Members of
VA Tech Wabag Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of VA Tech Wabag Limited, ("the Company"), which comprise the Balance Sheet as at 31 March 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements, that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

   i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2013;

   ii) in the case of Statement of Profit and Loss, of the profit for the year ended on that date; and

   iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date

   ### Emphasis of Matter

   Without qualifying our opinion, we draw your attention to point (a) and (b) of note 3.3 of summary of significant accounting policies and other explanatory information:

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 1 April 2002 to 31 March 2009. However, such liability on account of possible denial of deduction prospectively from 1 April 2009 has been fully provided as current tax. Pursuant to this, the estimated tax liability for the period from 1 April 2002 to 31 March 2009 amounting to Rs. 2,422 lakhs and interest thereupon from 1 April 2002 to 31 March 2013 amounting to Rs. 1,968 lakhs have been disclosed as contingent liabilities as at 31 March 2013.

Report on Other Legal and Regulatory Requirements

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

8. As required by Section 227(3) of the Act, we report that:

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

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

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

   d. in our opinion, the financial statements comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act; and

   e. on the basis of written representations received from the directors, as on 31 March 2013 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

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

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

Place: Chennai
Date : 23 May 2013

Annexure to the Independent Auditors' Report of even date to the members of VA Tech Wabag Limited, on the financial statements for the year ended 31 March 2013

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

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

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

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

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.

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

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

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

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

(iv) In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

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

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

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

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

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act in respect of Company's services and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

(ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities, though there has been a slight delay in a few cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.

(b) The dues outstanding in respect of 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.)	Amount Paid Under Protest (Rs.)	Period to which the amount relates	Forum where dispute is pending
Rajasthan VAT Act, 2003	Tax & Penalty	2,887,662	-	2004-05 To 2006-07	Deputy Commissioner, Appeals
Rajasthan Sales Tax Act, 1994	Tax & Penalty	3,804,355	-	2003-04 to 2009-10	Various Forums
Karnataka Value Added Tax	Tax & Penalty	1,731,861	-	2007-08 to 2008-09	Deputy Commissioner
Kerala Value Added Tax	Tax & Penalty	4,161,767	-	2007-08	Appellate Tribunal
Central Sales Tax Act, 1956 read with the West Bengal VAT Act, 2003	Tax & Penalty	35,036,721	-	2006-07 To 2009-10	Various Forums

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

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

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

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

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

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

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

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

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

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

(xx) The Company has not raised any money by public issues during the year. The management of the Company has disclosed the end use of monies raised by public issue in the earlier years in the current year financial statements and the same has been verified by us.

(xxi) According to the information and explanations given by the management, there were no frauds on or by the Company noticed or reported during the course of our audit, except for one instance of a fraud in the nature of misappropriation of assets amounting to Rs. 4,980,776 by an employee of the Company for which the Company has filed a case against such employee. Pending final outcome of the investigation proceedings, services of the said employee has been terminated after withholding the applicable terminal benefits payable to such employee. No adjustment has been made in the accompanying financial statements in respect of amount exceeding terminal benefits since the company is confident of recovering the entire amount misappropriated.

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

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

Place: Chennai
Date : 23 May 2013

BALANCE SHEET

Rs. in Lakhs

	Note	As at 31 March 2013	As at 31 March 2012
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	4	531	530
Reserves and surplus	5	53,126	46,098
		53,657	46,628
Share application money pending allotment	6	4	-
Non-current liabilities			
Other long term liabilities	7	7,980	4,756
Long-term provisions	8	552	706
		8,532	5,462
Current liabilities			
Short-term borrowings	9	5,451	10,318
Trade payables	10	53,356	49,616
Other current liabilities	11	7,286	10,801
Short-term provisions	8	7,015	4,417
		73,108	75,152
Total		**135,301**	**127,242**
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	12	2,743	2,693
Intangible assets	13	1,176	1,215
Capital work-in-progress		3,206	1,763
Non-current investments	14	1,536	1,465
Deferred tax assets, net	15	870	858
Long-term loans and advances	16	320	320
Other non-current assets	17	13,271	8,007
		23,122	16,321
Current assets			
Inventories	18	1,587	3,492
Trade receivables	19	78,233	79,240
Cash and bank balances	20	17,137	18,371
Short-term loans and advances	16	9,093	7,541
Other current assets	21	6,129	2,277
		112,179	110,921
Total		**135,301**	**127,242**
Notes 1 to 41 form an integral part of these 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 : 23 May 2013

On behalf of the Board of Directors

Rajiv Mittal
Managing Director

Sumit Chandwani
Director

S Varadarajan
Chief Financial Officer

Rajiv Balakrishnan
Company Secretary

Place : Chennai
Date : 23 May 2013

STATEMENT OF PROFIT AND LOSS

Rs. in Lakhs

	Note	Year ended 31 March 2013	Year ended 31 March 2012
Revenue			
Revenue from operations	22	105,717	100,347
Other income	23	1,256	1,330
Total revenue		**106,973**	**101,677**
Expenses			
Cost of sales and services	24	79,818	77,436
Decrease in inventories	25	1,905	1,667
Employee benefits expense	26	6,887	6,398
Other expenses	27	3,223	3,304
Finance costs	28	1,152	1,297
Depreciation and amortisation expense	29	661	573
Total expenses		**93,646**	**90,675**
Profit before tax		**13,327**	**11,002**
Tax expense			
Current tax		4,328	2,316
Deferred tax		(12)	1,174
		4,316	**3,490**
Profit for the year		**9,011**	**7,512**
Earnings per share (Nominal value Rs.2 per share)	30		
(In Rs.)			
Basic		34.00	28.41*
Diluted		33.62	28.36*
* Adjusted for the impact of subdivision of shares during the previous year (Refer note 4(g))			
Notes 1 to 41 form an integral part of these financial statements			

This is the Statement of Profit & Loss referred to in our report of even date

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

per **Sumesh E S**
Partner

Place : Chennai
Date : 23 May 2013

On behalf of the Board of Directors

Rajiv Mittal
Managing Director

Sumit Chandwani
Director

S Varadarajan
Chief Financial Officer

Rajiv Balakrishnan
Company Secretary

Place : Chennai
Date : 23 May 2013

CASH FLOW STATEMENT

Rs. in Lakhs

	Year ended 31 March 2013		Year ended 31 March 2012	
A. Cash flow from operating activities				
Net Profit before tax		13,327		11,002
Adjustments for:				
Depreciation and amortisation	661		573	
Interest expenses	572		782	
Interest and dividend income	(1,256)		(1,330)	
Unrealised forex gain/ loss	(369)		143	
Loss on sale of tangible assets, net	1		32	
Bad debts and provision for bad and doubtful debts	810		589	
Provision for compensated absences and gratuity	233		207	
Provision for litigation	(89)		(275)	
Provision for liquidated damages	26		(36)	
Provision for warranty	2,380	2,969	789	1,474
Operating profit before working capital changes		**16,296**		**12,476**
Adjustments for:				
Decrease/ (increase) in trade receivables	566		(34,692)	
(Increase)/ decrease in short term loans and advances	(2,737)		712	
Decrease in long term loans and advances	219		49	
Decrease in inventory	1,905		1,667	
Increase in other current assets	(3,059)		(876)	
(Increase)/ decrease non-current assets	(1,684)		1,692	
Increase in trade payables	3,740		17,731	
Decrease in short-term provisions	(940)		(309)	
Decrease in long-term provisions	13		(738)	
(Decrease)/ increase in other current liabilities	(3,515)		2,763	
Increase in other long term liabilities	3,224	(2,268)	1,918	(10,083)
Cash generated from operations		**14,028**		**2,393**
Direct taxes paid		(2,829)		(3,329)
Net cash generated from operating activities		**11,199**		**(936)**
B. Cash flow from investing activities				
Purchase of assets (including capital work in progress and capital advances)		(2,172)		(1,932)
Proceeds on disposal of assets		16		20
Investment in subsidiaries		(71)		(670)
Purchase of investments		-		(1)
Sale of investments		-		3,016
Movement in other bank balances		(551)		(4846)
Interest and dividend received		463		1,227
Net cash used in investing activities		**(2,315)**		**(3,186)**

CASH FLOW STATEMENT (Contd.)

Rs. in Lakhs

	Year ended 31 March 2013	Year ended 31 March 2012
C. Cash flow from financing activities		
Proceeds from issue of share capital including share premium	196	30
Repayment of short term borrowings	(10,318)	10,318
Proceeds from short term borrowings	5,451	-
Interest paid to banks and others	(572)	(782)
Dividend paid	(1,588)	(1,057)
Dividend distribution tax paid	(258)	(172)
Net cash used in financing activities	**(7,089)**	**8,337**
D. Net cash flows during the year	**1,795**	**4,215**
E. Cash and cash equivalents at the beginning	**11,070**	**6,855**
F. Cash and cash equivalents at the end	**12,865**	**11,070**
Cash and cash equivalents comprise of:		
Cash on hand	87	20
Cheques on hand	5,831	7,644
Balances with banks - in current accounts	4,987	3,406
Balances with banks - in deposit accounts (maturity upto 3 months)	1,960	-
Cash and cash equivalents as per note 20	**12,865**	**11,070**

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 : 23 May 2013

On behalf of the Board of Directors

Rajiv Mittal
Managing Director

Sumit Chandwani
Director

S Varadarajan
Chief Financial Officer

Rajiv Balakrishnan
Company Secretary

Place : Chennai
Date : 23 May 2013

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

1.1 General Information

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

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

1.2 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, supply, installation, and operational management of drinking water and waste water treatment plants.

VA TECH WABAG Limited was part of the Austrian group, VA Tech 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 and the rest with Siemens.

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 13 October, 2010 in the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).

2. SUMMARY OF ACCOUNTING POLICIES

2.1 Basis of accounting

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

2.2 Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities on the date of the financial statements and the results of operations during the reporting periods. Although these estimates are based upon management's best 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.

2.3 Tangible assets and depreciation/ amortisation

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

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

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

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

2.4 Intangibles

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

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 on a straight line basis over its estimated useful life of 5 years.

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

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

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

2.5 Impairment of assets

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

2.6 Investments

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

2.7 Inventories

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

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

2.8 Revenue recognition

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

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

Operations and Maintenance

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

Construction contracts

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

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

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

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

Other revenues

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

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

2.9 Cost of Sales and services

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

2.10 Taxation

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

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

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

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

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

2.11 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 statement of profit and loss

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

2.12 Retirement and other employee benefits

Provident fund

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

Gratuity

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

Compensated absences

Liability in respect of compensated absences becoming due or expected to be availed after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method. Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged or credited to the statement of profit and loss in the year in which such losses or gains are determined. Accumulated compensated absences which are expected to be availed or encashed beyond 12 month from the end of the year end are treated as other long term employee benefits.

Superannuation Fund

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

2.13 Employees Stock Option Plan

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

2.14 Contingent liabilities and provisions

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

2.15 Cash and Cash equivalents

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

2.16 Earnings per share

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

2.17 Leases

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

3 Others

3.1 Capital Commitments

The estimated amount of contracts to be executed on capital account and not provided for (net of advances) Rs.2,138 lakhs (Previous year – Rs.1,612 lakhs). Other commitments are cancellable at the option of the Company and hence not disclosed.

3.2 Guarantees

Rs. in Lakhs

	As at 31 March 2013	As at 31 March 2012
Bank Guarantees/ Letter of Credit issued by the banks on behalf of the Company		
- Bank Guarantee	23,284	37,194
- Letter of Credit	14,533	14,928
Corporate Guarantees issued by the Company on behalf of its subsidiary		
- For VA Tech Wabag GmbH, Vienna	12,139	14,949
- For VA Tech Wabag Muscat LLC, Oman	4,248	

3.3 Contingent liabilities

Rs. in Lakhs

	As at 31 March 2013	As at 31 March 2012
Income tax impact on account of non-deductibility U/s 80-IA (Refer 'a' below)	2,422	2,422
- Out of the above, Income tax demand contested in appeal	939	939
Interest U/s 234B on the tax liability referred above (Refer 'b' below)	1,968	1,672
Sales tax matters under dispute (Refer 'c' below)	395	325

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

The Company strongly opines that, being a developer of infrastructure turnkey development contracts starting from the conceptualisation to execution assuming significant financial commitment and risks, the Company would be treated as a developer and the amendment would not apply to it. Based on a legal opinion from a Senior Counsel, the Company has filed a writ petition in the High Court of Madras challenging the Constitutional validity of the retrospective amendment. Also, the Company has subsequently received favourable Appellate Orders from CIT (Appeals) from financial years 2001-02 to 2006-07 allowing the benefit under section 80-IA of the Income Tax Act, while, the Income Tax department has raised a demand for Rs.939 lakhs denying benefit under section 80-IA for the financial year 2008-09. Considering these facts and as a matter of prudence, the Company has presented the total tax benefit so far claimed u/s 80-IA as contingent liability in the financial statement for 31 March 2013.

