

Board's Report

Dear Members,

Your Directors have pleasure in presenting the 23rd Annual Report of the Company, together with the Audited Financial Statements for the financial year ended March 31, 2018.

Financial/ Operational Highlights

Your Company's financial highlights for the year ended March 31, 2018 are summarized below:

	Standalone		Consolidated	
	2017-18	2016-17	2017-18	2016-17
Gross turnover (Revenue from operations)	1,856	1,798	3,457	3,208
Profit before interest, tax & depreciation (EBITDA) excluding exceptional items	193	215	301	298
Profit before tax	174	126	224	179
Provision for tax	(57)	(51)	(77)	(67)
Profit after tax attributable to owners of the parent	117	75	132	102

₹ in Crore

Business Environment

During the financial year 2017-18, many major advanced economies witnessed modest economic growth. The Global GDP growth has been higher at 3.8% in 2017 as compared to 3.2% in 2016, which was mainly driven by recovery in investments and trade on account of accommodative policies and financing conditions, improved confidence, and strengthening of commodity prices.


Advanced economies grew 2.3% in 2017 (1.7% in 2016), while the Emerging Market and Developing Economies (EMDEs) grew 4.8% in 2017 (4.4% in 2016). India continues to remain as one of the fastest growing economy in the world backed by strong fundamentals and continued reform momentum which has been initiated by the Government over last couple of years. Being the first year of implementation of GST, all sectors faced certain issues relating to process of claiming GST Input credit and output GST discharge. As per the World Bank report,

GST implementation is expected to yield substantial growth dividends from higher efficiencies and raise more revenues in the long run. GST introduction has resulted in cash flow stress on your Company mainly on account of certain delays in customer invoicing due to pending rate amendment finalization and amendment of contracts with customers pursuant to the change in law and uncertainties on the rate reduction in municipal contracts.

Company's Performance

In the FY 2017-18, your Company continued to maintain momentum on key parameters, despite moderate global economic growth. Your Company's consolidated turnover stood at ₹ 3,457 Crore compared to its previous year turnover ₹ 3,208 Crore recording a growth of 7.8%. The Consolidated Profit after tax for the current financial year rose to ₹ 132 Crore from ₹ 102 Crore in the FY 17, thereby recording a growth of 29.4%. The Standalone revenues have increased to ₹ 1,856 Crore in FY 2017-18 and the Standalone Profit after tax for the current FY stood at ₹ 117 Crore as against ₹ 75 Crore previous year. Your Company also achieved an order intake of ₹ 3,193 Crore and its order book stood at ₹ 7,743 Crore including framework contracts as at the year end. The Consolidated EPS was ₹ 24.08 for the year ended March 31, 2018 as against ₹ 18.82 in the previous year.

Consolidated Turnover

2017-18	₹ 3,457 Crore
2016-17	₹ 3,208 Crore
Growth	7.8% 

Dividend

Based on the Company's performance and in line with the dividend policy of the Company your Directors are pleased to propose a dividend of ₹ 4/- on every equity share of ₹ 2/- each (200%) for FY 2017-18. The dividend, if approved at the

23rd Annual General Meeting (AGM), will be paid to those Members whose names appear in the register of Members of the Company as at the end of the day on August 3, 2018. With this recommendation of dividend, your Company has been consistent in paying dividend to its Members since the date of listing of its securities. The final dividend on equity shares, if approved by the Members would involve a cash outflow of ₹ 22.85 Crore including dividend distribution tax, resulting in a payout of 19.53% of the Standalone profits of the Company for FY 2017-18.

Pursuant to Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, ("SEBI LODR") the Board approved and adopted the Dividend Distribution Policy and the same is available on the Company's website www.wabag.com.

Capital Structure

The issued, subscribed and paid up share capital of the Company stood at ₹ 10.93 Crore as on March 31, 2018 as against ₹ 10.91 Crore in the previous year. The increase in the paid up capital was on account of allotment of Equity shares of the Company to its employees as per the Employee Stock Option Plan approved by the Members. The number of shares and date on which such allotment was made by the company are given below:

Month/Day/Year	No. of equity shares
Capital as on March 31, 2017	5,45,73,058
Addition during the year	
May 25, 2017	4,666
August 9, 2017	17,035
November 8, 2017	57,231
February 9, 2018	5,400
Capital as on March 31, 2018	5,46,57,390

Unclaimed Dividend - Investor Education and Protection Fund (IEPF)

Your Company had declared its first dividend to the Members of the Company on July 15, 2011 after its Initial Public Offering (IPO) during the year 2010 and since then has been consistent in the dividend distribution every year to its Members. The details of dividend per share paid by the Company since 2011 are available at page no.34 of this Report.

