Management Discussion

Rajiv Mittal - Chairman and Managing Director, VA TECH WABAG Ltd

Thank you. Good evening, ladies and gentlemen. A very warm welcome to everyone on this earning call following the Q2 H1 FY '27 results announcement of VA TECH WABAG Limited . I would like to thank our investors, analysts, and other stakeholders for their continued interest, confidence, and support in WABAG, and we very truly appreciate your presence this evening.

Joining me today on the call is our -- Mr. Bhupesh Chowdary , our DMD, and Mr. Skandaprasad Seetharaman , our Group CFO.

I'm pleased to share that the first half of FY '27 has been a standout period in WABAG's growth journey, marked by significant strategic development, robust order intake, healthy execution, and continued improvement in our financial performance. We have achieved two distinct milestones in company's history. During this period, the first time ever, our order book has surpassed INR20,000 crores, while our net cash position has surpassed INR1,000 crores, achieving record levels in both parameters. These milestones reflect the progress we have made over the years in strengthening our business model, e nhancing our execution capabilities and maintaining financial discipline. Our growth has been supported by a combination of international expansion, repeat orders from established customers, technology-led projects, and continued focus on profitable and cash generative opportunities.

During this current financial year, w e have made a maiden entry into Kuwait, established our presence in UAE, secured significant orders from Reliance Industries Limited, and expanded our presence in Europe. Importantly, this strong order momentum has been accompanied by healthy revenue growth, improving profitability, and further strengthening of our balance sheet. We believe that the combination of robust order book, strong liquidity, and expanding international footprint places WABAG in a favorable position to pursue the next phase of growth.

Let me now briefly touch upon some of the key developments during this period. The major takeaway during this period from order win perspective, was securing two mega orders from two different clusters. During H1, we signed and commenced the contract with the Ministry of Electricity, Water, and Renewable Energy Kuwait in partnership with HEISCO for a 60 MIGD or approximately 272 million liters per day of seawater reverse osmosis desalination facility. This project also comes with the five-year operation and maintenance post-completion of EPC phase.

This maiden project gives us an important foothold in the market where water security is strategic important and builds on our wider GCC track record. Our entry into Kuwait is validation of significant progress which we have made in one of our strategic objectives to expand internationally

In India, we strengthened our long-standing relationship with Reliance Industries Limited, securing a mega order for desalination plant in Jamnagar with a capacity of approximately 201 million liters per day, expandable to approximately 302 million liters per day, and also a remineralization plant of approximately 72 million liters per day.

In September, we had also received a repeat medium order from Reliance Industries Limited for effluent treatment plant at Dhirubhai Ambani Green Energy Giga Complex in Jamnagar. These wins reinforce our positions as a technology partner for a demanding industry, water application, and reflects the trust bestowed on us by the renowned customer. For O&M, we also signed a contract with one of the largest Indian conglomerate, Adani. We also entered UAE through the Ajman Wastewater Treatment Project, further extending our regional presence. Together, Kuwait and

Ajman broadens our addressable market and demonstrates the relevance of our desalination, wastewater treatment, and resource recovery capabilities across the Middle East.

We also secured a large order for two projects from Bangalore Water Supply and Sewage Board, with a medium order from Delhi Jal Board. While in Europe, we announced a large order for expansion of waterworks in Vienna, Austria. These orders underline the breadth of our offering across municipal and industrial and advanced technology-led projects across the globe, thus achieving a good geographic diversification.

Our order book reaches a lifetime high of INR20,207 crores at the end of H1 FY '27, supported by order intake of INR5,200 crores during the first half, at more than four times annual revenue. This diversified backlog provides strong execution visibility, combining medium term EPC opportunities with long-duration O&M revenues. We remain selective in pursuing projects with continued emphasis on technology differentiation, margin payment security, and execution risk. Now I would request our DMD, Mr. Bhupesh Chowdary , to provide you with a project-specific update and business outlook.

Thank you very much.

Bhupesh Chowdary Nagineni - Deputy Managing Director, VA Tech Wabag Limited
Good evening, everyone. I'm excited to join my first conference call at WABAG with all the investors and analysts. Across our three operating clusters, execution and operational excellence remains our central priorities. And I'll briefly highlight selected milestones with the three project-specific progresses that we have made. To cover the India cluster part of it, the Chennai Metro 400 MLD Perur desalination plant has been progressing pretty good. We have done about 90% concreting, poured overall almost 1 lakh cubic meters of concreting, and we also clocked 7 million safe man hours on the project, which is significant in terms of standards. Mechanical equipment erection is progressing very well, and I'm sure the project is taking its schedule to complete in the coming year.

At Bangalore Water Supply Sewerage Board, Bommanahalli project, the engineering and procurement are at advanced stage, and civil works are also progressing very steadily. Delhi Jal Board, Mitraon project, engineering and civil works are also progressing very well. And the outfall pipeline supply is expected to commence from this month to match the schedule requirements.

Now to the MEA region, Middle East and Africa, the few projects that we are executing also has reached to a significant milestone. The one Al Haer Sewage Treatment Plant, the execution is progressing well despite the regional challenges. The commissioning is expected and targeted for quarter four of FY '27. For the Yanbu, that desalination plant, basic engineering is substantially ready and long-lead equipment and procurement have been initiated ahead of formal commencement of the project itself. And the Ras Tanura mechanical project is concerned, mechanical construction work also has been completed. The pre-commissioning activities are underway and the hydro test, testing targeted for by this November end.