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

b) The Company, also based on an opinion taken from a professional firm believes that the interest under section 234B on account of 80-IA disallowance discussed in paragraph 'a' above amounting to Rs. 1,968 lakhs as at 31 March 2013 would not be payable as the Jurisdictional High Court rulings and various assessment orders commencing from financial year 2001-02 are in favour of the Company on this aspect and on this basis, the amount of interest has been disclosed as contingent liability.

c) The additional liability assessed by sales tax authorities for various financial years from 2002-03 to 2008-09 amounts to Rs. 395 Lakhs.

3.4 Transfer Pricing

As per the Transfer pricing norms introduced in India with effect from 1 April 2001, the Company is required to use certain specific methods in computing arm's length price of international transactions between the associated enterprises and maintain prescribed information and documents relating to such transactions. The appropriate method to be adopted will depend on the nature of transactions/class of transactions, class of associated persons, functions performed and other factors, which have been prescribed. The Transfer pricing study for the fiscal year ended 31 March 2013 is in progress and accordingly, the contracts may be amended subsequently and related adjustment, if any, will be quantified upon completion of this study. However, in the opinion of the Management, the outcome of the study will not have material impact on the Company's results.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

Rs. in Lakhs

	As at 31 March 2013		As at 31 March 2012	
	Nos.	Amount	Nos.	Amount
Note 4 SHARE CAPITAL				
Authorised share capital				
Equity Shares of Rs. 2 each	50,875,000	1,018	50,875,000	1,018
Preference shares of Rs. 10 each	4,825,000	482	4,825,000	482
Issued, subscribed and fully paid up				
Equity Shares of Rs. 2 each	26,545,772	531	26,486,585	530
	26,545,772	**531**	**26,486,585**	**530**

a) Reconciliation of share capital (Equity)

Balance at the beginning of the year	26,486,585	530	10,563,795	528
Add : Issued during the year pursuant to Employee Stock Option Plan			12,639	1
Balance before subdivision of shares			10,576,434	
Balance after subdivision of shares (Refer note g below)			26,441,085	
Add : Issued during the year pursuant to Employee Stock Option Plan	59,187	1	45,500	1
Balance at the end of the year	**26,545,772**	**531**	**26,486,585**	**530**

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

	Nos.	% holding	Nos.	% holding
Equity Shares of Rs. 2 each				
Mr. Rajiv D Mittal (Managing Director)	4,811,438	18%	4,799,860	18%
Emerging Markets Growth Fund Inc.	1,584,552	6%	1,584,552	6%
	6,395,990		6,384,412	

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

Year	Face value	Bonus issue	Buy back of shares
Equity Shares			
31 March 2010	5	1,039,629	-

d) Terms/ rights attached to equity shares

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

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

During the year ended 31 March 2013, the amount of dividend per share, recognised as distributions to the equity shareholders of face value Rs. 2 each was Rs. 7 (Previous year : Rs. 6).

e) Shares reserved for issue under options

The Company had reserved issuance of Equity shares 899,131 of Rs. 2 each (Previous year : 933,070 shares of Rs. 2 each) for offering to eligible employees of the Company and its subsidiaries under Employees Stock Option Scheme (ESOS).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

f) **Details of the unutilised portion of the receipt from issue of shares (made for a particular purpose) and the corresponding investment details.**

Gross proceeds received from the issue : Rs 12,500 Lakhs

Particulars	As per Prospectus	As of 31 March 13	Unutilized
Construction of corporate office	3,474	3,420	54
Working capital requirements	6,451	6,451	-
Implementation of Global Information Technology systems	1,105	1,105	-
General Corporate purposes	874	874	-
Issue related expenses	596	487	109
Unutilised amount			**163**

The Board of Directors at it's meeting held on 24 May 2012 have approved to utilise the remaining surplus funds of Rs. 109 lakhs pertaining to Issue related expenses towards Construction of Corporate Office at Chennai. Pending utilization the balance un-utilized funds of Rs.163 Lakhs have been temporarily invested in short term deposits with banks.

g) During the previous year, on 07 August 2011, the Company subdivided 10,576,434 fully paid equity shares of face value of Rs. 5 each into 26,441,085 equity shares of Rs. 2 each fully paid up pursuant to the approval of the shareholders in its Annual General Meeting on 15 July 2011.

h) **Employee share based plan**

Employee share based plan- ESOP 2006 Scheme

In August 2006, the Board of Directors approved and the Company adopted the "ESOP 2006" (the "Plan") under which not more than 204,080 shares of the Company's equity shares was reserved for issuance to employees. The Board of Directors determined that the options granted under the Plan would vest not less than one year and not more than five years from the date of grant. The exercise price of options shall be Rs 200 (face value of Rs. 10 each) on the grant date. The exercise period of the options is 4 years.

Particulars	Number of options	Weighted average exercise price (Rs.)
Outstanding as at 1 April 2011	40,813	89
Exercised	12,639	89
Balance as on 17 August 2011	28,174	89
Balance after considering impact of subdivision of shares (Refer note g above)	70,435	36
Exercised	44,793	36
Lapsed	1,498	36
Outstanding as at 31 March 2012	24,144	36
Exercised	6,321	36
Outstanding as at 31 March 2013	17,823	36

Employee share based plan- ESOP 2010 Scheme

In August 2010, the Board of Directors approved and the Company adopted the "ESOP 2010" (the "Plan") under which not more than 467,831 shares of the Company's equity shares was reserved for issuance to employees. The Board of Directors determined that the options granted under the Plan would vest not less than one year and not more than five years from the date of grant. The exercise price of options shall be Rs 900 (Face value of Rs. 5 each) on the grant date. The exercise period of the options is 4 years. The company has calculated the value of options using fair value for the years ended 31 March 2011 and 31 March 2012, which is lower than the exercise price.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

Particulars	Number of options	Weighted average exercise price (Rs.)
Outstanding as at 1 April 2011	414,597	900
Balance after considering impact of subdivision of shares (Refer note g above)	1,036,525	360
Exercised	707	360
Lapsed	126,892	360
Outstanding as at 31 March 2012	908,926	360
Granted	106,927	360
Exercised	52,866	360
Lapsed	81,679	360
Outstanding as at 31 March 2013	881,308	360

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

Rs. in Lakhs

	Year ended 31 March 2013	Year ended 31 March 2012
Profit after tax	9,011	7,512
Add : Employee stock compensation under intrinsic value method	-	-
Less : Employee stock compensation under fair value method	137	436
Pro-forma profit	8,874	7,076
Earnings per share (Rs.)		
Basic		
- As reported	34.00	28.41
- Pro-forma	33.48	26.77
Diluted		
- As reported	33.62	28.36
- Pro-forma	33.12	26.72

Rs. in Lakhs

	As at 31 March 2013	As at 31 March 2012
Note 5 RESERVES AND SURPLUS		
Capital reserves		
Balance at the beginning of the year	250	250
Add : Additions made during the year	-	-
Balance at the end of the year	250	250
Securities premium reserve		
Balance at the beginning of the year	25,150	25,093
Add : Additions made during the year		
On exercise of employee stock options	191	28
Transferred from stock option outstanding account	2	29
Balance at the end of the year	**25,343**	**25,150**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

Rs. in Lakhs

	As at 31 March 2013	As at 31 March 2012
Note 5 RESERVES AND SURPLUS (Contd.)		
Stock option outstanding account		
Balance at the beginning of the year	9	39
Less: Options exercised during the year	(2)	(29)
Options lapsed during the year	-	(1)
Balance at the end of the year	7	9
General reserve		
Balance at the beginning of the year	1,502	750
Add : Additions made during the year		
Transfer from employee stock option outstanding account	-	1
Transfer on account of dividend	901	751
Balance at the end of the year	**2,403**	**1,502**
Surplus in the statement of profit and loss		
Balance at the beginning of the year	19,187	14,270
Add : Transferred from statement of profit and loss	9,011	7,512
Less : Final equity dividend proposed/ paid	(1,858)	(1,590)
Tax on proposed equity dividend	(316)	(254)
Transfer to general reserve	(901)	(751)
Balance at the end of the year	**25,123**	**19,187**
	53,126	**46,098**

	As at 31 March 2013		As at 31 March 2012	
	Nos.	Amount	Nos.	Amount
Note 6 SHARE APPLICATION MONEY PENDING ALLOTMENT				
Equity Shares of Rs. 2 each	2,385	4	-	-
	2,385	**4**	-	-

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

Rs. in Lakhs

	As at 31 March 2013	As at 31 March 2012
Note 7 OTHER LONG TERM LIABILITIES		
Trade payables including acceptances		
Dues to micro and small enterprises (Also, refer note 10 (a))	-	-
Dues to others	6,373	3,790
Advance from customers	1,523	903
Others	84	63
	7,980	**4,756**

	As at 31 March 2013		As at 31 March 2012	
	Long term	Short term	Long term	Short term
Note 8 PROVISIONS				
Proposed dividend to equity shareholders (Also refer note (a) below)	-	1,858	-	1,589
Dividend tax	-	316	-	258
Provision for warranty (Also refer note b(i) below)	231	3,093	398	1,172
Provision for liquidated damages (Also refer note b(ii) below)	-	999	-	1,094
Provision for litigations (Also refer note b(iii) below)	-	81	-	170
Provisions for employee benefits (Also refer note (c) below)				
Gratuity	-	82	-	60
Compensated absences	321	92	308	74
Provision for taxation (Net of Advance tax Rs. 14,460 lakhs; Previous year Rs. Nil)	-	494	-	-
	552	**7,015**	**706**	**4,417**

Particulars	As of 31 March 2013	As at 31 March 2012
a) Details with respect to proposed dividend		
Dividends proposed to		
Equity shareholders	1,858	1,589
Proposed dividend per share		
Equity shareholders (Rs.) - Face value of Rs. 2 each	7	6

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

Rs. in Lakhs

Particulars	As of 31 March 2013	As at 31 March 2012
b) Reconciliation of provision		
i Provision for warranty		
Balance at the beginning of the year	1,570	857
Charged during the year, net	2,380	789
Utilised during the year	(626)	(76)
Balance at the end of the year	**3,324**	**1,570**

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

ii Provision for liquidated damages		
Balance at the beginning of the year	1,094	1,950
Charged/ (Reversed) during the year, net	26	(36)
Utilised during the year	(121)	(820)
Balance at the end of the year	**999**	**1,094**

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

iii Provision for litigations		
Balance at the beginning of the year	170	445
Reversed during the year, net	(89)	(275)
Balance at the end of the year	**81**	**170**

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

c) Employee benefits

i) Gratuity

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

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

Rs. in Lakhs

Particulars	As at 31 March 2013	As at 31 March 2012
Change in projected benefit obligation		
Projected benefit obligation at the beginning of the year	264	199
Service cost	44	34
Interest cost	22	15
Actuarial (gain) / loss	42	27
Benefits paid	(7)	(11)
Projected benefit obligation at the end of the year	365	264
Thereof		
Unfunded	82	60
Partly or wholly funded	283	204
Change in plan assets		
Fair value of plan assets at the beginning of the year	204	135
Expected return on plan assets	21	14
Actuarial gain / (loss)	5	1
Employer contributions	60	66
Benefits paid	(7)	(12)
Fair value of plan assets at the end of the year	283	204
Reconciliation of present value of obligation on the fair value of plan assets		
Present value of projected benefit obligation at the end of the year	365	264
Fair value of plan assets at the end of the year	283	204
Liability / (asset) recognised in the balance sheet	82	60
Components of net gratuity costs are		
Current Service cost	44	34
Interest cost	22	14
Expected returns on plan assets	(21)	(14)
Recognized net actuarial (gain)/ loss	37	26
Net gratuity costs recognised in the income statement	82	60
Principal actuarial assumptions used:		
Discount rate	7.90%	8.60%
Long-term rate of compensation increase	7.50%	8%
Expected rate of return on plan assets	9%	9%
Average remaining life (in years)	23	24
Attrition rate	15.00%	17.50%

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

(ii) Compensated absences

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

Rs. in Lakhs

Particulars	As at 31 March 2013	As at 31 March 2012
Principal actuarial assumptions used :		
Discount rate	7.90%	8.60%
Long-term rate of compensation increase	7.50%	8%
Average remaining life	23	24
Attrition rate	15.00%	17.50%
Proportion of leave availment	20%	20%
Proportion of encashment on separation	80%	80%
Note 9 SHORT TERM BORROWINGS		
Secured		
Term loans from banks		
Overdraft account/Packing credit	5,451	6,818
Working capital loan	-	3,500
	5,451	**10,318**

1 During the year, the company has availed two packing credit facilities of USD 50,00,000 (Rs. 2,725.50 lakhs) each from Standard Chartered Bank at average interest rate of 2.79% repayable within 180 days from the date of availment and is secured against foreign currency receivable.