In accordance with the requirements as set out in the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("the Rules"), any dividend which is unclaimed by a Member(s) for a period of 7 consecutive years have to be transferred to IEPF Authority along with the corresponding shares held by the said Members in the respective financial year for which the dividend is unclaimed.

Your Company has been approaching the Members who have not yet claimed their dividend entitlements from the Company through various modes viz., reminder letters, mails, notices,

calls, etc., based on their latest available address and requesting them to initiate necessary action for claiming such dividend(s) from the Company, before it is transferred to Investor Education Protection Fund account in accordance with the Rules.

Members who have not yet claimed their dividend entitlements can approach the Company or its Registrar and Share Transfer Agent (RTA) viz., Karvy Computershare Private Limited and obtain necessary information and clarification for claiming the unpaid dividend entitlements.

If the Members do not claim the unpaid or unclaimed dividends within a period of 7 years from the date of declaration of dividends, then such dividends shall be transferred to IEPF authority in accordance with the Rules.

The details of Members and their unclaimed dividend/equity shares liable to be transferred to IEPF are uploaded on the Company's website www.wabag.com.


IPO Refund - Investor Education and Protection Fund (IEPF)

Your Company made its initial public offering during the year 2010. During the year, the unsuccessful allottees of the IPO who had paid subscription amount and not claimed such amount have been approached by the Company through various reminders and follow up action and helped certain allottees (who had responded to the Company) to get their refund entitlements and transferred the balance unclaimed amount of Rs. 1,70,300/- to the IEPF account as per IEPF Rules. The holder wise details of IPO refund amount transferred to IEPF and Details of unclaimed dividend/ equity shares liable to be transferred to IEPF are available on the Company's website www.wabag.com.

Depository System

Your Company's shares are in compulsorily tradable securities in electronic form. As on March 31, 2018, 99.99% of the Company's total paid up capital representing 5,46,56,474 equity shares are in dematerialized form. In view of the numerous advantages offered by the Depository system as well as to avoid frauds, Members

Consolidated Profit after tax

2017-18	₹ 132 Crore
2016-17	₹ 102 Crore
Growth	29% 

holding shares in physical mode are advised to avail the facility of dematerialization from either of the depositories.

Management's Discussion and Analysis

Management's Discussion and Analysis forms an integral part of this report and gives details of the industry, economic developments, performance and state of affairs of the Company. A detailed report on the management's discussion and analysis in terms of the provisions of regulation 34 of the SEBI LODR, is provided as a separate chapter in the annual report.

Key Projects Update

PETRONAS RAPID ETP PROJECT, Malaysia:

Petronas project is being executed by Company's subsidiary viz., Wabag Muhibbah JV Sdn. Bhd., a company incorporated in Malaysia. The contract's scope covers construction of a state-of-the-art water management system for treatment of effluent and waste water in the RAPID Complex. This is a large and complex oil & gas project and is progressing well. Currently, in an advanced stage of execution, the project is expected to be completed in FY 18-19 and will provide a significant reference to your Company.

AMAS STP PROJECT, Bahrain:

The scope of AMAS project in the Kingdom of Bahrain covers Design and Build of a Sewage Treatment Plant (STP) for Al Madina Al Shamaliya (AMAS), the new town being developed in Bahrain. AMAS is being developed for housing, recreational, and business activities purpose and will provide approximately 16,000 dwelling units. This STP plant with tertiary treatment will cater to the entire irrigation water requirements of all the 13 islands. Your Company partnered with Belhasa Projects LLC, UAE for executing this project. The plant has been mechanically completed and wet run of the plant is in progress. This project will provide a significant reference to your Company, given its complex construction on reclaimed land.

APGENCO KAKATIYA and RAYALASEEMA THERMAL POWER PROJECT, India:

Telangana State Power Generation Corporation Limited and Andhra Pradesh Power Generation Corporation Limited had placed orders for two 600 MW Thermal Power Plants – at Warangal and Cuddapah respectively. Due to financial issues faced by the erstwhile Consortium leader, WABAG took over leadership of the consortium from mid-2014 and assumed overall responsibility of completing the projects.

The performance guarantee test runs (PGTR) of the 600 MW plant in Warangal, Telangana was completed in FY 2017-18 and commercial operation date (COD) of the second 600 MW project in Cuddapah, Andhra Pradesh was also achieved in FY 2017 –

REJUVENATING WATER. ENRICHING COMMUNITIES.

18. These are critical completion milestones which will enable your Company to move closer to achieving financial closure of the projects.