In Africa, in Zambia at Lusaka, the Ngwerere and Chunga , the sewage treatment plants are also progressing well. The civil work is underway and major equipment orders are also finalized that would get in place for installations. In Nepal, as part of our SAARC Southeast Asia, the projects are also progressing well, and a couple of projects where we are doing on the multilateral fund projects.

The procurement has been completed to almost 100%, and civil concreting has been done to an extent of about 70%, and we are expecting the liquid stream commissioning by end of this financial year.

In terms of business outlook, the recent political developments, you know, in Middle East as well as in US is concerned, it is also significantly helping us for movement of various business opportunities. We are also witnessing in a lot of inquiries coming in, and we are working in Africa, some of the opportunities, and that seems to be an underserved market, and in our favor it would be much better in the years to come.

From a strategic perspective, we are pleased to have achieved, we exceeded most of the numbers as part of our strategic plan, which we call it as Vridhi 1.0. And as we approach the culmination in this financial year, the Vridhi 1.0, we have also seen that and we have started working and formulated the Vridhi 2.0, which is the strategic plan for the next five years, which is also in advanced stage of w orking. Alongside defining our strategic priorities, growth roadmaps for the next phase of our journey at WABAG, we are aligning our organizational and business structure, strengthening capabilities and capacities within us, see that, you know, required skills are upgraded in a way to execute the strategy. And we look forward to unveiling this Vridhi 2.0, our strategic plan for five years. In the coming annual Investor Meet in May 2027.

Looking ahead, demand from water scarcity, urbanization, industrial water requirements, and wastewater reuse continue to support our priority and opportunity pipeline going forward. We remain focused, technology-led growth, disciplined execution, and efficient capital deployment while selectively pursuing opportunities in desalination, reuse, and digitalization and resource recovery areas.

With that, I would request our Group CFO, Mr. Skandaprasad , to take you through the financial performances for the quarter and the half year. Thank you all. One second. Over to you, Skanda.

Skandaprasad Seetharaman - Chief Financial Officer, VA Tech Wabag Limited
Thank you, Mr. Bhupesh, and good evening everyone. This was a landmark quarter for WABAG. Our order book crossed INR 20,000 crores, H1 order intake crossed INR5,000 crores, and net cash crossed INR1,000 crores, all at record levels. In Q2, revenue crossed INR1,000 crores and PAT crossed INR100 crores, the highest ever second quarter results that we have reported. These results reflect healthy execution, improved profitability, and sustained financial discipline, and profit growth again outpacing revenue growth, in line with our mantra of profitable growth.

Taking the quarter first, consolidated revenue from operations was up by 20% year- over- year and PAT was up by 23%. EBITDA was at INR145 crores at a margin of about 14.5%. For the half year, consolidated revenue from operations was INR1,887 crores, up 20.3% year- over- year. EBITDA grew by about 21% to INR261 crores at a margin of almost 14%. PAT grew faster, up by almost 30% to INR195 crore, and PAT margin expanded to 10.3% as against 9.6% in the same period last year. This reflects our continued focus on profitable growth.

At the standalone level, H1 revenue grew by 19% to INR1,587 crores, EBITDA rose 20% to INR227 crore, and PAT increased almost 29% to INR169 crores. In short, our core business continues to deliver both growth and improved operating profitability profiles. The revenue mix remained in line with our strategic targets. International markets contributing 54% of H1 revenue and India 46%.

By business, EPC accounted for 82% and O&M for 18%. O&M adds a high-margin, asset-light recurring revenue stream alongside our EPC execution pipeline, and we remain focused on building this business out f or the future.

Turning to the balance sheet, net cash excluding HAM reached an all-time high of over INR1,100 crores as compared to INR950 crores at the end of FY '26. Including HAM, net cash stood at

INR1,036 crores. So net cash either ways crossed INR1,000 crores. This is the 15th consecutive quarter of positive net cash and the seventh consecutive year where we have delivered positive net cash position.

Consolidated operating cash flow for H1 was INR225 crores, over 1.1 times our PAT for the same period. Net working capital also improved to 101 days from 104 days as of March 2026. Returns continued to strengthen, supported by our asset-light model and efficient execution. Return on equity improved to 16.3% in H1 as against 15.7% in March '26. And return on capital employed improved from 19.5% in March '26 to 20.5% in H1 FY '27. This reflects better profitability and a sustained emphasis on and improvement in capital efficiency. The order book closed the half at an all-time high of INR20,207 crores, Supported by H1 order intake of over INR5,200 crores.

Our focus is on converting this visibility into profitable revenue and healthy cash generation. We reiterate our medium term objectives; revenue CAGR of 15% to 20%, EBITDA in the 13% to 15% band, RoCE above 20%, ROE above 15% and O&M progressing to 20% of revenue and a sustained positive net cash position. Our performance over the last several years and also in H1 shows a strong progress against our Vridhi 1.0 targets, and we have achieved or surpassed them on most of the key parameters. RoCE at 20.5% and ROE at 16.3% are above their thresholds, and EBITDA margin of 13.8% is well within the range, with our net cash positive net cash positive position continuing to be so.