2 During the previous year, the Company had availed Secured overdraft facilities, one for an amount of Rs. 3,975 Lakhs from Punjab National Bank, Chennai at an interest rate of 10.40%-11.25%, which was secured against the Fixed Deposits of Rs. 4,300 Lakhs placed with the bank and another for amount of Rs. 2,843 Lakhs from Bank of India at an interest rate of 11.20%, which was secured against the Fixed Deposits.

3 On 15 February 2012, the Company had availed a Working capital loan repayable on demand from Punjab National Bank for an amount of Rs. 3,500 Lakhs repayable within 60 days from the date of disbursement and was secured by the entire current assets both present and future.

Note 10 TRADE PAYABLES		
Dues to micro and small enterprises (Also refer note (a) below)	259	38
Dues to others	53,097	49,578
	53,356	49,616
a) Dues to micro, small and medium enterprises pursuant to section 22 of the Micro, Small and Medium Enterprises Development Act (MSMED), 2006:		
i) Principal amount remaining unpaid	259	38
ii) Interest due thereon	-	-
iii) Interest paid by the Company in terms of Section 16 of MSMED Act, 2006, along with the amount of the payment made to the suppliers and service providers beyond the appointed day during the year	-	-
iv) Interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006	-	-
v) Interest accrued and remaining unpaid as at 31 March 2013	-	-
vi) Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act, 2006	-	-
	259	38

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

Rs. in Lakhs

	As at 31 March 2013	As at 31 March 2012
Note 11 OTHER CURRENT LIABILITIES		
Billing in advance	48	-
Advance from customers	3,230	5,288
Unpaid dividends	2	1
Statutory dues	183	1,824
Due to subsidiaries	2,166	2,116
Other payables	640	708
Employee related payables	1,017	864
	7,286	10,801

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

Note 12 TANGIBLE ASSETS

	Freehold land	Plant and machinery	Furniture and fittings	Electrical equipment	Office equipment	Computers	Vehicles	Total
Gross block								
Balance as at 01 April 2011	1,698	40	369	179	97	857	465	3,705
Additions	-	146	107	42	26	74	146	541
Disposals	-	-	67	3	-	14	58	142
Balance as at 31 March 2012	1,698	186	409	218	123	917	553	4,104
Additions	-	-	35	14	4	96	191	340
Disposals	-	-	-	-	-	43	23	66
Balance as at 31 March 2013	1,698	186	444	232	127	970	721	4,378
Accumulated depreciation								
Balance as at 01 April 2011	-	32	233	83	44	668	205	1,265
Depreciation for the year	-	3	32	17	10	91	83	236
Reversal on disposal of assets	-	-	37	2	-	11	40	90
Balance as at 31 March 2012	-	35	228	98	54	748	248	1,411
Depreciation for the year		21	34	17	10	84	107	273
Reversal on disposal of assets	-	-	-	-	-	35	14	49
Balance as at 31 March 2013	-	56	262	115	64	797	341	1,635
Net block								
Balance as at 31 March 2012	1,698	151	181	120	69	169	305	2,693
Balance as at 31 March 2013	1,698	130	182	117	63	173	380	2,743

Note 13 INTANGIBLE ASSETS

	Goodwill	Computer Software	Total
Gross block			
Balance as at 01 April 2011	1,555	1,549	3,104
Additions	-	193	193
Balance as at 31 March 2012	1,555	1,742	3,297
Additions	-	349	349
Balance as at 31 March 2013	1,555	2,091	3,646

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

Note 13 INTANGIBLE ASSETS (Contd.)

Rs. in Lakhs

	Goodwill	Computer Software	Total
Accumulated amortisation			
Balance as at 01 April 2011	1,555	190	1,745
Amortisation for the year	-	337	337
Balance as at 31 March 2012	**1,555**	**527**	**2,082**
Amortisation for the year		388	388
Balance as at 31 March 2013	1,555	915	2,470
Net block			
Balance as at 31 March 2012	**-**	**1,215**	**1,215**
Balance as at 31 March 2013	**-**	**1,176**	**1,176**

	As at 31 March 2013	As at 31 March 2012
Note 14 NON-CURRENT INVESTMENTS		
Trade Investments (Valued at cost unless stated otherwise)		
Investments in equity instruments - Unquoted		
In Subsidiaries		
VA Tech Wabag (Singapore) Pte Ltd	1,235	1,235
(34,19,626 (Previous year : 34,19,626) equity shares of SGD 1 each)		
VA Tech Wabag Muscat LLC	124	124
(105,000 (Previous year : 105,000) equity shares of OMR 1 each)		
VA Tech Wabag (Philippines) Inc.	90	90
(85,70,200 (Previous year:85,70,200 equity shares of PHP 1 each)		
VA Tech Wabag (Spain) S.L.U	2	-
(3,000 (Previous year : Nil) equity shares of Euro 1 each)		
In Joint Venture		
International Water Treatment LLC	69	-
(48,750 (Previous year : Nil) equity shares of OMR 1 each)		
In Other Companies		
First STP Private Limited	15	15
(150,000 (Previous year :150,000) equity shares of Rs. 10 each)		
Konark Water Infraprojects Private Limited	1	1
(5,000 (Previous year : 5,000) equity shares of Rs.10 each)		
	1,536	**1,465**
Aggregate amount of unquoted investments	1,536	1,465
Aggregate provision for diminution in value of investments	-	-
Extent of Investment in Subsidiaries		
VA Tech Wabag (Singapore) Pte Ltd	100%	100%
VA Tech Wabag Muscat LLC	70%	70%
VA Tech Wabag (Philippines) Inc.	100%	100%
VA Tech Wabag (Spain) S.L.U	100%	-
Extent of Investment in Joint Venture		
International Water Treatment LLC	32.50%	-
Extent of Investment in Other Companies		
First STP Private Limited	5%	5%
Konark Water Infraprojects Private Limited	10%	10%

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

Rs. in Lakhs

	As at 31 March 2013	As at 31 March 2012
Note 15 DEFERRED TAX ASSET, NET		
The breakup of net deferred tax asset is as follows:		
Deferred tax asset arising on account of :		
Provision for employee benefits, liquidated damages, doubtful debts and losses	1,057	801
Other provisions	100	266
	1,157	1,067
Less: Deferred tax liability arising on account of :		
Timing difference between depreciation/ amortisation as per financials and depreciation as per tax	(287)	(209)
	870	858

	As at 31 March 2013		As at 31 March 2012	
	Long term	Short term	Long term	Short term
Note 16 LOANS AND ADVANCES				
Capital advances				
- Secured, considered good	190	-	-	167
- Unsecured, considered good	29	-	-	12
(A)	219	-	-	179
Security deposits				
- Unsecured, considered good	19	533	51	543
(B)	19	533	51	543
Other loans and advances				
(Unsecured, considered good)				
- Advances to supplier	-	7,143	269	4,077
- Advances to employees*	82	269	-	279
- Due from subsidiaries (Also refer note 31)	-	1,148	-	1,457
- Advance tax (Net of provision for tax Rs. Nil; Previous year Rs. 10,625 lakhs)	-	-	-	1,006
(C)	82	8,560	269	6,819
Total (A+B+C)	320	9,093	320	7,541

*No amount is due from the officers of the Company

	As at 31 March 2013	As at 31 March 2012
Note 17 OTHER NON-CURRENT ASSETS		
Non-current bank balances (Refer note 20)	9,580	6,000
Long term trade receivables		
Customer retention - Unsecured, considered good	3,691	2,007
	13,271	8,007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

Rs. in Lakhs

	As at 31 March 2013	As at 31 March 2012
Note 18 INVENTORIES		
Construction work-in-progress	1,224	3,140
Stores and spares	363	352
	1,587	**3,492**

	As at 31 March 2013	As at 31 March 2012
Note 19 TRADE RECEIVABLES		
(Unsecured considered good, unless stated otherwise)		
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured considered good	18,547	9,257
Doubtful	1,618	1,326
	20,165	**10,583**
Less : Allowances for bad and doubtful debts	(1,618)	(1,326)
(A)	**18,547**	**9,257**
Outstanding for a period less than six months from the date they are due for payment		
Other debts	50,346	59,522
Customer retention	9,340	10,461
(B)	**59,686**	**69,983**
Total (A+B)	**78,233**	**79,240**

	As at 31 March 2013		As at 31 March 2012	
	Current	Non-current	Current	Non-current
Note 20 CASH AND BANK BALANCES				
Cash and cash equivalents				
Cash on hand	87	-	20	-
Cheques on hand	5,831	-	7,644	-
Balances with banks				
- in current accounts	4,987	-	3,406	-
- in deposit account (with maturity upto 3 months)	1,960	-	-	-
(A)	**12,865**	**-**	**11,070**	**-**
Other bank balances				
Unpaid dividend account	2	-	1	-
Deposits with maturity more than 3 months but less than 12 months*	4,270	-	7,300	-
Balances with bank held as				
Margin money	-	8,300	-	-
Bank deposits with maturity of more than 12 months	-	1,280	-	6,000
(B)	**4,272**	**9,580**	**7,301**	**6,000**
Less : Amounts disclosed as other non-current assets (Refer note 17) (C)	-	9,580	-	6,000
Total (A+B-C)	**17,137**	**-**	**18,371**	**-**

* Deposits amounting to Rs. Nil (Previous year Rs. 7,300 lakhs) are subject to a charge to secure the Company's short term borrowings (Also refer note 9 (2))

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

Rs. in Lakhs

	As at 31 March 2013	As at 31 March 2012
Note 21 OTHER CURRENT ASSETS		
(Unsecured, considered good)		
Balance with government authorities	3,279	877
Tender deposits	483	421
Duty drawback & other duty free credit entitlement receivable	869	287
Rent advance	282	279
Prepaid expenses	239	224
Interest accrued	921	128
Others	56	61
	6,129	**2,277**

	Year ended 31 March 2013	Year ended 31 March 2012
Note 22 REVENUE		
Revenue from operations		
Sale of services		
Export	18,504	21,724
Domestic	85,601	78,289
	104,105	**100,013**
Other operating revenues, net	1,612	334
	105,717	**100,347**
Note 23 OTHER INCOME		
Interest income	1,194	1,026
Dividend income	62	304
	1,256	**1,330**
Note 24 COST OF SALES AND SERVICES		
Material costs	41,427	45,714
Civil costs	18,934	11,902
Erection and commissioning costs	3,881	4,448
Taxes and duties	1,513	3,486
Site establishment cost	2,234	1,718
Engineering costs	647	546
Project consultancy fee	321	373
Warranty expenses	2,380	789
Project travel	951	615
Insurance costs	442	304
Power and fuel	187	175
Liquidated damages	26	(36)
Other project expenses, net	6,875	7,402
	79,818	**77,436**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

Rs. in Lakhs

	Year ended 31 March 2013	Year ended 31 March 2012
Note 25 DECREASE IN INVENTORIES		
Inventories at the beginning of the year		
Construction work-in-progress	3,140	4,853
Stores and spares	352	306
	3,492	**5,159**
Less: Inventories at the end of the year		
Construction work-in-progress	1,224	3,140
Stores and spares	363	352
	1,587	3,492
	1,905	**1,667**

	Year ended 31 March 2013	Year ended 31 March 2012
Note 26 EMPLOYEE BENEFITS EXPENSE		
Salaries and wages	5,897	5,519
Gratuity (Also, refer note 8(c))	82	60
Contribution to provident and other defined contribution funds	319	279
Staff welfare expenses	589	540
	6,887	**6,398**

	Year ended 31 March 2013	Year ended 31 March 2012
Note 27 OTHER EXPENSES		
Travelling and conveyance	570	540
Professional charges (Also, refer note 38)	413	464
Rent	325	312
Foreign currency loss, net	-	168
Communication expenses	128	157
Power and fuel	113	94
Repairs and maintenance	243	262
Advertisement	8	24
Insurance	3	2
Rates and taxes	3	4
Loss on sale of tangible assets	1	32
Provision for bad and doubtful debts, net	292	138
Bad debts	518	451
Other selling expenses	51	44
Miscellaneous expenses	555	612
	3,223	**3,304**

	Year ended 31 March 2013	Year ended 31 March 2012
Note 28 FINANCE COSTS		
Interest expenses	572	782
Bank charges	580	515
	1,152	**1,297**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

Rs. in Lakhs

	Year ended 31 March 2013	Year ended 31 March 2012
Note 29 DEPRECIATION AND AMORTISATION EXPENSE		
Depreciation of tangible assets (Refer note 12)	273	236
Amortisation of intangible assets (Refer note 13)	388	337
	661	**573**

Note 30 EARNINGS PER SHARE (EPS)		
Nominal value of equity shares	2	2
Profit attributable to equity shareholders (A)	9,011	7,512
Weighted average number of equity shares outstanding during the year (B)	26,507,066	26,437,197
Basic earnings per share (A/B) (in Rs.)	**34.00**	**28.41**
Dilutive effect on profit (C)	-	-
Profit attributable to equity shareholders for computing diluted EPS (D) = (A+C)	9,011	7,512
Dilutive effect on weighted average number of equity shares outstanding during the year (E)	290,385	47,392
Weighted average number of equity shares for computing Diluted EPS (F) = (B+E)	26,797,451	26,484,589
Diluted earnings per share (D/F) (in Rs.)	**33.62**	**28.36**

Note 31 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:		
Contract revenue recognised	93,111	92,438
Aggregate amount of costs incurred and recognised profits and losses for all contracts in progress	306,214	223,373
Less : Progress billings	306,262	223,373
	(48)	-
Recognised as :		
Due to customers for construction contract work, recognised in current liabilities	(48)	-
	(48)	-
Advances received from customers for contracts related to work not yet performed included in 'Other long term liabilities' and 'Other current liabilities'	4,753	6,191
Retention on contracts included within 'Trade receivables' and 'Other non-current assets'	13,031	12,468

Note 32 RELATED PARTIES

a) Names of related parties and nature of relationship

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

Note 32 RELATED PARTIES (Contd.)