DANGOTE PROJECT, Nigeria:

Your Company secured a repeat order from one of its key clients, Dangote group towards Engineering, Procurement, Commissioning & Testing of an ETP with Reverse Osmosis, Demineralization (RODM) & Condensed Polishing Unit (CPU) and Raw Water Treatment Plant (RWTP). The project involves treatment of toughest refinery effluent using latest technology, such as cyanide removal. This is a testimony of your Company's focus on customer satisfaction, as this order was secured on the basis of execution excellence in the earlier contract from the customer. Your Company as part of this contract, is supplying its patented BIOPUR technology for the RODM package. The project is progressing on schedule with full momentum.

POLGHAWELA PROJECT, Sri Lanka:

The Project is to implement a new water supply scheme in Sri Lanka to cover the Alawwa – Polghawela - Pothuhera and part of Kurunegala Pradeshiya Sabha area by developing pipe water supply scheme & providing safe and reliable water enabling industrial development and economic growth. The contract scope covers construction of a weir across the river, a river intake system with a Raw Water Pumping station and pumping main to treatment plant, A 22,000m³/day treatment plant (upgradable to 29,000m³/day), 42 Km of clear water transmission from treatment plant to 6 storage Reservoirs spread across the project area and 320 Km length of DI/PVC Pipe distribution system.

The project is progressing well with the project Design phase in advanced stage and physical construction in progress with most of the major equipment ordering completed.

Corporate Governance

Corporate Governance deals with determining the ways for business analysis and taking business decisions by Management for the benefit of all stakeholders of the Company. Your Company has implemented several best corporate governance practices to enhance long-term shareholder value and respect minority shareholders' rights in all our business decisions. Your Company, being committed to highest standards of corporate governance, ensures best practices throughout the business cycle and follows a transparent procedure in sharing timely information to all the stakeholders.

A report on Corporate Governance along with a certificate from the Auditors of the Company regarding the compliance of conditions of corporate governance as stipulated under Schedule V of the SEBI LODR forms part of this Annual Report.

Policies of the Company

The Board of Directors of the Company have from time to time framed and approved various Policies as prescribed by the Companies Act, 2013 ('the Act') read with the relevant Rules issued thereunder and the SEBI LODR. These Policies and Codes are reviewed by the Board/ Committee and are updated, from time to time as warranted. Some of the key policies adopted by the Company are as follows:

S.No	Name of the Policy/ codes
1	Dividend Distribution Policy
2	Policy for Determination of materiality for disclosure of events or information
3	Code of Conduct for Board Members and Senior Management Personnel
4	Policy on preservation and archival of documents
5	Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information
6	Related Party Transactions Policy
7	Policy on determining Material Subsidiaries
8	Whistle Blower Policy
9	Corporate Social Responsibility Policy
10	Nomination, Evaluation and Remuneration Policy

The above mentioned policies and codes are also available on the website of the Company www.wabag.com and Company's intranet portal.

Business Responsibility Reporting (BRR)

Your Company strongly believes that sustainable and inclusive growth is possible by using the levers of environmental and social responsibility while setting targets and improving economic performance to ensure business continuity and growth. As stipulated under the SEBI LODR, the Business Responsibility Report, describing the initiatives taken by the Company from environmental, social and governance perspective forms a part of this Annual Report. The Report provides an overview of initiatives taken by your Company.

Directors & Key Managerial Personnel

As on March 31, 2018, your Board comprises of 6 Directors including 4 Independent Directors.

During the year under review, the term of Jaithirth Rao (DIN: 00025289) as an Independent Director of the Company ended on July 27, 2017 and on his request, has not been re-appointed. The Board places on record its appreciation for the services rendered by Jaithirth Rao during his tenure as a Member of the Board and its Committees. As per the provisions of the Act, S Varadarajan, (DIN: 02353065) Director & Chief Growth Officer holding office under section 188(1)(f) liable to retire by

rotation at the ensuing Annual General Meeting (AGM) and being eligible, offers himself for re-appointment. S Varadarajan joined the organization in 1997 and has held various roles in the organization during his tenure of over two decades. Pursuant to the provisions of Section 196, 197 & 203 of the Act, read with The Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014 and other applicable provisions, the Board of Directors on recommendation of the Nomination and Remuneration Committee at their Meeting held on May 24, 2018, subject to the approval of Members at the ensuing Annual General Meeting, considered and approved the re-appointment of S Varadarajan (DIN: 02353065) as the Whole Time Director of the Company for a period of five years commencing from June 1, 2018 on the terms and conditions as mentioned in the Notice convening 23rd AGM of the Company.