O&M is building steadily towards the 20% objective on the back of a historic high order backlog in O&M of INR6,500 crores. Our priorities remain disciplined execution, healthy margins, efficient working capital management, and robust cash generation.

Before we conclude, we would like to thank our bankers, investors, customers, vendors, subcontractors, partners, and our fellow WABAGites for their trust and continued support. With this, we can open the floor for questions. Over to the moderator.

Questions & Answers

Operator
Thank you. We will now begin the question- and- answer session. [Operator Instructions]. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

We have the first question from the line of Mohit Kumar from ICICI Securities. Please go ahead.

Mohit Kumar - Analyst, ICICI Securities
Yeah. Good evening and thanks for the opportunity. My first question is, can you talk about the activities in the Middle East, especially from execution point of view, and the headwinds you are facing and margin pressure, and how are you mitigating it?

Rajiv Mittal - Chairman and Managing Director, VA TECH WABAG Ltd
Thank you for your question and v ery relevant to what is happening in as you rightly termed it as headwind, exactly from a commodity pricing and the disturbance in that region is affecting the supply chain management. But luckily for us, as you can see from our results, th is has not made a big dent in our execution timeline or in margin. Luckily, we have been in a status of a project where most of the work has shifted to site. We are in the final stage of mechanical completion for Al Haer project. Ras Tanura is completed, waiting for pre-commissioning. Other projects are yet to start at

site and deliveries, they are still on the engineering drawing boards, and the O&M projects are moving well.

But what we are facing, other than the commodity price pressures, is a huge delay in shipments, and this is something we have taken it to the client and they have recognized the issue and told us to go ahead with taking a longer route. Though it may take a longer time, ultimately it will reach site, or some of the critical components even to air freight it.

So as of now, it has not impacted us, but we are keeping a close watch as our new projects will start. We have to find a strategy if by that, in next three to six months, if the situation doesn't improve, we'll have to find a strategy of delivering the equipment to site. Once we are at site, luckily for us, our project sites are not affected. The work is as normal at our project sites. It's only we have to get our material to site. Hope we answer your question.

Mohit Kumar - Analyst, ICICI Securities
Yes, sir. That's very clear. My second question is, can you talk about the pipeline in Middle East? Of course, a lot of order which came in the last 24 months was from that geography. So my question is, is the pipeline -- pipeline conversion into orders, is it -- is it something which is very uncertain right now? And do you expect that to continue a very, let's say, a lower conversion as we for the next, for H2 and, and going forward till the time the war will be over. Is that a fair assumption?

Rajiv Mittal - Chairman and Managing Director, VA TECH WABAG Ltd
I think to some extent it's a fair assumption that there will be some delay because the governments are also waiting for the investment Strategy, what they will have, what they will put in which basket. At the moment, the infrastructure projects are receiving their funds for whatever projects are started and under execution. The new projects are little bit slow to start, but we have seen, like you would have seen, that in Kuwait. We just signed in last quarter a large, almost about $400 million project with our consortium partner or a joint venture partner. So that has moved. You have seen in UAE we have signed and the execution has started for Ajman project. So things are happening. Yes, a little bit Saudi has been little slow and little cautious, but we again understand some of the projects where we were a preferred bidder, that is also started moving. So we expect in next quarter or so we should have that also moving ahead. So yes, it has little bit slowed down, but it has not stopped.

Mohit Kumar - Analyst, ICICI Securities
Understood, sir. Thank you and all the best. And very happy Happy Diwali. Yeah, thank you.

Rajiv Mittal - Chairman and Managing Director, VA TECH WABAG Ltd
Thank you.

Operator
Thank you. [Operator Instructions]. We have the next question from the line of Vaibhav Shah from JM Financial. Please go ahead.

Vaibhav Shah - Analyst, JM Financial Institutional Securities Private Limited
Yeah. Sir, firstly on the bid pipeline, so how is it looking, both in international and domestic markets?

Rajiv Mittal - Chairman and Managing Director, VA TECH WABAG Ltd
I think we have been extremely busy, to say the least. And as usual, we have huge inquiries, and these are big ticket orders which we are working on. Some of them we are working on the bids, and

some of them are under evaluation. But it's very heartening to see the Europe cluster, which had very subdued activities in the past. In the last couple of quarters, we have seen some activities in the European cluster, and we have also got two contracts in European cluster. So overall, we are at a peak in terms of the bidding activities. So we are very bullish about future.

Vaibhav Shah - Analyst, JM Financial Institutional Securities Private Limited
Sure. So can you quantify the -- your pipeline in terms of next 12 to 18 months? How is the number in both domestic and international markets? I mean, particularly in domestic, there were some announcements in Tamil Nadu as well for some water sewage, and desal projects. So how are we placed over there as well?