Transactions with related parties

(In Lakhs)

Related Party	For the year 2012-13								For the year 2011-12						
	Engineering services received	Purchase/ (Sale) of goods/ Assets	Rendering of services	Investment purchased/ (sold)	Remuneration paid	Dividend Paid	Others - Expense / (Income)	Reimbursements received/ receivable	Engineering services received	Purchase/ (Sale) of goods	Rendering of services	Investment purchased/ (sold)	Remuneration paid	Dividend Paid	Others - Expense / (Income)
VA Tech Wabag GmbH, Austria	-	73	-	-	-	-	18	(27)	373	114	(65)	-	-	-	(21)
Wabag Wassertechnik AG, Switzerland	-	-	-	-	-	-	2	(12)	-	-	-	-	-	-	-
VA Tech Wabag Singapore (Pte) Ltd	-	-	-	-	-	-	-	-	-	-	-	456	-	-	-
VA Tech Wabag (Philippines) Inc	-	-	(163)	-	-	-	24	(99)	-	(301)	(260)	90	-	-	-
VA Tech Wabag Muscat LLC	-	-	(43)	-	-	-	-	(11)	-	(35)	-	124	-	-	(2)
VA Tech Wabag (Gulf) Contracting LLC	-	-	-	-	-	-	-	-	-	-	-	(16)	-	-	(15)
Beijing VA Tech Wabag Water Treatment Technology Company Limited, China	-	-	-	-	-	-	3	(3)	-	-	-	-	-	-	6
VA Tech Wabag (Hong Kong) Limited	-	-	-	-	-	-	-	(2)	-	-	-	-	-	-	(2)
VA Tech Wabag Tecknolojisi Ve Ticaret Limited, Turkey	-	-	-	-	-	-	-	(19)	-	-	-	-	-	-	-
Wabag Water Services s.r.l, Romania	-	-	-	-	-	-	-	(10)	-	-	-	-	-	-	-
VA Tech Wabag (Spain) S.L.U	-	-	-	2	-	-	-	(63)	-	-	-	-	-	-	-
International Water Treatment LLC	-	-	(107)	69	-	-	-	(46)	-	-	-	-	-	-	-
Key Management Personnel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rajiv Mittal	-	-	-	-	209	288	-	-	-	-	-	-	248	192	-
Rahul Jaiswal	-	-	-	-	208	-	-	-	-	-	-	-	81	-	-
Others	-	-	-	-	400	204	-	-	-	-	-	-	332	139	-

Balance with related parties	For the year 2012-13			For the year 2011-12		
Related Party	Investments[1]	Advances/ Amount recoverable[1]	Creditors/ Payables	Investments[1]	Advances/ Amount recoverable[1]	Creditors/ Payables
VA Tech Wabag Singapore (Pte) Ltd	1,235	960	-	1,235	960	-
VA Tech Wabag GmbH, Austria	-	-	2,160	-	-	2,051
WABAG Wassertechnik AG, Switzerland	-	12	-	-	-	59
VA Tech Wabag (Philippines) Inc[2]	90	64	-	90	485	-
VA Tech Wabag Muscat LLC	124	30	-	124	10	-
VA Tech Wabag (Hong Kong) Limited	-	-	-	-	2	-
VA Tech Wabag (Gulf) Contracting LLC	-	-	-	-	-	-
Wabag Water Services s.r.l, Romania	-	10	-	-	-	-
VA Tech Wabag (Spain) S.L.U	2	61	-	-	-	-
International Water Treatment LLC	69	67	-	-	-	-
VA Tech Wabag Tecknolojisi Ve Ticaret Limited, Turkey	-	11	-	-	-	-
Beijing VA Tech Wabag Water Treatment Technology Company Limited, China	-	-	6	-	-	6

Note:
1. Also represents the maximum amount of investments/ loans/advances/ in subsidiaries in accordance with Clause 32 of the listing agreement subject to Note 2 below.
2. The maximum amount of advances outstanding during the year is Rs. 575 lakhs (Previous year: Rs. 485 lakhs)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

Note 33 DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE

a) Derivatives outstanding as at the reporting date

Amount ($ in lakhs)

Particulars	Purpose	31 March 2013	31 March 2012
Forward cover to sell	Hedging risks on receivables	-	100

b) Particulars of unhedged foreign currency exposure as at the reporting date

in Lakhs

Particulars	In USD	In Euro	In OMR	In CNY	In AED	In LKR	In QAR	In Rupee equivalent
a) Trade receivables including retention net of advances	102	6	23	-	-	-	2	9197*
(Previous year)	100	10	37	-	-	-	-	10727*
b) Project related creditors	58	65	10	1	13	3,084	-	10,634
(Previous year)	199	45	8	0	19	-	-	14,623

* Represents amounts due from customers on account of export sales and services.

(Rs. in Lakhs)

	Year ended 31 March 2013	Year ended 31 March 2012
Note 34 EARNINGS IN FOREIGN CURRENCY (ACCRUAL BASIS)		
Export value on FOB basis	18,504	21,724
	18,504	**21,724**
Note 35 EXPENDITURE IN FOREIGN CURRENCY (ACCRUAL BASIS)		
Professional and consultation fees	669	373
Foreign travel	367	290
Site Establishment	419	274
Overseas regional office expenses	78	6
Commission	93	265
Other project expenses	1,384	7,255
Erection and commissioning costs	382	1,379
	3,392	**9,842**
Note 36 VALUE OF IMPORTS ON CIF BASIS		
Raw materials	23,585	11,053
Capital goods	-	114
	23,585	**11,167**
Note 37 DISCLOSURES IN RESPECT OF NON-CANCELLABLE OPERATING LEASES		
The lease rentals charged for the years ended 31 March 2013 and 2012 and maximum obligations on long-term, non-cancellable operating leases payable as per the rentals stated in the respective agreements are as follows:		
The total of future minimum lease payments for each of the following periods:		
(i) Not later than one year	201	376
(ii) Due later than one year and not later than five years	351	289
(iii) Due later than five years	-	-
	552	**665**
Lease payments charged off to the statement of profit and loss	325	312

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

Rs. in Lakhs

	Year ended 31 March 2013	Year ended 31 March 2012
Note 38 PAYMENTS TO AUDITORS (included as part of professional charges)*		
As auditor		
Statutory audit	23	17
Limited review	6	6
Tax audit	2	2
	31	25
In other capacity		
Other services	8	9
	39	34

* excluding service tax

Note 39 DIVIDEND REMITTED IN FOREIGN CURRENCY		
Period to which it relates	2011-12	2010-11
Number of non - resident shareholders (No.)	Nil	1
Number of shares held on which dividend was due		
Equity shares of Rs. 2 each	Nil	22,333
Amount remitted (Euro Nil, Previous year: Euro 1,376.85)	Nil	1

Note 40 AGGREGATE OF EXPENSES THAT HAVE BEEN BIFURCATED AND GROUPED UNDER DIFFERENT HEADS ARE PROVIDED BELOW:		
Professional charges	734	4,959
Travelling and conveyance	1,521	1,155
Power and fuel	300	269
Rates and taxes	1,516	3,490
	4,071	9,873

Note 41 SEGMENT REPORTING

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

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

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

per **Sumesh E S**
Partner

Place : Chennai
Date : 23 May 2013

On behalf of the Board of Directors

Rajiv Mittal
Managing Director

Sumit Chandwani
Director

S Varadarajan
Chief Financial Officer

Rajiv Balakrishnan
Company Secretary

Place : Chennai
Date : 23 May 2013

INDEPENDENT AUDITORS' REPORT

To
The Board of Directors of
VA Tech Wabag Limited

1. We have audited the accompanying consolidated financial statements of VA Tech Wabag Limited, ("the Company") and its subsidiaries, associates and joint ventures (hereinafter collectively referred to as the "Group"), which comprise the consolidated Balance Sheet as at 31 March 2013, and the consolidated Statement of Profit and Loss and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries, associates and joint ventures as noted below, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
   i) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2013;
   ii) in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
   iii) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

7. Without qualifying our opinion, we draw your attention to point (a) and (b) of note 3.3 of summary of significant accounting policies and other explanatory information.

   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. 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 1 April 2001 to 31 March 2009. However, such liability on account of possible denial of deduction prospectively from 1 April 2009 has been fully provided as current tax. Pursuant to this, the estimated tax liability for the period from 1 April 2001 to 31 March 2009 amounting to Rs. 2,422 lakhs and interest thereupon from 1 April 2001 to 31 March 2013 amounting to Rs. 1,968 lakhs have been disclosed as contingent liabilities as at 31 March 2013.

Other Matter

8. We did not audit the financial statements of certain subsidiaries, associates and joint ventures included in the consolidated financial statements, whose financial statements reflect total assets (after eliminating intra-group transactions) of Rs. 56,427 lakhs as at 31 March 2013; total revenues (after eliminating intra-group transactions) of Rs. 56,499 lakhs and net cash outflows aggregating to Rs. 4,161 lakhs for the year then ended. These financial statements have been audited by other auditors whose audit reports have been furnished to us by the management, and our audit opinion on the consolidated financial statements of the Group for the year then ended to the extent they relate to the financial statements not audited by us as stated in this paragraph is based solely on the audit reports of the other auditors. Our opinion is not qualified in respect of this matter.

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

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

Place: Chennai
Date : 23 May 2013

CONSOLIDATED BALANCE SHEET

(Rs. in Lakhs)

	Note No.	As at 31 March 2013	As at 31 March 2012
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	4	531	530
Reserves and surplus	5	71,004	63,672
		71,535	64,202
Share application money pending allotment	6	4	-
Minority interest		194	98
Non-current liabilities			
Long-term borrowings	7	261	38
Deferred tax liabilities	8	23	2
Other long term liabilities	9	8,149	4,789
Long-term provisions	10	3,030	2,973
		11,463	7,802
Current liabilities			
Short-term borrowings	7	7,958	12,441
Trade payables	11	68,902	63,769
Other current liabilities	12	16,152	17,827
Short-term provisions	10	12,852	11,265
		105,864	105,302
Total		**189,060**	**177,404**
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	13	3,668	3,616
Intangible assets	14	1,439	1,456
Capital work-in-progress		3,239	1,803
Intangible assets under development		1,537	-
Non-current investments	15	330	363
Deferred tax assets	8	1,147	1,042
Long-term loans and advances	16	407	385
Other non-current assets	17	13,286	8,016
		25,053	16,681
Current assets			
Inventories	18	4,053	4,989
Trade receivables	19	110,948	109,261
Cash and bank balances	20	28,665	33,826
Short-term loans and advances	16	11,149	8,328
Other current assets	21	9,192	4,319
		164,007	160,723
Total		**189,060**	**177,404**
Notes 1 to 36 form an integral part of these 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 : 23 May 2013

On behalf of the Board of Directors

Rajiv Mittal
Managing Director

Sumit Chandwani
Director

S Varadarajan
Chief Financial Officer

Rajiv Balakrishnan
Company Secretary

Place : Chennai
Date : 23 May 2013

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(Rs. in Lakhs)