The Members at the 20th AGM held on July 27, 2015, had appointed Malay Mukherjee (DIN: 02861065), as an Independent Director of the Company to hold office for three consecutive years for a term up to the conclusion of the 23rd AGM of the Company to be held in the calendar year 2018. Your Board, on the recommendation of the Nomination and Remuneration Committee held on May 24, 2018, subject to the approval of Members at the ensuing Annual General Meeting, considered and approved the re-appointment of Malay Mukherjee (DIN: 02861065) as Independent Director of the Company for a period of four years from the conclusion of the ensuing AGM viz., August 10, 2018 who shall not be liable to retire by rotation, under section 149 of the Act.

Your Board seeks approval from Members for re-appointment of Malay Mukherjee (DIN: 02861065) as Independent Director under section 149 of the Act to hold office for 4 consecutive years and S Varadarajan (DIN: 02353065) as Whole Time Director under Section 196 & 197 of the Act to hold office for 5 consecutive years. Your Company has received requisite notice in writing from Member proposing Malay Mukherjee & S Varadarajan as an Independent Director & Whole Time Director respectively.

The brief resume of the two Directors and other related information have been detailed in the Notice convening the 23rd AGM of the Company.

The Key Managerial Personnel (KMP) of the Company as per Section 203 of the Act, are as follows:

Rajiv Mittal, Managing Director & Group CEO
 Parthasarathy Gopalan, Chief Financial Officer
 Pankaj Sachdeva, CEO- India Cluster
 R Swaminathan, Company Secretary

During the year there is no change in the KMP.

During the year, the Honourable National Company Law Tribunal ("NCLT") had passed an Order initiating CIRP under IBC, 2016. Subsequently NCLT had, within a week's time, recalled the orders issued against the Company initiating CIRP for certain contractual dispute between the Company and a subcontractor in a Project. The NCLT dismissed the subcontractor petition as withdrawn on account of mutual settlement and submission given by IRP. We thank all our valued investors, bankers, vendors, partners, analysts and esteemed clients for their unflinching support and trust responded in our credentials during this period.

Declaration by Independent Directors

Independent Directors of the Company provide declarations, both at the time of appointment and annually. The Company has received declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence as prescribed under Section 149 of the Act, and the SEBI LODR. The Independent Directors have also confirmed that they have complied with the Company's code of conduct.

Board Diversity

Building a diverse and inclusive workplace is an integral part of WABAG's culture. These principles are also applied to the composition of our Board. A diversified Board will be able to leverage different skills, qualifications, professional experiences, perspectives and backgrounds, which is necessary for achieving sustainable and balanced development. Diversified Board enhances effective decision making and best utilization of the talent of Directors for the Business of the Company. The Nomination and Remuneration Committee sets out the approach to diversify the composition of the Board of Directors. Policy on Board Diversity forms part of Company's Nomination, Evaluation and Remuneration Policy.

Board & Performance Evaluation

During the year under review based on the recommendation of the Nomination & Remuneration Committee, the process of seeking responses from Board, Committees and Individual Directors as well as the questionnaires were further strengthened, in line with guidance note on Board evaluation issued by SEBI. The Nomination and Remuneration Committee has put in place a robust framework for evaluation of the Board, Board Committees and Individual Directors. Customized questionnaires were prepared after taking into consideration inputs received from the Directors, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance. These questionnaires were circulated, responses received were analysed and the results were subsequently discussed by the Board. Recommendations arising from the evaluation process will be considered by the Board to optimize its effectiveness.

Pursuant to the provisions of the Companies Act, 2013 and Regulation 19 of SEBI LODR, the Board has carried out the annual evaluation of its own performance, the performance of the Directors individually as well as the evaluation of Committees of Board viz., Audit, Nomination and Remuneration, Stakeholders Relationship, Corporate Social Responsibility, Risk Management and Monitoring and Overseas Investment Committee. A separate exercise was carried out by Nomination & Remuneration Committee & Board to evaluate the performance of Board, Committees and that of individual Directors.

A separate exercise was carried out to evaluate the performance of individual Directors including the Chairman of the Board, who were evaluated on various parameters viz., participation and contribution by a Director, commitment including guidance provided to the senior management outside the Board / Committee meetings, effective deployment of knowledge and expertise, effective management of relationship with various stakeholders, independence of behavior judgment etc. The performance evaluation of the Independent Directors were carried out by the entire Board except the presence of Directors under evaluation. The performance evaluation of the Chairman and Non-Independent Directors were carried out by the Independent Directors. The evaluation process has been explained in the Corporate Governance report.

Appointment of Directors and Remuneration Policy

The assessment and appointment of Members to the Board is based on a combination of criteria that includes ethics, personal and professional stature, domain expertise, gender diversity and specific qualification required for the position. A potential Board Member is also assessed on the basis of the independence criteria defined in section 149(6) of the Act, and Regulation 16(1)(b) of the SEBI LODR.