Rajiv Mittal - Chairman and Managing Director, VA TECH WABAG Ltd
See, it's a home market for us. Anything on the home soil, we fancy our chances. And yes, you're right that, something has been announced, and a very large desalination plant, similar size to what we are executing in Perur, a 400 MLD on the North Chennai, has been announced. And they also announced one more river cleaning program. So yes, I think Tamil Nadu has always been in the forefront of alternate water sources, and I think that will continue. But other than Tamil Nadu, if you see even Bangalore, Delhi, and other states in MP, Rajasthan, there is enough inquiries there. There's also enough inquiries in the industrial side. You have seen we have got Reliance, we have got BPCL on the refineries, petrochem. So there is an all-round bullishness is there. Middle East is very, very -- we are very busy. We are submitting some large ticket inquiries which we have got. We are working on it. Some of them we have submitted. So we are very hopeful the next 12 to 18 months is going to be a bumper order intake for us. We are just trying to establish that we reach a preferred bidder status. That is what our team is working, and I'm sure in next one or two quarters we will reach a substantial size of order pipeline which we will be a preferred bidder.

Vaibhav Shah - Analyst, JM Financial Institutional Securities Private Limited
Okay, okay. Thank you, sir. Those are my questions.

Operator
Thank you. [Operator Instructions]. We have the next question on the line of Sailesh Raja from 360 ONE Capital Market. Please go ahead.

Sailesh Raja - Analyst, 360 ONE Capital Market Pvt Ltd.
Yeah, thank you. Congrats for the strong set of performance in these challenging times. So my question is, in the outstanding order book, pertaining to municipal and industrial portion, which is INR13,500 crores. So what is the mix between EP and EPC for the first half and also for the last years? How much it?

Rajiv Mittal - Chairman and Managing Director, VA TECH WABAG Ltd
Sailesh, for the first half, if you see the order intake that we have taken, just the top two large ones; Kuwait and Reliance. Both are cases where, of course, in Kuwait we also have a five-year O&M after the EPC phase, but both Kuwait and Reliance are in our sweet spot where we are going to do everything other than the civil. Either the customer does the civil or our partner does the civil. So our focus on taking EP projects continues to remain, and this is clearly demonstrated in just these two, which will account for almost 80% of the first quarter order intake.

This mix, as we've spoken many times, varies over a period, but on an -- on an average, we would

like to see at least anywhere between 20%, 30% of our orders coming from EP. That is why we go more for the international and industrial orders, which allow for the EP mix as against the EPC mix. But for the first half, you can already see the two orders that we booked, both are in this industry.

Sailesh Raja - Analyst, 360 ONE Capital Market Pvt Ltd.
Yeah, sir. Sir, as you mentioned, fortunately we have managed to deliver the equipment to the project site in Saudi Arabia. So how is the civil work of the Al Haer project progressing, and how do we plan to manage the civil construction and execution given the current situation?

Bhupesh Chowdary Nagineni - Deputy Managing Director, VA Tech Wabag Limited
The Al Haer Sewage Treatment Plant, actually the civil works are majority has been completed.

Sailesh Raja - Analyst, 360 ONE Capital Market Pvt Ltd.
Okay.

Bhupesh Chowdary Nagineni - Deputy Managing Director, VA Tech Wabag Limited
In fact, yeah, so major part of our progress on the civil works are more than 80% to 85% a ctually. W e have already started the mechanical erection and equipment erection works, so that's also has taken care well.

Sailesh Raja - Analyst, 360 ONE Capital Market Pvt Ltd.
Okay, okay. Also in the Middle East, you know, the water authorities, they're relatively quiet on new project tender due to macro reasons. And also, Middle East water sector increasingly shifting towards PPP model. So how are you seeing the overall competitive landscape given the PPT project, typically they require stronger financial capabilities and risk-bearing capacity. Could WABAG's strong balance sheet and net cash position, that could provide competitive advantage over European and international EPC players?

Bhupesh Chowdary Nagineni - Deputy Managing Director, VA Tech Wabag Limited
So we certainly play a very vital and a very important role in this. We are keeping, you know, a watch on the PPP model, and not necessarily we are not participating. We are also discussing and engaging with the developers. So the developers are who are basically investing into the water assets, be it Aqua, be it is Basics, or be it the Sovereign, you know, the, the company which is taking those kind of PPP projects. We are basically going with them as part of an EPC player. So we have inherent strength, A, in terms of the competitiveness plus our local presence in comparison even to be competing against any of the European or any of the I mean, outside country operator in the same sector.

Sailesh Raja - Analyst, 360 ONE Capital Market Pvt Ltd.
One last question regarding the Indosol Solar project. Could you please share the latest status of the project and execution progress?

Rajiv Mittal - Chairman and Managing Director, VA TECH WABAG Ltd
The Indosol project, you know, when there was a change of government in Andhra, some reallocation of land took place at site. As a result, Indosol lost some of the land to some other organization. Now they have managed as of now to get 90% of the land which they need to set up their facilities and also for future growth.

Sailesh Raja - Analyst, 360 ONE Capital Market Pvt Ltd.
Okay.

Rajiv Mittal - Chairman and Managing Director, VA TECH WABAG Ltd
So I think out of 1,000 acres, they have already secured 900 acres, another 100 acres which they should get pretty fast. So one would expect that in a quarter from now, they should be able to get this balance 100, and then they'll kickstart the mega project. But in the meantime, the smaller one, the 1 gigawatt, they're almost ready and they will commission that. So that will also build some confidence that they can build the plant and commission the plant, and then they will go for multi-giga p roject for which they wanted this land. So I think it's very imminent, i n maybe next few months, that we should see them getting the balance land.