	Note	Year ended 31 March 2013	Year ended 31 March 2012
Revenue			
Revenue from operations	22	161,885	144,352
Other income, net	23	1,324	1,507
Total revenue		**163,209**	**145,859**
Expenses			
Cost of sales and services	24	116,507	101,727
Decrease in inventories	25	967	2,495
Employee benefits expense	26	20,879	18,829
Other expenses	27	8,046	8,298
Finance costs	28	2,200	2,546
Depreciation and amortisation expense	29	1,091	859
Total expenses		**149,689**	**134,754**
Profit before tax		**13,519**	**11,105**
Tax expense			
Current tax		4,636	2,652
Deferred tax		(77)	1,140
		4,559	3,792
Profit for the year before share of profit in associates		**8,960**	**7,313**
Share of profit in Associate		76	93
Profit for the year before Minority Interest		**9,036**	**7,406**
Minority Interest		2	31
Profit for the year attributable to equity shareholders		**9,034**	**7,375**
Earnings per equity share (Nominal value Rs.2 per share) (In Rs.)	30		
Basic		34.08	27.90*
Diluted		33.76	27.85*
*Adjusted for the impact of subdivision of shares during the previous year (Refer note 4(g))			
Notes 1 to 36 form an integral part of these consolidated financial statements			

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

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

per **Sumesh E S**
Partner

Place : Chennai
Date : 23 May 2013

On behalf of the Board of Directors

Rajiv Mittal
Managing Director

Sumit Chandwani
Director

S Varadarajan
Chief Financial Officer

Rajiv Balakrishnan
Company Secretary

Place : Chennai
Date : 23 May 2013

CONSOLIDATED CASH FLOW STATEMENT

(Rs. in Lakhs)

	Year ended 31 March 2013		Year ended 31 March 2012	
A. Cash flow from operating activities				
Net Profit before taxation		13,519		11,105
Adjustments for:				
Depreciation and amortisation	1,091		859	
Interest expenses	726		1,113	
Interest and Dividend income	(1,324)		(1,371)	
Profit on sale of investments	-		(17)	
(Profit)/Loss on sale of Tangible assets, net	(14)		29	
Provisions for Employee obligations	772		548	
Provision for warranty, liquidated damages, litigations and others	7,445		1,568	
Bad debts and Provision for bad and doubtful debts	909		674	
		9,605		3,402
Operating profit before working capital changes		**23,124**		**14,508**
Adjustments for:				
Increase in trade receivables	(2,596)		(39,499)	
(Increase)/ decrease in short term loans and advances	(3,910)		2,865	
(Increase)/ decrease in long term loans and advances	197		(16)	
Decrease in inventory	936		2,372	
Increase in other current assets	(4,080)		(454)	
Increase in other non current assets	(1,690)		(4,289)	
Increase in trade payables	5,133		16,572	
Decrease in provisions	(7,192)		(3,261)	
Increase/ (decrease) in other current liabilities	(1,675)		3,678	
Increase in other long term liabilities	3,360		1,861	
		(11,516)		(20,171)
Cash generated from operations		**11,608**		**(5,663)**
Direct taxes paid		(3,434)		(3,597)
Net cash generated from operating activities		**8,174**		**(9,260)**
B. Cash flow from investing activities				
Purchase of fixed assets (including capital work in progress)		(4,191)		(2,259)
Proceeds on disposal of fixed assets		58		88
Purchase of investments		-		(1)
Dividend from Associates		116		88
Sale of investments		-		3,968
Movement in other bank balances		(539)		3,837
Interest and dividend received		531		1,371
Net cash from/(used in) investing activities		**(4,025)**		**7,092**

CONSOLIDATED CASH FLOW STATEMENT (Contd.)

(Rs. in Lakhs)

	Year ended 31 March 2013	Year ended 31 March 2012
C. Cash flow from financing activities		
Proceeds from issue of share capital including share premium	196	30
Proceeds from issue of shares to minority shareholders of overseas subsidiaries	120	98
Repayment of Borrowings	(10,351)	(2,318)
Proceeds from Borrowings	6,092	10,531
Interest paid to Banks and others	(726)	(1,113)
Dividend paid	(1,588)	(1,057)
Dividend distribution tax paid	(258)	(172)
Dividend paid to minority shareholders of overseas subsidiaries	(28)	-
Net cash from/(used in) financing activities	**(6,543)**	**5,999**
D. Net cash flows during the year	(2,394)	3,830
Effects of foreign currency translation	273	1,385
E. Cash and cash equivalents at the beginning	26,513	21,298
F. Cash and cash equivalents at the end	**24,393**	**26,513**
Cash and cash equivalents comprise of:		
Cash on hand	380	517
Cheques on hand	5,831	7,644
Balances with banks - in current accounts	13,448	15,637
Balances with banks - in deposit accounts (maturity upto 3 months)	4,734	2,715
Cash and cash equivalents as per note 20	**24,393**	**26,513**

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 : 23 May 2013

On behalf of the Board of Directors

Rajiv Mittal
Managing Director

Sumit Chandwani
Director

S Varadarajan
Chief Financial Officer

Rajiv Balakrishnan
Company Secretary

Place : Chennai
Date : 23 May 2013

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

1.1 General Information

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

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

1.2 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, supply, installation, and operational management of drinking water and waste water treatment plants.

VA TECH WABAG LIMITED was part of the water technology and engineering division of the Austrian group, VA Technologie AG.

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 and the rest with Siemens.

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 13 October, 2010 in the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).

2. SUMMARY OF ACCOUNTING POLICIES

2.1 Basis of accounting

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

2.2 Basis of Consolidation

The Consolidated financial statements include the financial statements of the Subsidiary companies and associates as listed below. The financial statements of the subsidiary undertakings and associates forming part of these consolidated financial statements are drawn up to 31 March 2013. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. 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
Wabag Water Services (Macao) Limited, Macao	Macao	100
WABAG Water Services s.r.l, Romania	Romania	100
Engenharia Hidraulica de Macau, Limitada, Macao (Upto 31 December 2012)	Macao	100

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

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

Subsidiaries	Country of Incorporation	Percentage of Holding
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 (Upto 31 March 2012)	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
Ujams Wastewater Treatment Company (Pty) Ltd.	Namibia	82
VA TECH WABAG (SPAIN) S.LU. (Incorporated on 8 January 2013)	Spain	100
VA Tech Wabag Muscat LLC, Oman	Oman	70
VA Tech Wabag (Philippines) Inc	Philippines	100
Associates		
Windhoek Goreangab Operating Company (Pty) Limited	Namibia	33
Joint Venture		
International Water Treatment LLC, Oman (Incorporated on 23 February 2013)	Oman	32.50

The group has completed the winding up process for its subsidiary in Macao, Engenharia Hidraulica de Macau, and Limitada (EHDML). EHDML was wound up on 31 December 2012. On deconsolidation of this subsidiary, the group recognised a gain of Rs. 96 lakhs representing the reclassification of accumulated foreign currency translation reserve in the subsidiary till date of winding up. The loss of the subsidiary upto 31 December 2012 amounting to Rs. 210 lakhs (loss for previous year ended March 2012 Rs. 44 lakhs) was included in the consolidated statement of profit and loss.

The subsidiary in Egypt has not completed the incorporation procedures and has not commenced commercial operations and hence has not been consolidated. The accounting period for the associate in Namibia is 01 January 2012 to 31 December 2012. However, for the purpose of inclusion in the consolidated financial statements of the parent, the accounts of the associate company in Namibia have been drawn up for the period from 01 April 12 to 31 March 13. The joint venture in Oman has not commenced commercial operations and hence has not been consolidated.

2.3 (a) **Principles of consolidation:**

The Consolidated financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under the accounting standards 21 (AS 21) on Consolidated Financial Statements, accounting standards 23 (AS 23) on Accounting for Investments in Associates in Consolidated Financial Statements and accounting standards 27 (AS 27) on Financial Reporting of Interests in Joint Ventures as specified in the Companies (Accounting Standard) Rules 2006.

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

The 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 construction cost incurred by the Group as part of the Build-Own-Operate-Transfer (BOOT) contract is considered as exchanged with the grantor against the right to operate and generate revenues from the project and the profit from such contract is considered as realized. Accordingly BOOT contract awarded to group companies where work is subcontracted to other group companies, the intra group transactions on BOOT contract and the profits arising thereon are taken as realized and not eliminated on consolidation under AS 21. The amounts shown in respect of reserves comprise the amount of relevant reserves as per the balance sheet of the parent company and its share in the relevant reserves of the subsidiary.

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.

2.3 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 best 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.

2.4 Tangible assets and depreciation/ amortisation

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

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

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

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

2.5 Intangibles

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

Goodwill represents the excess of acquisition cost over the carrying amount of the Group's share of the identifiable net assets of the acquiree at the date of acquisition. Goodwill is amortised on a straight line basis over its estimated useful life of 5 years.

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

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

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

Intangibles under development

The right to operate and generate revenues from projects under BOOT are capitalized as an intangible asset (or as intangible assets under development) based on the cumulative construction costs incurred by the group including related margins (refer accounting policy on revenue recognition). This intangible asset is amortised over the concession period on completion of the construction phase and commencement of operations.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

2.6 Impairment of assets

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

2.7 Investments

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

2.8 Inventories

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

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

2.9 Revenue recognition

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

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

Operations and Maintenance

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

Construction contracts

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

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

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

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

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

Other revenues

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

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

2.10 Cost of Sales and Services

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

2.11 Taxation

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

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

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

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

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

2.12 Foreign currency translations

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

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

On Consolidation, the assets, liabilities (both monetary and non-monetary) and goodwill or capital reserve arising on the acquisition, of non-integral operations are translated at exchange rates prevailing on the balance sheet date. Income and expenditure items are translated at the average exchange rate for the year. Exchange differences arising out of translation are recognized in the Group's foreign currency translation reserve classified under Reserves and Surplus.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

2.13 Retirement and other employee benefits

Provident fund

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

Gratuity

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

Compensated absences

Liability in respect of compensated absences becoming due or expected to be availed after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method. Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged or credited to the profit and loss account in the year in which such losses or gains are determined. Accumulated compensated absences which are expected to be availed or encashed beyond 12 month from the end of the year end are treated as other long term employee benefits.

Superannuation Fund

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

Overseas entities

Post employment benefits

- **Defined contribution**

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

- **Defined benefit liability**

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

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

2.14 Employees stock option plan

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

2.15 Contingent liabilities and provisions

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

2.16 Cash and Cash equivalents

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

2.17 Earnings per share

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

2.18 Leases

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

3. OTHERS

3.1 Capital commitments

The estimated amounts of contracts to be executed on capital account and not provided for (net of advances) Rs. 2,138 lakhs (Previous year – Rs.1,612 lakhs). Other commitments are cancellable at the option of the Group and hence not disclosed.

3.2 Guarantees

Rs. in Lakhs

	As at 31 March 2013	As at 31 March 2012
Bank Guarantees/ Letter of Credit issued by the banks on behalf of the Group		
- Bank Guarantee	48,222	58,627
- Letter of Credit	14,533	14,928

3.3 Contingent liabilities

Rs. in Lakhs

	As at 31 March 2013	As at 31 March 2012
Income tax impact on account of non-deductibility U/s 80-IA (Refer ‘a’ below)	2,422	2,422
- Out of the above, Income tax demand contested in appeal	939	939
Interest U/s 234B on the tax liability referred above (Refer ’b’ below)	1,968	1,672
Sales tax matters under dispute (Refer ‘c’ below)	395	325

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

The Company strongly opines that, being a developer of infrastructure turnkey development contracts starting from the conceptualisation to execution assuming significant financial commitment and risks, the Company would be treated as a developer and the amendment would not apply to it. Based on a legal opinion from a Senior Counsel, the Company has filed a writ petition in the High Court of Madras challenging the Constitutional validity of the retrospective amendment. Also, the Company has subsequently received favourable Appellate Orders from CIT (Appeals) from financial years 2001-02 to 2006-07 allowing the benefit under section 80-IA of the Income Tax Act, while, the Income Tax department has raised a demand for Rs.939 lakhs denying benefit under section 80-IA for the financial year 2008-09. Considering these facts and as a matter of prudence, the Company has presented the total tax benefit so far claimed u/s 80-IA as contingent liability in the financial statement for 31 March 2013.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

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

b) The Company, also based on an opinion taken from a professional firm believes that the interest under section 234B on account of 80-IA disallowance discussed in paragraph 'a' above amounting to Rs. 1,968 lakhs as at 31 March 2013 would not be payable as the Jurisdictional High Court rulings and various assessment orders commencing from financial year 2001-02 are in favour of the Company on this aspect and on this basis, the amount of interest has been disclosed as contingent liability.

c) The additional liability assessed by sales tax authorities for various financial years from 2002-03 to 2008-09 amounts to Rs. 395 Lakhs.