In compliance with the requirements of Section 178 (3) of the Act, the 'Nomination and Remuneration Committee' (NRC) of your Board had fixed the criteria for nominating a person on the Board which inter alia include desired size and composition of the Board, age limit, qualification/ experience, areas of expertise and independence of the individual. The Committee had also approved the initial term of an Independent Director shall not exceed 3 years. Further, pursuant to provisions of the Act, the NRC of your Board has formulated the Nomination, Evaluation & Remuneration Policy for the appointment and determination of remuneration of the Directors, Key Managerial Personnel, Senior Management and other employees of your Company, the salient features of which are disclosed in this report. The NRC has also developed the criteria for determining the qualifications, positive attributes and independence of Directors and for making payments to Executive and Independent Directors of the Company. Policy of the Company on Director's

appointment and remuneration as required under sub-section (3) of Section 178 of the Companies Act, 2013 are formulated by the Nomination and Remuneration Committee and is outlined in the Nomination, Evaluation & Remuneration policy of the Company.

Your Company's current policy is to have an appropriate mix of Executive and Independent Directors to maintain the independence of the Board and separate the functions of Management and Governance. As on March 31, 2018, your Board consists of 6 Directors, majority of them being Independent Directors. Besides the Chairman who is an Independent Director, the Board comprises the Managing Director and Chief Growth Officer, both being promoters and 3 Independent Directors. Your Board periodically evaluates the need for change in its composition and size.

Number of Meetings of the Board & its Committees

During the FY 2017-18, the Board of Directors met 4 times i.e., May 25, 2017, August 9, 2017, November 8, 2017 and February 9, 2018. The gap between any two consecutive meetings of the Board of Directors of the Company was not more than 120 days, as prescribed under the Act. The details regarding composition, attendance of the Directors and other relevant details are set out in the Report on Corporate Governance which forms part of this Annual Report.

The Company has several Committees which have been established as a part of the best corporate governance practices and are in compliance with the requirements of the relevant provisions of applicable laws and statutes. As on March 31, 2018, the Board has 6 Committees, namely, Audit Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee, Stakeholders Relationship Committee, Risk Management & Monitoring Committee and Overseas Investment Committee. The details with respect to the composition, powers, roles, terms of reference, number of meetings, etc. of the Committees held during FY 2017-18 and attendance of the Directors at each meeting is provided in the Report on Corporate Governance which forms part of this Annual Report. All the recommendations made by the Committees of the Board were duly accepted by the Board.

As prescribed under section 177(8) of the Act, the Audit Committee comprises of three Independent Directors viz., Sumit Chandwani (DIN: 00179100), Chairman of the Committee, B D Narang (DIN: 00826573) and Malay Mukherjee (DIN: 02861065).

Induction & Training of Board Members

Induction of any new member on the Board is the responsibility of the Nomination and Remuneration Committee of the Board, which consists entirely of Independent Directors. Given the existing composition of the Board, the need for new domain expertise is reviewed by this Committee. When such a need becomes apparent, the Committee reviews potential candidates in terms of their expertise, attributes, personal and professional backgrounds and their ability to attend meetings. The details of shortlisted candidates are then placed before the Board for its consideration. If the Board approves, the person is appointed as an Additional Director, subject to the approval of Members in the Company's next General Meeting. Your Directors when inducted to the Board, are given introduction to the Company's culture through orientation sessions. On appointment, the Director concerned is issued a letter of appointment setting out in detail, the terms of appointment, duties, responsibilities and expected time commitments. Each newly appointed/ designated independent/ other Director is taken through a formal induction program including the presentation from the Managing Director & Group CEO, and other senior managerial personnel on the Company's operations, marketing, finance and other important functions. The Company Secretary briefs the new Director about their legal and regulatory responsibilities as a Director. The induction for Independent Directors include interactive sessions with executive committee members, business and functional heads, visit to the plant site(s) etc. The above initiatives help the Director to understand the Company, its business and the regulatory framework in which the Company operates and equips him/ her to effectively fulfill his/her role as a Director of the Company.

On a periodical basis, presentations covering the business and performance updates of the Company and its Group, global business environment, risk management and mitigation, business strategy and plans are made at Board and Committee meetings

Directors Responsibility Statement

Pursuant to the provisions of Section 134(3)(c) of the Companies Act, your Directors confirm that:

- in the preparation of the Financial Statements of the Company, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- they 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 at the end of the financial year and of the profit of the Company for that period;

- they have taken proper and sufficient care towards the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- they have prepared the annual accounts on a going concern basis;
- they have laid down internal financial controls which were adequate and are operating effectively; and
- they have devised proper systems to ensure compliance with the provisions of all applicable laws and such systems are adequate and operating effectively.