Sailesh Raja - Analyst, 360 ONE Capital Market Pvt Ltd.
Okay, thank you sir.

Operator
Thank you. We have the next question on the line of Mudit Bhandari from IIFL Capital. Please go ahead.

Mudit Bhandari - Analyst, IIFL Capital
Yeah, thank you. Congratulations on the excellent quarter, sir. Firstly, in terms of our gross margin, it's abnormally high if we look for the last few quarters. So generally, if we see, most of our projects have completed civil commissioning and it will then come to procurement stage. So any one-off impact in 2Q or how should we see gross margins coming ahead?

Skandaprasad Seetharaman - Chief Financial Officer, VA Tech Wabag Limited
See, Mudit, margins are always a reflection of two things. One is the mix of projects that we have, and second is the quality of execution. You have seen us, that we have consistently improved the gross margins, EBITDAs, over the last five, six years, and we have stayed in the range of 13% to 15%. So from that perspective, I would say, this is consistent. And also it goes by the project mix, the phase of the project. So there is no one-off. It is a structural improvement that is there. But again, don't measure us by a quarter by quarter. Always measure us on an annual basis. And that is why we have given this multiannual guidance of 13% to 15%, within which we have remained very steady and consistent.

Mudit Bhandari - Analyst, IIFL Capital
Got it, sir. And when we say 13% to 15%, we are taking into account the commodity price inflation that we will be taking?

Skandaprasad Seetharaman - Chief Financial Officer, VA Tech Wabag Limited
Yes, we, -- and we have contracts which clearly have this pass-through to the customer through the formula, and that is also included here.

Mudit Bhandari - Analyst, IIFL Capital
Got it, sir. And secondly, we have very good order book, almost of INR20,000 crore. So, in terms of, visibility of execution, how -- how to look at in terms of other time period or in terms of quality of execution? Like you said, in terms of Indosol Solar , there were some land acquisition issues. So any particular things that you would be taking care in terms of risk of execution or how to look at it?

Rajiv Mittal - Chairman and Managing Director, VA TECH WABAG Ltd
See, as an organization, we have a demonstrated track record. We have gone through various challenges, whether it was COVID, whether it's geopolitical situations in Russia, Ukraine, whether it is now the Gulf situation. We have demonstrated that we have a very robust model because we have distributed our risk over various geographies. So one geography will not pull the company down. That has been our strategy. And also, our contracts are in various currencies also. So that is a very conscious effort to distribute our risk. So these things will happen. We cannot say it's happening now and it will not happen in future. We are prepared to handle this in future also. That's the reason we always say that we work on projects which are cash accretive and which has a full payment security. I repeat, full payment security. We don't take projects which does not give us a payment security. What do we mean by that? We take contracts with a sovereign guarantee. Like Saudi, it comes from the Ministry of Finance or Ministry of Water. So it's directly ministry. In India, if you go to Namami Gange, again, it's a sovereign guarantee by the Government of India.

We go to multilaterals like World Bank, JICA, ADB, KFW. All these projects, if you see on our order book, these are the quality of projects. And some of the projects we even ask for letter of credit. So from that point of view, we do not see a risk of payment or much delay of payment. There can be a few weeks or a month of delay, but that's okay. That's in our business, t his is provided for.

And same is with the commodity pricing. As Skanda said, most of the Indian contracts we work with the escalation formula. Well, internationally, we immediately hedge as we get our order, within a few months we also place some of the major orders so that future commodity price is fixed, is locked. So that has worked for us in the past. I'm sure it should work for us in the future also.

Mudit Bhandari - Analyst, IIFL Capital
Got it, sir. All the best.

Operator
Thank you. We have the next question from the line of Shubham Borade from ICICI Securities. Please go

Shubham Borade - Analyst, ICICI Securities Ltd
Yeah, hi, thanks for the opportunity and congratulations on good set of numbers. I just wanted an update on Bangladesh project which we had secured in March '23. So how much progress has been done there? Thanks.

Rajiv Mittal - Chairman and Managing Director, VA TECH WABAG Ltd
I think Bangladesh, you know, there was a disturbance about a year back, but as I just said, because it is a full security because this project is funded by World Bank, okay? And when it is funded by World Bank, we have nothing to worry about our payment security. Yes, because of the disturbances and change of government change of bureaucrats, there is some delay, but that is not going to affect our margin, other than there will be maybe six months of delay in the project. Okay. That, that is probably we'll have to absorb it.

So I think the progress is happening well. Engineering is more or less complete. Ordering is also 90% done. About 30%, 40% of the material is dispatched, and civil works are also at about 30%, 40%. So the project is moving. It could move little faster, but it's moving steadily, and we are receiving our payments on time.

Shubham Borade - Analyst, ICICI Securities Ltd
Sure, sir. Thank you.

Operator
Thank you. We have the next question from the line of Vinith M. From Ashika IE. Please go ahead.

Vinith M. - Analyst, Ashika Institutional Equities
Hello, congratulations on good set of numbers, sir. Sir, I wanted to further ask on order book. So basically, I wanted to check which states or region in India are currently witnessing a strong pickup -- t raction in wastewater projects like desalination or industrial projects which we are looking into? And second, you have been always been saying across past few calls about sunrise industries, like we are gaining traction over there. So I wanted to understand opportunities in sunrise sector like semiconductor, solar manufacturing, data center, green hydrogen. Have you witnessed any pickup in order pipeline from this segment over last like last quarter or something, or are you seeing an active bidding happening going forward in this segment?