3.4 Transfer Pricing

As per the Transfer pricing norms introduced in India with effect from 1 April 2001, the Company is required to use certain specific methods in computing arm's length price of international transactions between the associated enterprises and maintain prescribed information and documents relating to such transactions. The appropriate method to be adopted will depend on the nature of transactions/class of transactions, class of associated persons, functions performed and other factors, which have been prescribed. The Transfer pricing study for the fiscal year ended 31 March 2013 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.

Rs. in Lakhs

	As at 31 March 2013		As at 31 March 2012	
	Nos.	Amount	Nos.	Amount
Note 4 SHARE CAPITAL				
Authorised share capital				
Equity Shares of Rs. 2 each	50,875,000	1,018	50,875,000	1,018
Preference shares of Rs. 10 each	4,825,000	482	4,825,000	482
Issued, subscribed and fully paid up				
Equity Shares of Rs. 2 each	26,545,772	531	26,486,585	530
	26,545,772	**531**	**26,486,585**	**530**

a) **Reconciliation of share capital (Equity)**

Balance at the beginning of the year	26,486,585	530	10,563,795	528
Add : Issued during the year pursuant to Employee Stock Option Plan			12,639	1
Balance before subdivision of shares			10,576,434	
Balance after subdivision of shares (Refer note g below)			26,441,085	
Add : Issued during the year pursuant to Employee Stock Option Plan	59,187	1	45,500	1
Balance at the end of the year	**26,545,772**	**531**	**26,486,585**	**530**

b) **Shareholders holding more than 5% of the aggregate shares in the company**

	Nos.	% holding	Nos.	% holding
Equity Shares of Rs. 2 each				
Mr. Rajiv Mittal (Managing Director)	4,811,438	18%	4,799,860	18%
Emerging Markets Growth Fund Inc	1,584,552	6%	1,584,552	6%
	6,395,990		6,384,412	

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

c) **Details of shares issued as fully paid up by way of bonus issues**

Year	Face value	Bonus issue	Buy back of shares
Equity Shares			
31 March 2010	5	1,039,629	-

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

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

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

During the year ended 31 March 2013, the amount of dividend per share, recognised as distributions to the equity shareholders of face value Rs. 2 each was Rs. 7 (Previous year : Rs. 6).

e) **Shares reserved for issue under options**

The Company had reserved issuance of Equity shares 899,131 of Rs. 2 each (Previous year : 933,070 shares of Rs. 2 each) for offering to eligible employees of the Company and its subsidiaries under Employees Stock Option Scheme (ESOS).

f) **Details of the unutilised portion of the receipt from issue of shares (made for a particular purpose) and the corresponding investment details.** (Rs. in Lakhs)

Gross proceeds received from the issue : Rs 12,500 Lakhs

Particulars	As per Prospectus	As of 31 March 13	Unutilized
Construction of corporate office	3,474	3,420	54
Working capital requirements	6,451	6,451	-
Implementation of Global Information Technology systems	1,105	1,105	-
General Corporate purposes	874	874	-
Issue related expenses	596	487	109
Unutilised amount			**163**

The Board of Directors at it's meeting held on 24 May 2012 have approved to utilise the remaining surplus funds of Rs. 109 lakhs pertaining to Issue related expenses towards Construction of Corporate Office at Chennai. Pending utilization the balance un-ulitized funds of Rs.163 Lakhs have been temporarily invested in short term deposits with banks.

g. During the previous year, on 07 August 2011, the Company subdivided 10,576,434 fully paid equity shares of face value of Rs. 5 each into 26,441,085 equity shares of Rs. 2 each fully paid up pursuant to the approval of the shareholders in its Annual General Meeting on 15 July 2011.

h) **Employee share based plan**

Employee share based plan- ESOP 2006 Scheme

In August 2006, the Board of Directors approved and the Company adopted the "ESOP 2006" (the "Plan") under which not more than 204,080 shares of the Company's equity shares was reserved for issuance to employees. The Board of Directors determined that the options granted under the Plan would vest not less than one year and not more than five years from the date of grant. The exercise price of options shall be Rs 200 (face value of Rs. 10 each) on the grant date. The exercise period of the options is 4 years.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

Particulars	Number of options	Weighted average exercise price (Rs.)
Outstanding as at 01 April 2011	40,813	89
Exercised	12,639	89
Balance as on 06 August 2011	28,174	89
Balance after considering impact of subdivision of shares (Refer note g above)	70,435	36
Exercised	44,793	36
Lapsed	1,498	36
Outstanding as at 31 March 2012	24,144	36
Exercised	6,321	36
Outstanding as at 31 March 2013	17,823	36

Employee share based plan- ESOP 2010 Scheme

In August 2010, the Board of Directors approved and the Company adopted the "ESOP 2010" (the "Plan") under which not more than 467,831 shares of the Company's equity shares was reserved for issuance to employees. The Board of Directors determined that the options granted under the Plan would vest not less than one year and not more than five years from the date of grant. The exercise price of options shall be Rs 900 (Face value of Rs. 5 each) on the grant date. The exercise period of the options is 4 years. The company has calculated the value of options using fair value for the years ended 31 March 2011 and 31 March 2012, which is lower than the exercise price. No additional options were granted during the year ended 31 March 2013.

Particulars	Number of options	Weighted average exercise price (Rs.)
Outstanding as at 01 April 2011	414,597	900
Balance after considering impact of subdivision of shares (Refer note g above)	1,036,525	360
Exercised	707	360
Lapsed	126,892	360
Outstanding as at 31 March 2012	908,926	360
Granted	106,927	360
Exercised	52,866	360
Lapsed	81,679	360
Outstanding as at 31 March 2013	881,308	360

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

	Year ended 31 March 2013	Year ended 31 March 2012
Profit after tax	9,034	7,375
Add : Employee stock compensation under intrinsic value method	-	-
Less : Employee stock compensation under fair value method	137	436
Pro-forma profit	8,897	6,939
Earnings per share		
Basic		
- As reported	34.08	27.90
- Pro-forma	33.57	26.25
Diluted		
- As reported	33.76	27.85
- Pro-forma	33.20	26.20

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

Rs. in Lakhs

	As at 31 March 2013	As at 31 March 2012
Note 5 RESERVES AND SURPLUS		
Capital reserves		
Balance at the beginning of the year	13,948	13,948
Add : Additions made during the year	-	-
Balance at the end of the year	**13,948**	**13,948**
Securities premium reserve		
Balance at the beginning of the year	25,150	25,093
Add : Additions made during the year		
On excercise of employee stock options	191	28
Transferred from stock option outstanding account	2	29
Balance at the end of the year	**25,343**	**25,150**
Stock option outstanding account		
Balance at the beginning of the year	9	39
Less : Options exercised during the year	(2)	(29)
Options lapsed during the year	-	(1)
Balance at the end of the year	**7**	**9**
General reserve		
Balance at the beginning of the year	1,502	750
Add : Additions made during the year		
Transfer from employee stock option outstanding account	-	1
Transfer on account of dividend	900	751
Balance at the end of the year	**2,402**	**1,502**
Surplus in the statement of profit and loss		
Balance at the beginning of the year	21,567	16,794
Add: Transferred from statement of profit and loss	9,034	7,375
Less: Final equity dividend proposed/ paid	(1,858)	(1,590)
Tax on proposed equity dividend	(316)	(254)
Transfer to general reserve	(900)	(751)
Transfer to other reserves	(1)	(7)
Balance at the end of the year	**27,526**	**21,567**
Other Reserves		
Balance at the beginning of the year	7	-
Add: Transferred from statement of profit and loss	1	7
Balance at the end of the year	8	7
Foreign currency translation reserve	1,770	1,489
	71,004	**63,672**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

Rs. in Lakhs

	As at 31 March 2013		As at 31 March 2012	
	Nos.	Amount	Nos.	Amount
Note 6 SHARE APPLICATION MONEY PENDING ALLOTMENT				
Equity Shares of Rs. 2 each	2,385	4	-	-
	2,385	4	-	-

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

	As at 31 March 2013		As at 31 March 2012	
	Long term	Short term	Long term	Short term
Note 7 BORROWINGS				
Secured				
Term loans from banks				
Overdraft account/Packing credit	5	7,908	38	8,896
Working capital loan repayable on demand	-	50	-	3,545
	5	7,958	38	12,441
Unsecured				
Term loans				
From other parties	256	-	-	-
	261	7,958	38	12,441

1 During the year, the company has availed two packing credit facilities of USD 50,00,000 (Rs. 2,725.50 Lakhs) each from Standard Chartered Bank at average interest rate of 2.79% repayable within 180 days from the date of availment and is secured against foreign currency receivable.

2 During the previous year, the Company had availed two Secured overdraft facilities, one for an amount of Rs. 3,975 Lakhs from Punjab National Bank, Chennai at an interest rate of 10.40%-11.25%, which was secured against the Fixed Deposits of Rs. 4,300 Lakhs placed with the bank and another for amount of Rs. 2,843 Lakhs from Bank of India at an interest rate of 11.20%, which was secured against the Fixed Deposits.

3 On 15 February 2012, the Company had availed a Working capital loan repayable on demand from Punjab National Bank for an amount of Rs. 3,500 Lakhs repayable within 60 days from the date of disbursement and was secured by the entire current assets both present and future.

4 VA Tech Wabag GmbH, Austria and VA Tech Wabag Algeria s.a.r.l., Algeria have secured overdraft facilities for an amount of Rs. 2,258 Lakhs and Rs. 242 Lakhs respectively (Previous Year - Rs. 1,300 Lakhs and Rs. 760 Lakhs respectively) which is repayable on demand and is secured by the entire current assets both present and future of the respective subsidiaries.

5 VA Tech Wabag GmbH, Austria had a working capital loan repayable on demand of Rs. Nil (Previous Year - Rs. 38 Lakhs) and was secured by the current assets of the respective subsidiary.

6 VA Tech Wabag Tunisia s.a.r.l., Tunisia had availed a working capital loan repayable on demand for an amount of Rs. Nil and had also availed Secured overdraft facilities for an amount of Rs Nil respectively (Previous year 7 Lakhs and 18 Lakhs respectively), both of which were secured by the current assets of the respective subsidiary.

7 VA Tech Wabag GmbH, Austria had term loans repayable after one year for an amount of Rs. Nil Lakhs (Previous Year - Rs. 38 Lakhs) and was secured by the current assets of the respective subsidiary.

8 VA Tech Wabag (Philippines) Inc, Philippines has availed a loan of Rs. 12 Lakhs (Previous Year Nil) which is secured by the hypothecation of a Vehicle.

9 Ujams wastewater treatment company (Pty) Limited has availed an unsecured loan of Rs. 256 Lakhs (Previous Year Nil) from a shareholder (Veolia Water Solutions & Technologies South Africa (Pty) Limited)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

Rs. in Lakhs

	As at 31 March 2013	As at 31 March 2012
Note 8 DEFERRED TAXES		
Deferred tax asset arising on account of:		
Provisions and other liabilities	1,916	1,921
Unutilised tax losses	62	103
Total deferred tax asset	**1,978**	**2,024**
Deferred tax liability arising on accout of:		
Timing difference between depreciation/amortisation as per financials and depreciation as per tax	370	302
Receivables and other assets	491	702
Total deferred tax liability	**861**	**1,004**
Foreign exchange fluctuation	7	20
Total Deferred tax asset, net	**1,124**	**1,040**
Disclosed as		
Deferred tax asset	**1,147**	**1,042**
Deferred tax liability	**23**	**2**

Note 9 OTHER LONG TERM LIABILITIES		
Trade payables including acceptances		
Dues to micro and small enterprises (Also, refer note 11 (a))	-	-
Dues to others	6,513	3,804
Advance from customers	1,544	909
Others	92	76
	8,149	**4,789**

	As at 31 March 2013		As at 31 March 2012	
	Long term	Short term	Long term	Short term
Note 10 PROVISIONS				
Proposed dividend to equity shareholders(Also refer note (a) below)	-	1,858	-	1,589
Dividend tax	-	316	-	258
Provision for warranty, liquidated damages, litigations and others (Refer note (b) below)	552	9,832	706	8,885
Provisions for employee benefits (Also refer note (c) below)	2,478	82	2,267	60
Provision for taxation (net of advance tax Rs. 15,343 lakhs; previous year Rs. 356 lakhs)	-	764	-	473
	3,030	12,852	2,973	11,265

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

Rs. in Lakhs

Particulars	As of 31 March 13	As at 31 March 2012
a) Details with respect to proposed dividend		
Dividends proposed to		
Equity shareholders	1,858	1,589
Proposed dividend per share		
Equity shareholders (Rs.) - Face value of Rs. 2 each	7	6
b) Reconciliation of Provision		
Provision for warranty, liquidated damages, litigations and others		
Balance at the beginning of the year	9,591	11,159
Charged during the year, net	7,174	1,104
Utilised during the year	(6,652)	(3,157)
Difference on Foreign Exchange	271	485
Balance at the end of the year	10,384	9,591