Remuneration Policy

The objective of the Remuneration Policy is to assess the effectiveness of the Board as a whole, Committees of the Board and Individual Directors on regular basis and to attract, motivate and retain qualified and expert individuals that the Company needs in order to achieve its strategic and operational objectives, whilst acknowledging the societal context around remuneration and recognizing the interests of Company's stakeholders. Nomination and Remuneration Committee shall formulate the criteria for appointment of Executive, Non-Executive and Independent Directors on the Board of the Company and persons in the Senior Management & other employees of the Company, their remuneration including determination of qualifications, positive attributes, independence of Directors and other matters as provided under sub-section (3) of Section 178 of the Act, (including any statutory modification(s) or re-enactment(s) thereof for the time being in force). Your 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 individuals are measured through quarterly & annual appraisal process. The policy also addresses Board diversity and outlines remuneration principles for Directors, KMP's and other employees based on various evaluation criteria determined by the Nomination and Remuneration Committee including measuring their performance and achievement vis-a-vis the Company's goals.

1. Board Members

The overall limits of remuneration of the Board Members including Executive Board members (i.e. Independent & Non Independent Directors etc.) are governed by the provisions of Section 197 of the Act, and the Rules made thereunder and shall be approved by the members of the Company and shall be subject to availability of profits of the Company. The Board shall determine the remuneration based on recommendation of the Committee, within the overall limit approved by the Members. The Board can determine

different remuneration for different Directors on the basis of their role, responsibilities, duties, time involvement etc.

The remuneration of the Board members is based on the Company's size & global presence, its economic & financial position, industry trends, compensation paid by the peer companies, etc. to ensure that the compensation reflects each Board member's responsibility and performance.

The remuneration payable to Executive Directors shall consist of (a) Fixed Pay, which is payable monthly, and shall include basic pay, contributions to retirement benefits, house rent allowance or company-leased accommodation and other allowances as per the Company's policy (b) Variable Pay (paid at the end of the Financial Year) directly linked to the performance of the individual Director (i.e. achievement against pre-determined KRAs), his/her respective Business Unit and the overall Company's performance (c) Long term incentive/ESOPs as may be decided by the Committee from time to time. The compensation payable to Independent Directors by way of commission is limited to fixed amount as determined and approved by the Board. The commission payable is based on the performance of the business/ function as well as qualitative factors. The commission is calculated with reference to net profits of the Company in the financial year subject to overall ceilings stipulated under Section 197 of the Act, .

2. KMP/ Senior Management & Other Employees

The remuneration of Key Managerial Personnel (other than Managing Director and Executive Director), shall be approved by the Board and any revision thereof shall be done as per the compensation and appraisal policy of the Company. The remuneration payable to key managerial personnel (other than Managing Director and Executive Director), senior management and other employees shall consist of (a) Fixed Pay, which is payable monthly and include basic pay, contributions to retirement benefits, house rent allowance or company-leased accommodation and other allowances as per the Company's policy (b) Variable Pay (paid at the end of Financial Year) directly linked to the performance of the individual employee (i.e. achievement against pre-determined KRAs), his/her respective business unit and the overall Company's performance.

Policy on Preservation & Archival of Documents

Your Company has framed a policy on "Preservation & Archival of documents". This Policy is intended to provide guidelines for the retention of records and preservation of relevant documents for such duration after which the documents shall be archived. This policy is implemented as per Regulation 9 read with Regulation 30(8) of the SEBI LODR for preservation of the documents inter

alia to aid the employees in handling the documents efficiently either in physical form or electronic form. It not only covers the various aspects on preservation of the documents, but also archival and safe disposal/destruction of the documents. This policy is available on the Company's website www.wabag.com.

Employees' stock option scheme

During the year, there has been no change in the 'Wabag's Employees Stock Option Scheme 2010'. The scheme is in compliance with the SEBI (Share Based Employee Benefits) Regulations, 2014.

The Nomination and Remuneration Committee, inter alia administers and monitors the Company's employees' stock option scheme (ESOP Scheme) in accordance with the applicable SEBI (Share Based Employee Benefits) Regulations, 2014 (SEBI SBEB). During the year ended March 31, 2018, a total of 84,332 shares were allotted to eligible employees under the Company's prevailing ESOP scheme. The details of the scheme as required under the SEBI Regulations are available on the Company's website www.wabag.com.