Bhupesh Chowdary Nagineni - Deputy Managing Director, VA Tech Wabag Limited
Yeah, so India is growing. I mean, in terms of economy plus the growth of each state is opening up new opportunities also. Amongst that, we also see a lot of inquiries coming in from Gujarat, Maharashtra, and also Andhra Pradesh and Tamil Nadu, from the desalination to the sewerage treatment plants, from the municipality and industrial zones part of it. And that's where it is throwing open a lot of opportunities for us, both in terms of desal, reuse, and sewerage as well. And also on the industry front, I mean, we are also focusing on the -- on the industrial side, wastewater treatment plants. That sector is also opening up in Gujarat predominantly and also in particularly in the central part of India. Some of the large projects are opening up in the power sector and the steel sector also.

And the other part of the question that you asked regarding the high-tech industries or high-tech factories, industries, primarily the semiconductor, data center. So we are also identifying which is in terms of the utility of what kind of reuse water that goes for the chilling or the ultra-pure water. So for that also, we have already started interacting with the potential clients, be it is the Google or Adani or in terms of Reliance. A lot of things are happening in that sector, but actually physically it needs to take a shape. So we are also seeing the economics of it, so that we give a one-stop solution for them so that they could be able to utilize our technology, which is primarily in the reuse and the ultra-pure water segments. And well placed on that sector also.

Vinith M. - Analyst, Ashika Institutional Equities
So based on these things which you are seeing, can you like give a guidance on how order intake year- on- year, like next year, how you will see, or, you know, maybe over a period of years, how much order intake will be across? Because we are seeing some slowdown in the buildings, so I just wanted to understand overall if other geography is trying to mitigate what risk is there in Middle East, or we will see slowdown in order intake compared to last year, maybe now?

Rajiv Mittal - Chairman and Managing Director, VA TECH WABAG Ltd
See, we have told you, and now also Bhupesh has reinforced, that this is an interesting sector for us. Whatever you are talking about is this new energy, whether it's a semiconductor, whether PV solar, or data centers, it is of interest. Regarding order intake, I would just like to mention that this is not a top line segment, okay? This order sizes are never going to be a INR5,000 crore and INR1,000 crore

a single order. They're going to be much smaller, but the point is they are modular in nature. Each organization is going to put a number of units as they grow.

So if you got the first one, there's a good chance that the other orders which may come in a year, two, or three, you will get the repeat orders. Plus, being a technology company with more than 125 patents and trademarks, we would like to explore this sector because it demands high-tech. And as a company, as your company WABAG is into high-tech, we want to play a role in this to give to the clients our best of the technologies for this sector, which is the sunrise sector and it's growing. Now, Bhupesh also talked about data centers.

There was one trend that they were all going for air-cooled air conditioning system. Now with our reliability in the technology and the economics of the water, we could convert them into a water-cooled, which from a capital cost point of view and the operating cost point of view, it's definitely much better as long as you have a reliable and affordable water supply. And this is what WABAG is providing this. So I would say with the kind of data centers and the energy reliability in India, India is going to be a capital for data centers.

We are already seeing a lot of activity of PV solar. Semiconductor will pick up, and next, maybe in couple of years, hydrogen will pick up. When the scale of hydrogen production will go up, the cost will come down. So these are the new sectors which we are focused, and we have a separate team and a vertical which are focusing on it because they are comparatively smaller ticket size orders. So we need to have a specialized team who focuses on it and also executes this order because this gestation period of these orders are very small, generally 12 months to 15 months. So we'll have to turn around these orders in about 12 months. So that's our input to your question.

Vinith M. - Analyst, Ashika Institutional Equities
Thank you, sir. That was very insightful. Happy Dhanteras and Happy Diwali.

Rajiv Mittal - Chairman and Managing Director, VA TECH WABAG Ltd
To you also.

Vinith M. - Analyst, Ashika Institutional Equities
Thank you, sir.

Operator
Thank you. We have the next question from the line of Vaibhav Shah from JM Financial. Please go ahead.

Vaibhav Shah - Analyst, JM Financial Institutional Securities Private Limited
A couple of data points. Employee expenses were on the higher end at INR99 crores in 2Q. So was there any one-off in the quarter or this is a recurring number in the coming quarters?

Skandaprasad Seetharaman - Chief Financial Officer, VA Tech Wabag Limited
See, on other expense...

Vaibhav Shah - Analyst, JM Financial Institutional Securities Private Limited
On employee expenses.

Skandaprasad Seetharaman - Chief Financial Officer, VA Tech Wabag Limited
Sorry?

Vaibhav Shah - Analyst, JM Financial Institutional Securities Private Limited
On employee expenses.

Skandaprasad Seetharaman - Chief Financial Officer, VA Tech Wabag Limited
No, no, employee expenses, there is no one-off. This is in line because we give the increments in this quarter. So with the performance and also the wage code change impact, also you would see in full state now, whether it is PF, whether it is gratuity, all of those. That's -- that's the change that you are seeing. There is -- there is no other one-offs that we have. And also with performance, you would have also performance pay that year- over- year will be better. So there is no other one-offs in that number.