Provision for warranty, liquidated damages and litigations and others

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

The Group 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 Group may generally be held liable for penalties in the form of agreed liquidated damages. The Group 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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

c) **Employee benefits**

The status of all the plans (for the year ended 31 March 2013) are set out in the following tables:

Particulars	Gratuity	Anniversary	Severence Payments	Pension and other Obligations
Defined benefit obligation 1 April 2012	264	80	1,308	8,676
Current service cost	44	4	85	252
Interest cost	22	4	55	220
Actuarial (gain)/losses	42	(12)	129	438
Benefits paid	(7)	(6)	(479)	(265)
Past service costs	-	-	-	145
Effect of foreign currency	-	1	32	100
Defined benefit obligation 31 March 2013	**365**	**71**	**1,130**	**9,566**
Defined benefit obligation 31 March 2013				
Represented by :				
- Unfunded	82	71	1,130	1,277
- Partly or Wholly Funded	283	-	-	8,289
Total	**365**	**71**	**1,130**	**9,566**
Reconciliation of the Plan Assets				
Fair value of plan assets as at start of the year	204	-	-	7,797
Expected return on plan assets	21	-	-	198
Actuarial gains/ (losses)	5	-	-	121
Contributions by the Group	60	-	-	340
Benefits paid	(7)	-	-	(265)
Effect of foreign currency	-	-	-	98
Fair value of plan assets at Year End	**283**	**-**	**-**	**8,289**
Reconciliation of the liability:				
Defined benefit obligation	365	71	1,130	9,566
Fair value of plan assets	(283)	-	-	(8,289)
Defined benefit plans	**82**	**71**	**1,130**	**1,277**
Classified as:				
Provisions	**82**	**71**	**1,130**	**1,277**
Expense recognized:				
Service cost and benefits paid	44	(2)	85	397
Interest costs	22	4	55	220
Expected return on plan assets	(21)	-	-	(538)
Actuarial (gains) losses	37	(12)	129	317
Foreign currency movements	-	2	30	3
Total expense recognized in the income statement	82	(8)	299	399
Actuarial Assumptions:				
Discount rate	7.90%	3.50%	3.50%	2.00%
Expected rate of return on plan assets	9.00%	NA	NA	2.00%
Expected rate of salary increases	7.50%	3.00%	3.00%	1.00%
Attrition Rate	15.00%	NA	NA	NA

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

The Status of all the plans (for the year ended 31 March 2012) are set out in the following tables:

Particulars	Gratuity	Anniversary	Severence Payments	Pension and other Obligations
Defined benefit obligation 1 April 2011	199	108	1,139	6,585
Current service cost	34	7	52	176
Interest cost	15	5	53	233
Actuarial (gain)/losses	27	(42)	(30)	392
Benefits paid	(11)	(6)	-	(582)
Past service costs	-	-	-	140
Effect of foreign currency	-	8	94	1,732
Defined benefit obligation 31 March 2012	**264**	**80**	**1,308**	**8,676**
Defined benefit obligation 31 March 2012				
Represented by :				
- Unfunded	60	80	1,308	879
- Partly or Wholly Funded	204	-	-	7,797
Total	**264**	**80**	**1,308**	**8,676**
Reconciliation of the Plan Assets				
Fair value of plan assets as at start of the year	133	-	-	6,540
Expected return on plan assets	14	-	-	188
Actuarial gains/ (losses)	1	-	-	139
Contributions by the Group	66	-	-	333
Benefits paid	(11)	-	-	(553)
Effect of Foreign Currency	-	-	-	1,150
Fair value of plan assets at Year End	**204**	**-**	**-**	**7,797**
Reconciliation of the liability:				
Defined benefit obligation	264	80	1,308	8,676
Fair value of plan assets	204	-	-	(7,797)
Defined benefit plans	60	80	1,308	879
Classified as:				
Provisions	**60**	**80**	**1,308**	**879**
Expense recognized:				
Current and Past service cost	34	1	52	268
Interest costs	14	5	53	233
Expected return on plan assets	(14)	-	-	(506)
Actuarial (gains) losses	26	(42)	(30)	257
Foreign currency movements	-	8	94	95
Total expense recognized in the income statement	**60**	**(28)**	**169**	**347**
Actuarial Assumptions:				
Discount rate	8.60%	4.75%	4.75%	2.50%
Expected rate of return on plan assets	9.00%	NA	NA	2.50%
Expected rate of salary increases	8.00%	3.25%	3.25%	1.00%
Attrition Rate	17.50%	NA	NA	NA

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

Rs. in Lakhs

	As at 31 March 2013	As at 31 March 2012
Note 11 TRADE PAYABLES		
Dues to micro and small enterprises (Also, refer note (a) below)	259	38
Dues to others	68,643	63,731
	68,902	**63,769**

a. For details of disclosure pursuant to section 22 of Micro, Small and Medium Enterprises Development Act (MSMED), 2006 refer note 10(a) of the annual standalone financial statements.

Note 12 OTHER CURRENT LIABILITIES		
Billing in advance	5,541	3,087
Advance from customers	6,717	9,409
Unpaid dividends	2	1
Statutory dues	1,087	2,805
Other payables	1,078	1,548
Employee related payables	1,727	977
	16,152	17,827

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

Note 13 TANGIBLE ASSETS

	Freehold land and building	Plant and machinery	Furniture and fittings	Electrical equipment	Office equipment	Computers	Vehicles	Total
Gross block								
Balance as at 01 April 2011	1,698	394	481	192	610	1,323	924	5,622
Additions	5	172	131	42	48	146	228	772
Disposals	-	(194)	(68)	(3)	(48)	(7)	(221)	(541)
Foreign exchange fluctuation	-	45	13	1	51	59	45	214
Balance as at 31 March 2012	**1,703**	**417**	**557**	**232**	**661**	**1,521**	**976**	**6,067**
Additions	3	19	66	14	85	180	325	692
Disposals	-	-	(27)	(7)	(22)	(220)	(157)	(433)
Foreign exchange fluctuation	-	(2)	1	-	7	7	2	15
Balance as at 31 March 2013	**1,706**	**434**	**597**	**239**	**731**	**1,488**	**1,146**	**6,341**
Accumulated depreciation								
Balance as at 01 April 2011	**-**	**266**	**300**	**92**	**257**	**989**	**456**	**2,360**
Depreciation for the year	-	25	40	17	50	155	146	433
Reversal on disposal of assets	-	(194)	(39)	(2)	(35)	(7)	(151)	(428)
Foreign exchange fluctuation	-	14	6	1	17	31	17	86
Balance as at 31 March 2012	**-**	**111**	**307**	**108**	**289**	**1,168**	**468**	**2,451**
Depreciation for the year	-	43	52	17	116	161	201	590
Reversal on disposal of assets	-	-	(25)	(5)	(30)	(207)	(123)	(390)
Foreign exchange fluctuation	-	2	1	-	6	10	3	22
Balance as at 31 March 2013	**-**	**156**	**335**	**120**	**381**	**1,132**	**549**	**2,673**
Net block								
Balance as at 31 March 2012	**1,703**	**306**	**250**	**124**	**372**	**353**	**508**	**3,616**
Balance as at 31 March 2013	**1,706**	**278**	**262**	**119**	**350**	**356**	**597**	**3,668**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

Note 14 INTANGIBLE ASSETS

	Goodwill	Computer Software	Total
Gross block			
Balance as at 01 April 2011	1,556	2,761	4,317
Additions	-	276	276
Disposals	-	(85)	(85)
Foreign exchange fluctuation	-	107	107
Balance as at 31 March 2012	**1,556**	**3,059**	**4,615**
Additions	-	486	486
Disposals	-	(36)	(36)
Foreign exchange fluctuation	-	22	22
Balance as at 31 March 2013	**1,556**	**3,531**	**5,087**
Accumulated amortisation			
Balance as at 01 April 2011	1,556	1,183	2,739
Amortisation charge	-	426	426
Reversal on disposal of assets	-	(82)	(82)
Foreign exchange fluctuation	-	76	76
Balance as at 31 March 2012	**1,556**	**1,603**	**3,159**
Amortisation charge	-	501	501
Reversal on disposal of assets	-	(35)	(35)
Foreign exchange fluctuation	-	23	23
Balance as at 31 March 2013	**1,556**	**2,092**	**3,648**
Net block			
Balance as at 31 March 2012	-	**1,456**	**1,456**
Balance as at 31 March 2013	-	**1,439**	**1,439**

	As at 31 March 2013	As at 31 March 2012
Note 15 NON-CURRENT INVESTMENTS		
Trade Investments (Valued at cost unless stated otherwise)		
Investments in Associate Companies		
Windhoek Goreangab Operating Company (Pty) Limited	314	347
(The group holds 33 shares of 1 Namibian dollar each, representing 33% of the Share capital (Previous year: 33 Shares)		
In Other Companies		
First STP Private Limited	15	15
(150,000 (Previous year :150,000) equity shares of Rs. 10 each)		
Konark Water Infraprojects Private Limited	1	1
(5,000 (Previous year : 5,000) equity shares of Rs.10 each)		
	330	**363**
Aggregate amount of unquoted investments	330	363
Aggregate provision for diminution in value of investments	-	-

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

	As at 31 March 2013		As at 31 March 2012	
	Long term	Short term	Long term	Short term
Note 16 LOANS AND ADVANCES				
Capital advances				
- Secured, considered good	190	-	-	167
- Unsecured, considered good	29	-	-	12
(A)	219	-	-	179
Security deposits				
- Unsecured, considered good	37	533	60	543
(B)	37	533	60	543
Other loans and advances				
(Unsecured, considered good)				
- Advances to supplier	-	10,128	325	6,230
- Advances to employees	82	339	-	317
- Advance tax (Net of Provisions current year Rs.23 lakhs;				
previous year Rs.10,666 lakh)	-	149	-	1,059
- Others	69	-	-	-
(C)	151	10,616	325	7,606
Total (A + B + C)	407	11,149	385	8,328

	As at 31 March 2013	As at 31 March 2012
Note 17 OTHER NON-CURRENT ASSETS		
Non-current bank balances (Refer Note 20)	9,580	6,000
Long term trade receivables		
Customer retention - Unsecured, considered good	3,691	2,007
Others	15	9
	13,286	8,016

Note 18 INVENTORIES		
Construction work-in-progress	3,645	4,622
Stores and spares	408	367
	4,053	4,989

Note 19 TRADE RECEIVABLES		
(Unsecured considered good, unless stated otherwise)		
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured considered good	20,994	10,075
Doubtful	1,742	1,463
	22,736	11,538
Less : Allowances for doubtful debts	(1,742)	(1,463)
(A)	20,994	10,075

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

Rs. in Lakhs

	As at 31 March 2013	As at 31 March 2012
Note 19 TRADE RECEIVABLES (Contd.)		
Outstanding for a period less than six months from the date they are due for payment		
Other debts		
Unsecured considered good	79,660	88,683
Doubtful	330	-
	79,990	**88,683**
Less : Allowances for doubtful debts	(330)	-
(B)	**79,660**	**88,683**
Customer retention		
Unsecured considered good	10,294	10,503
Doubtful	178	182
	10,472	**10,685**
Less : Allowances for doubtful debts	(178)	(182)
(C)	**10,294**	**10,503**
TOTAL (A + B + C)	**110,948**	**109,261**

	As at 31 March 2013		As at 31 March 2012	
	Current	Non-current	Current	Non-current
Note 20 CASH AND BANK BALANCES				
Cash and cash equivalents				
Cash on hand	380	-	517	-
Cheques on hand	5,831	-	7,644	-
Balances with banks				
- in current accounts	13,448	-	15,637	-
- in deposit account (with maturity upto 3 months)	4,734	-	2,715	-
(A)	**24,393**	**-**	**26,513**	**-**
Other bank balances				-
Unpaid dividend account	2	-	1	-
Deposits with maturity more than 3 months but less than 12 months*	4,270	-	7,300	-
Balances with bank held as			-	-
Margin money	-	8,300	12	-
Bank deposits with maturity of more than 12 months	-	1,280	-	6,000
(B)	**4,272**	**9,580**	**7,313**	**6,000**
Less : Amounts disclosed as Other non-current assets (Refer Note 17) (C)	-	9,580	-	6,000
Total (A+B-C)	**28,665**	**-**	**33,826**	**-**

* Deposit amounting to Rs.Nil (previous year Rs, 7,300) were subject to a charge to secure the Group's short term borrowings (Refer note 7(2))