The disclosures as stipulated under the SEBI Regulations as on March 31, 2018 is enclosed herewith as **Annexure 1** to the Board's Report. Your Company has obtained the relevant certificate issued by the Statutory Auditors of the Company confirming the implementation of the ESOP scheme in accordance with the SEBI Regulations and approval given by the members that the scheme has been implemented in accordance with the SEBI Regulations and the resolutions passed by the Members. The certificate would be placed at the AGM for inspection by the members.

Particulars of Employees

The table containing names and other particulars of Directors in accordance with the provisions of Section 197(12) of the Act, read with rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014 is enclosed herewith as **Annexure II** to the Board's Report.

The statement containing particulars of employees as required under Section 197(12) of the Act read with Rule 5(2) & (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is provided in a separate annexure forming part of this report.

Investor Relations

Your Company continuously strives for excellence in active engagement with international and domestic Investors. Structured conference calls and periodic Investors/ analyst interactions including one on one meetings, telephonic discussions, participation in investor conferences, quarterly earnings call and annual analyst meet with Managing Director and business heads were organized during the year.

Your Company always believes in leading from the front with emerging best practices in Investor Relations and building transparent communication with investors/analysts. Your Company also ensures that important information about the Company and schedule of meets is available to all the stakeholders by uploading all such information on the Company's website.

Equal Opportunity/ Prevention of Sexual Harassment at Workplace Policy

The Company as an organization is committed to provide a healthy environment to all the employees and has a policy of ZERO tolerance towards discrimination and/or harassment in any form. The Company has in place a Prevention of Sexual Harassment (POSH) policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. Regular communication and awareness about this policy is done through various programs to the employees. The Company has setup an Internal Complaints Committee (ICC) both at the registered office and at every location where it operates in India in accordance with the Act and has representation of men and women and is chaired by a senior woman member and has external woman representations. Workshops and awareness programs are organized for sensitizing the employees with the provisions of the Act and orientation programs for the members of the Internal Committee. The following is the summary of the complaints received and disposed of during the FY 2017-18:

- No. of complaints received during the year: NIL
- No. of complaints disposed of: NIL
- No. of complaints pending : NIL

Auditors

A. Statutory Auditors

Pursuant to the provisions of Section 139 of the Act, the tenure of the present Statutory Auditors M/s Walker Chandiook & Co. LLP, Chartered Accountants, Chennai shall come to an end at the conclusion of the forthcoming AGM. The Board on the recommendation of the Audit Committee proposed appointment of M/s Sharp & Tannan (Firm Registration No: 0037925) Chennai as the Statutory Auditors of the Company to hold office for a period of 5 consecutive years from the conclusion of 23rd AGM till the conclusion of 28th AGM to be held in the year 2023 on such remuneration as decided by the Board on recommendation by the Audit committee subject to the approval of Members. They being eligible have consented to be appointed as Statutory Auditors for conducting audit for a term of 5 consecutive years. The Company has received consent letter and certificate from the said auditors to the effect that, their appointment if made would be within the limits and term laid down by the Act and they are not disqualified

for such appointment. The said auditors have confirmed, that they have subjected themselves to the peer review process of the Institute of Chartered Accountants of India (ICAI) and hold a valid certificate issued by the Peer Review Board of ICAI.

The current auditors have submitted their report for FY 2017-18 and does not contain any qualification, reservation or adverse remark. The auditor's report is enclosed with the financial statements in this Annual Report.

B. Cost Auditor

Section 148 of the Act, pertaining to audit of cost records is applicable to Company. Based on the recommendation of the Audit Committee, the Board has appointed K Suryanarayanan, Practicing Cost Accountant (Membership No.24946) to audit the Cost Accounts of your Company for the financial year ended March 31, 2018 on a remuneration of ₹ 5 Lakhs per year.

C. Secretarial Auditor

Pursuant to the provisions of Section 204 of the Act, and rules thereunder, M/s. M Damodaran (Membership No.F5837) of M/s. M Damodaran & Associates, Practicing Company Secretaries, Chennai was appointed to conduct the Secretarial Audit of the Company for the FY 2017-18. The Secretarial Audit Report for the FY 2017-18 is enclosed herewith as **Annexure III** to the Board's report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

The Board has appointed M/s. M. Damodaran of M/s. M Damodaran & Associates, Practicing Company Secretaries, as Secretarial Auditor of the Company for the FY 2018-19.

D. Internal Auditor

Pursuant to the provisions of Section 138 of the Act and the Rules thereunder and Regulation 18(3) of the SEBI LODR and based on the recommendations of Audit Committee, your Board had appointed M/s PKF Sridhar & Santhanam LLP, Chartered Accountants, Chennai, (FRN -003990S/ S200018) as Internal Auditors of the Company to conduct the Internal Audit of the Company for the FY 2017-18. The Internal Auditor reports directly to the Audit Committee and makes comprehensive presentations at the Audit Committee meeting(s) on the Internal Audit Report.