Vaibhav Shah - Analyst, JM Financial Institutional Securities Private Limited
So it should come down in coming quarters?

Skandaprasad Seetharaman - Chief Financial Officer, VA Tech Wabag Limited
It will stabilize, and of course the wage code change alone will remain.

Vaibhav Shah - Analyst, JM Financial Institutional Securities Private Limited
Okay. And on other expenses also, it was on the higher end at INR60 crores. So anything over there?

Skandaprasad Seetharaman - Chief Financial Officer, VA Tech Wabag Limited
No, these are regular provisions, that we generally have to make as part of our policy, and on a consolidated basis. This will normalize over the year, and then there are no abnormalities over there.

Vaibhav Shah - Analyst, JM Financial Institutional Securities Private Limited
Okay. Secondly, what will be the share of Middle East and Chennai in the overall order backlog?

Bhupesh Chowdary Nagineni - Deputy Managing Director, VA Tech Wabag Limited
Chennai would be -- Chennai would be easily about more than 10%, much more than 0% because we have Kodungaiyur, we have Chennai Ring Main. So both of them itself would be and Perur balance. So it would be, it would be easily in the EPC itself, it would -- it would be 15%, 20% almost of the EPC. And Middle East, in the international mix would be about 60%, 70%.

Vaibhav Shah - Analyst, JM Financial Institutional Securities Private Limited
So on the overall book, 55-45, we have a mix. So, if Chennai is roughly 15%, 20%, then what is the remaining 35%, 40% -- 35%?

Rajiv Mittal - Chairman and Managing Director, VA TECH WABAG Ltd
You have like -- you have Reliance in India, you have BPCL, you have Bangalore, you have Delhi Jal Board. You have Maharashtra, you have O&M, all of this.

Vaibhav Shah - Analyst, JM Financial Institutional Securities Private Limited
And for same for the overseas markets other than Middle East?

Rajiv Mittal - Chairman and Managing Director, VA TECH WABAG Ltd
Yeah, majority will come from Middle East, the rest will come from Europe, Africa, and CI and SAARC.

Vaibhav Shah - Analyst, JM Financial Institutional Securities Private Limited
Okay, okay, thank you. Those are my questions.

Operator
Thank you. We have the next question from the line of Mudit Bhandari from IIFL Capital. Please go ahead.

Mudit Bhandari - Analyst, IIFL Capital
Yeah, sorry, just one thing. When we look at the order book for the last quarter, 1Q FY '27, and include the order inflows that we took and exclude the execution, our implied order book is little different. So any change in scope of the current order book?

Bhupesh Chowdary Nagineni - Deputy Managing Director, VA Tech Wabag Limited
See, usually when we have a large order book mix, there is a backlog restatement that comes out of the ForEx movements. So that we don't include as order intake, it only moves in the order backlog. So the order intake is what we have absolutely taken. That is the only difference that you will see. But, I'd be glad to have our IR team explain to you in case you need any further information.

Mudit Bhandari - Analyst, IIFL Capital
Sure, thanks.

Operator
Thank you. We have the next question on the line of Manish Maheshwari from Equity. Please go ahead. As there's no response, we move on to the next question. We have the next question on the line of Vishweshwar Rao Kasturi, an individual investor. Please go ahead. Mr. Vishveswar Rao, do you have a question? As there is no response, we move on to the next speaker. Our next question from the line of Rajagopalan Ranganathan, an individual investor. Please go ahead. Mr. Rajagopalan , do you have a question?

Rajagopalan Ranganathan - Analyst, Individual Investor
Hello?

Rajiv Mittal - Chairman and Managing Director, VA Tech Wabag Limited
Yeah.

Operator
Do you have a question?

Rajagopalan Ranganathan - Analyst, Individual Investor
Am I audible? Am I audible?

Operator
Yes, we can hear you now. Yes, we can hear you now.

Rajagopalan Ranganathan - Analyst, Individual Investor
Okay sir. I'm a recent investor in your company. I would like to know the succession plan which you have -- which you have in mind for your company. And also, I would like to know if all the knowledge which is there in the company, is it -- is there a central repository for that and which can be accessed by the other people in case anyone leaves and goes or is it institutionalized in a nutshell ?

Rajiv Mittal - Chairman and Managing Director, VA TECH WABAG Ltd
Very good question and very relevant question. And for companies like us, which is a knowledge-based company, I think it's an excellent question. See, we have been always talking about this succession planning, and I think not only our HR but our top management is very focused on it. Some of the actions are already taken. We are grooming some people, we are taking some lateral entrants. So it's a combination of homegrown talent plus a lateral talent which we are bringing in to make sure we have a backup for this succession planning available. But this kind of exercises are continuous and ongoing exercise. This will continue to happen, but there is a full focus of the management and HR to make sure we address this.

Second question on your knowledge repository. We are already having a knowledge management software where all these are put into the software, and we are making that more and more user-friendly. So it's not about only putting the knowledge into the software, it's also making sure they are easily available to the users with minimum of effort. That is where today we are spending a lot of time, and also we are inviting a lot of new agencies in view of this AI support. We are exploring various AI platforms which can help us to not only get the knowledge into this platform, but also to get it out as and when we require. So you will see this in next few years, there will be a focus on these two subjects.