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

Rs. in Lakhs

	As at 31 March 2013	As at 31 March 2012
Note 21 OTHER CURRENT ASSETS		
(Unsecured, considered good)		
Balances with statutory authorities	5,520	2,171
Prepaid expenses	1,125	735
Rental deposits and advance	332	314
Interest accrued & other deposits	2,215	1,099
	9,192	**4,319**

	Year ended 31 March 2013	Year ended 31 March 2012
Note 22 REVENUE		
Revenue from operations		
Sale of services	160,216	143,824
Other operating revenues, net	1,669	528
	161,885	**144,352**
Note 23 OTHER INCOME		
Interest income	1,324	1,203
Dividend income	-	304
	1,324	**1,507**
Note 24 COST OF SALES AND SERVICES		
Material, engineering and civil costs	86,141	82,727
Service costs and other project expenses	30,366	19,000
	116,507	**101,727**
Note 25 DECREASE IN INVENTORIES		
Inventories at the beginning of the year		
Construction work-in-progress	4,622	6,954
Stores and spares	367	407
	4,989	7,361
Less: Inventories at the end of the year		
Construction work-in-progress	3,645	4,622
Stores and spares	408	367
	4,053	4,989
Foreign currency impact	31	123
	967	**2,495**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

Rs. in Lakhs

	Year ended 31 March 2013	Year ended 31 March 2012
Note 26 EMPLOYEE BENEFITS EXPENSE		
Salaries and wages	18,271	16,586
Contribution to defined benefit plans (also refer note 10(c))	772	548
Contribution to provident and other defined contribution funds	674	647
Staff welfare expenses	1,162	1,048
	20,879	**18,829**

Note 27 OTHER EXPENSES		
Rent	1,363	1,256
Insurance	280	199
Power and fuel	209	179
Rates and taxes	142	178
Repairs and maintenance	792	891
Professional charges (Also refer note 34)	1,275	1,451
Communication expenses	425	451
Traveling and Conveyance	1,115	1,221
Foreign exchange losses, net	-	176
Bad debts and provision for bad debts	909	674
Advertisement	280	336
Loss on sale of assets	-	29
Other selling expenses	63	43
Miscellaneous expenses	1,193	1,214
	8,046	**8,298**

Note 28 FINANCE COSTS		
Interest expenses	726	1,113
Bank charges	1,474	1,433
	2,200	**2,546**

Note 29 DEPRECIATION AND AMORTISATION EXPENSE		
Depreciation of tangible assets (Also refer note 13)	590	433
Amortisation of intangible assets (Also refer note 14)	501	426
	1,091	**859**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

Rs. in Lakhs

	Year ended 31 March 2013	Year ended 31 March 2012
Note 30 EARNINGS PER SHARE (EPS)		
Nominal value of equity shares	2	2
Profit attributable to equity shareholders (A)	9,034	7,375
Weighted average number of equity shares outstanding during the year (B)	26,507,066	26,437,197
Basic earnings per share (A/B) (in Rs.)	34.08	27.90
Dilutive effect on profit (C)	-	-
Profit attributable to equity shareholders for computing diluted EPS (D) = (A+C)	9,034	7,375
Dilutive effect on weighted average number of equity shares outstanding during the year (E)	290,385	47,392
Weighted average number of equity shares for computing Diluted EPS (F) = (B+E)	26,797,451	26,484,589
Diluted earnings per share (D/F) (in Rs.)	33.76	27.85

Note 31 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:		
Contract revenue recognised	133,037	123,704
Aggregate amount of costs incurred and recognised profits and losses for all contracts in progress	389,535	267,278
Less : Progressive billings	383,916	257,158
	5,619	**10,120**
Recognised as :		
Due from customers for construction contract work, recognised in Trade receivables	11,160	13,207
Due to customers for construction contract work, recognised in current liabilities	(5,541)	(3,087)
	5,619	**10,120**
Advances received from customers for contracts related to work not yet performed included in 'Other long term liabilities' and 'Other current liabilities'.	8,261	10,318
Retention on contracts included within 'Trade receivables' and 'Other non-current assets'.	14,163	12,510

Note 32 DISCLOSURES IN RESPECT OF NON-CANCELLABLE OPERATING LEASES		
The lease rentals charged for the years ended 31 March 2013 and 2012 and maximum obligation on long-term, non-cancellable operating leases payable as per the rentals stated in the respective agreements are as provided below:		
The total of future minimum lease payments for each of the following periods:		
(i) Not later than one year	583	806
(ii) Due later than one year not later than five years	1,095	1,117
(iii) Due later than five years	-	-
Total	**1,678**	**1,923**
Lease payments charged off to the statement of profit and loss	1,363	1,256

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

Rs. in Lakhs

	Year ended 31 March 2013	Year ended 31 March 2012
Note 33 PAYMENTS TO AUDITORS (included as part of Professional Charges)*		
As auditor		
Statutory audit	23	17
Limited review	6	6
Tax audit	2	2
	31	25
In other capacity		
Other services	28	9
	28	9
	59	**34**

** excluding service tax*

Note 34 REMUNERATION TO KEY MANAGERIAL PERSONNEL		
The following table describes the compensation to key managerial personnel which comprises of directors and other managerial personnel. Refer note 32 of the annual standalone financials for details.		
Rajiv Mittal	209	248
Rahul Jaiswal	208	81
Others	400	332
Total	**817**	**661**

Note 35 DIVIDEND REMITTED IN FOREIGN CURRENCY		
Period to which it relates	2011-12	2010-11
Number of non - resident shareholders	Nil	1
Number of shares held on which dividend was due		
Equity shares of Rs. 2 each	Nil	22,333
Amount remitted (Previous year Euro 1,376.85)	Nil	1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

Note 36 SEGMENT REPORTING

Considering the risk/return profiles of the segments between product and geography, the Group has identified geography as primary segment in accordance with Accounting Standard (AS) 17 Segment Reporting"" issued by Companies (Accounting Standard) Rules, 2006. The Group does not have any secondary segment.

Year ended 31 March 2013 Rs. in Lakhs

Particulars	India	Rest of world	Unallocated	Total
Revenue				
External sales	85,601	74,816	-	160,417
Other operating income	25	1,644	-	1,669
Inter-segment sales	-	(201)	-	(201)
Total revenue	**85,626**	**76,259**	**-**	**161,885**
Results				
Segment result	15,741	27,001	-	42,742
Other operating income	25	1,644	-	1,669
Unallocated corporate expenses	-	-	30,016	30,016
Operating profit	**15,766**	**28,645**	**(30,016)**	**14,395**
Interest and finance charges			2,200	2,200
Interest and dividend income			1,324	1,324
Profit before tax	15,766	28,645	(30,892)	13,519
Income taxes			4,559	4,559
Profit for the year	**15,766**	**28,645**	**(35,451)**	**8,960**
Other information				
Segment assets	87,717	77,539		165,256
Unallocated corporate assets			23,804	23,804
Total assets	**87,717**	**77,539**	**23,804**	**189,060**
Segment liabilities	56,115	54,603		110,718
Unallocated corporate liabilities			6,609	6,609
Total liabilities	**56,115**	**54,603**	**6,609**	**117,327**
Capital expenditure				1,178
Depreciation and amortisation				1,091
Other Non cash expenditure, net				8,203
Year ended 31 March 2012				
Revenue				
External sales	78,289	66,532	-	144,821
Other operating income	49	479	-	528
Inter-segment sales		(997)	-	(997)
Total revenue	**78,338**	**66,014**	**-**	**144,352**
Results				
Segment result	14,512	25,090	-	39,602
Other operating income	49	479	-	528
Unallocated corporate expenses			27,986	27,986
Operating profit	**14,561**	**25,569**	**(27,986)**	**12,144**
Interest and finance charges			2,546	2,546
Interest and dividend income			1,507	1,507
Profit before tax	**14,561**	**25,569**	**(29,025)**	**11,105**
Income taxes			3,792	3,792
Profit for the year	**14,561**	**25,569**	**(32,817)**	**7,313**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (Contd.)

Note 36 SEGMENT REPORTING (Contd.)

Rs. in Lakhs

Particulars	India	Rest of world	Unallocated	Total
Other information				
Segment assets	69,571	76,918	-	146,489
Unallocated corporate assets			30,915	30,915
Total assets	**69,571**	**76,918**	**30,915**	**177,404**
Segment liabilities	44,567	55,225	-	99,792
Unallocated corporate liabilities	-	-	13,312	13,312
Total liabilities	**44,567**	**55,225**	**13,312**	**113,104**
Capital expenditure				1,048
Depreciation and amortisation				859
Other Non cash expenditure, net				577

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

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

per **Sumesh E S**
Partner

Place : Chennai
Date : 23 May 2013

On behalf of the Board of Directors

Rajiv Mittal
Managing Director

Sumit Chandwani
Director

S Varadarajan
Chief Financial Officer

Rajiv Balakrishnan
Company Secretary

Place : Chennai
Date : 23 May 2013

FINANCIAL DETAILS OF SUBSIDIARY COMPANIES FOR THE YEAR ENDED ON 31 MARCH 2013

(Rs. In Lakhs)

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
		INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs	INR Lakhs
1	VA TECH Wabag (Singapore) Pte. Ltd	1,502.66	575.95	3,385.78	1,307.17	-	72.95	37.66	-	37.66	-
2	VA TECH Wabag (Hongkong) Ltd.	1,351.47	(194.90)	1,209.99	53.42	-	(12.99)	(38.85)	-	(38.85)	-
3	Beijing VA TECH Wabag Water Treatment Technology Co. Ltd.	1,158.64	(1,172.64)	166.22	180.22	-	190.73	(236.32)	-	(236.52)	-
4	VA TECH Wabag GmbH, Vienna	698.67	16,921.19	37,743.28	20,123.42	191.03	23,513.06	28.22	4.62	32.84	-
5	VA TECH Wabag Deutschland, GmbH	160.87	(583.63)	1,256.45	1,679.21	-	94.33	(622.10)	-	(622.10)	-
6	VA TECH Wabag Algerie SARL	705.86	(918.40)	1,238.31	1,450.84	-	1,045.14	(265.53)	-	(265.53)	-
7	WABAG Wassertechnik AG	477.90	882.47	7,803.66	6,443.28	-	15,906.31	740.69	(158.36)	582.33	-
8	VA TECH WABAG BRNO spol. S.r.o.	51.79	1,122.12	6,803.38	5,629.46	-	9,119.42	474.92	(37.21)	437.71	-
9	VA TECH WABAG Tunisie S.A.R.L.	3.80	210.37	1,428.17	1,214.01	-	922.25	1.30	1.51	2.81	-
10	Wabag water services (Macao)ltd	1.47	143.80	282.54	137.26	-	1,015.67	76.37	(11.56)	64.81	-
11	WABAG Water Services S.R.L.	6.99	1,779.80	5,461.17	3,674.38	-	5,091.45	657.13	(99.14)	557.99	-
12	VA TECH Wabag Techknolojisi ve Ticaret Limited	15.93	(824.46)	1,624.01	2,432.55	-	3,229.57	(387.67)	-	(387.67)	-
13	VA Tech Wabag Muscat LLC, Oman	212.40	36.16	335.40	86.84	-	639.41	9.86	-	9.86	-
14	VA Tech Wabag (Philippines) Inc.	114.37	269.69	1,873.57	1,489.51	-	2,201.68	37.94	11.36	26.58	-
15	VA TECH Wabag Egypt Ltd	36.44	-	-	-	-	-	-	-	-	-
16	Ujams Wastewater Treatment Company (Pty) Limited, Namibia	0.06	661.19	2,408.62	1,747.37	-	1,656.48	(6.96)	-	(6.96)	-
17	VA TECH WABAG (SPAIN) S.L.	2.10	(33.38)	33.14	64.42	-	-	(33.49)	-	(33.49)	-
18	Engenharia Hidraulica de Macao Ltd. **	-	-	-	-	-	4.03	(210.07)	0.29	(209.77)	-
19	VA TECH Wabag(Gulf) Contracting (L.L.C) **	-	-	-	-	-	-	-	-	-	-

Note: Exchange rate used for Balance Sheet items is the rate as on 31 March 2013 and for Profit and Loss account items is the average rate for the Financial Year 2012-13.
** VA TECH Wabag(Gulf) Contracting (L.L.C), Dubai and Engenharia Hidraulica de Macao Ltd, Macao have been liquidated during this year.

	Rate for Balance Sheet Items INR	Rate for Profit & Loss Account items INR
1 Euro	**69.87**	**70.10**
1 SGD	43.94	43.80
1 HKD	7.02	7.02
1 CNY	8.69	8.63
1 PHP	1.33	1.31
1 OMR	141.60	141.37
1 NAD	5.94	6.42

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