Rajagopalan Ranganathan - Analyst, Individual Investor
What about the family members or the promoter, h ave they come into the business or, yeah, they are still into -- yet to come into it?

Rajiv Mittal - Chairman and Managing Director, VA TECH WABAG Ltd
No, no, my son has been -- Rohan Mittal h as been into the business for last nine years. He is handling the Middle East, GCC, and Africa region, and he's doing well. He's being groomed by the seniors. I'm sure, he will definitely grow to take up some position in the company in the coming years.

Rajagopalan Ranganathan - Analyst, Individual Investor
Thank you very much, sir.

Rajiv Mittal - Chairman and Managing Director, VA TECH WABAG Ltd
Welcome.

Operator
Thank you. [Operator Instructions]. We have the next question from the line of Manish Maheshwari, Equity at Work Family Office [Phonetic]. Please go ahead.

Manish Maheshwari - Analyst, Equity at Work Family Office
Sir, for the current fiscal, would it be fair to presume and extrapolate that we'll exit this year with a pre-tax operating cash flow of about INR600 crores and about INR500 crores, at least INR500 crores, INR600 crores on a consolidated basis,

Rajiv Mittal - Chairman and Managing Director, VA TECH WABAG Ltd
[Foreign Speech] question you are asking on a Dhanteras day. How can we say no to you? We'll try our best.

Manish Maheshwari - Analyst, Equity at Work Family Office
Given our cash flow momentum that we have seen, at least INR500 crores is something that we -- I mean that is an endeavor, right?

Rajiv Mittal - Chairman and Managing Director, VA TECH WABAG Ltd
Why not? If we have so much wish from you, prayers from you, company will achieve.

Manish Maheshwari - Analyst, Equity at Work Family Office
Okay, sir. Thank you, sir. Happy Dhanteras, sir. Happy Diwali. Thank you, sir.

Rajiv Mittal - Chairman and Managing Director, VA TECH WABAG Ltd
[Foreign Speech].

Manish Maheshwari - Analyst, Equity at Work Family Office
Thank you sir.

Operator
Thank you. We have the next question from the line of Pawan Kaushik [Phonetic], an individual investor. Please go ahead.

Pawan Kaushik - Analyst
Good evening, sir. I joined a bit late, might be you have covered or not, I'm not sure. But sir, is there any challenge in current geopolitical scenario, m eans, are we facing any issue in executing the orders in Middle East? That's what is the question.

Bhupesh Chowdary Nagineni - Deputy Managing Director, VA Tech Wabag Limited
Yeah, a while ago Mr. Mittal has already briefed, there was a question on this. To reiterate, yes, Middle East you know, in the past, I mean, I would say about a year ago, one and a half year ago, there has been certain disturbances and it gradually, I would say, it is reducing in terms of any difficulties. We had challenges on the sea freight, I mean, the shipping of the supply chain of the goods going there, but later we overcame in terms of shipping through even by air freight some of the equipment that can move. And later we have found the alternative routes and then started supplying those materials. So majority of the equipments have also reached to the site that the project requires. And hopefully, I think in the -- in the coming months, that also we would be able to completely overcome. Things are stabilizing now. I'm sure we are well taken care in terms of controlling on that.

Pawan Kaushik - Analyst
That's good, sir. It's improving. So, one more thing, if you allow me.

Bhupesh Chowdary Nagineni - Deputy Managing Director, VA Tech Wabag Limited
Yes, please.

Pawan Kaushik - Analyst
Yeah, so right now we are in B2B business. So is there any plan to like bottled mineral water supply or something like that? Because we already have built ultra-clean water facilities and all.

Bhupesh Chowdary Nagineni - Deputy Managing Director, VA Tech Wabag Limited
It's a good question. See, we have done some assessments where we need to position ourselves in

terms of as a -- as a service and as a technology company. We see a great opportunity is what we are good at, number one. Getting into the retail business as a water supply company, possibly that would be a, an area which goes to the B2C level. So we are comfortable in managing to the B2B and to the greater level to the industry and then the municipality part across the globe. So we would definitely would look like what we can do. And if -- at this point of time, we are very, very well positioned what we are actually giving a business to the industry.

Pawan Kaushik - Analyst
Thanks a lot sir

Bhupesh Chowdary Nagineni - Deputy Managing Director, VA Tech Wabag Limited
Yeah

Pawan Kaushik - Analyst
And Happy Diwali in advance.

Bhupesh Chowdary Nagineni - Deputy Managing Director, VA Tech Wabag Limited
Thank you, and same to you.

Rajiv Mittal - Chairman and Managing Director, VA TECH WABAG Ltd
To you also.

Operator
Thank you. [Operator Instructions]. As there are no further questions from the participants, I now hand the conference over to Mr. Rajiv Mittal for closing comments.

Rajiv Mittal - Chairman and Managing Director, VA TECH WABAG Ltd
Thank you, friends. First, let me wish you, before you sign off, a very Happy Diwali and a prosperous Diwali to you and your family for a great year ahead. And also Happy Dhanteras. Thank you for joining the call today. In case you have any further clarifications, you can get in touch with our investor advisor a gency, Adfactor or with us directly. Thank you very much. Have an enjoyable long weekend.

Operator
Thank you. [Operator Closing Remarks] .