Your Board has appointed M/s PKF Sridhar & Santhanam LLP, Chartered Accountants, Chennai as Internal Auditor of the Company for the FY 2018-19.

Details in respect of frauds reported by Auditors other than those which are reportable to the Central Government:

The Statutory Auditors, Cost Auditors, Secretarial Auditors, Internal Auditors of the Company have not reported any frauds to the Audit Committee or to the Board of Directors under Section 143(12) of the Act, including rules made thereunder.

Subsidiaries, Joint Ventures & Associates

The WABAG Group companies continues to contribute to the overall growth in revenues and overall performance of the Company. The Company has 18 subsidiaries, 3 associates and a joint venture entity as on March 31, 2018. During the year, your Company has incorporated a subsidiary viz., M/s VA TECH WABAG BRAZIL SERVICOS DE AGUA E SANEAMENTO LTDA in the country of Brazil.

In accordance with Section 129(3) of the Act, Consolidated Financial Statements of the Company and all its subsidiaries forms part of the Annual Report. Further, a statement containing the salient features of the financial statement of our subsidiaries in the prescribed format AOC - 1 is enclosed herewith as **Annexure IV** to the Board's report. The statement also provides the details of performance and financial position of each of the subsidiaries.

In accordance with Section 136 of the Act, the Audited Financial Statements, including the Consolidated Financial Statements and related information of the Company and Audited Financial Statements of each of its subsidiaries, are available on our website www.wabag.com. These documents will also be available for inspection during business hours at the registered office of the Company.

Related Party Transactions

During FY 2017-18, the Company has entered into transactions with Related Parties as defined under Section 2(76) of the Act, all of which were in the ordinary course of business and on arm's length basis and in accordance with the provisions of the Act, read with the Rules issued thereunder and the SEBI LODR.

There are no materially significant Related Party Transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

All Related Party Transactions are placed before the Audit Committee and also the Board for approval.

Policy on dealing with Related Party Transactions is available on the Company's website www.wabag.com.

The details as required to be provided under Section 134(3)(h) of Act, are disclosed in form AOC-2 as **Annexure V** to the Board's Report.

Policy on determining material subsidiaries of the Company is available on the website of the Company.

Overseas Direct Investment

WABAG, over the years has expanded its global reach through Overseas Direct Investments (ODI), either through subsidiaries, associates or joint venture Companies.

As of March 2018, the total funded financial investments of your Company through equity contribution in such ODIs amounted to ₹ 25 Crore, which represents 6% of total financial commitment and the total non-funded financial investments in the form of guarantees through ODI route amounted to ₹ 381.24 Crore which represents 93% of total financial commitment.

The investments made by the Company in overseas entities have started yielding return on investments in the form of dividend also. During the year, the Company earned a dividend income of ₹ 20 Crore from its overseas investment.

In addition to such dividend receipts, your Company has also immensely benefited from these ODIs in the form of export earnings. During the financial year 2017-18, the Standalone revenue of the Company included revenue from overseas projects amounting to ₹ 716 Crore, which is an increase of 17.6% over the previous year export revenue of ₹ 609 Crore. The aggregate operational revenue generated by the Group during the financial year 2017-18 through company's overseas entities and exports out of India aggregated to ₹ 2,316 Crore, which is 67% of overall consolidated revenue of ₹ 3,457 Crore. The benefits generated by the Company from its overseas entities are substantial considering its relative meagre financial investment in such ODI entities as stated above.

During the year, as part of business restructuring, expansion and other plans in Europe, LATAM and MEA clusters, some of the steps initiated by your Company were:

1. Formed a Branch in Argentina and Dubai and a subsidiary entity in Brazil.
2. As part of restructuring plan of European cluster, the shares held by German subsidiary in other group entities, have been restructured/transferred within other group entities. Pursuant to such action, the minority stake held by German subsidiary in Romanian subsidiary has been acquired by its holding company viz., VA Tech Wabag GmbH, Austria ("Austria subsidiary"). As at March 31, 2018, 99.97% shares of Romanian entity held by Austria.
3. Pursuant to the completion and commissioning of the Desalination Project by Company's Joint venture entity viz., International Water Treatment LLC ("IWT"), Muscat, Oman in the year 2016, the project is presently under Defect Liability Period ("DLP"). Upon completion of the DLP, the Company will initiate necessary action along with other JV partners for closure of the entity. During the year, there are no further payments made by the Company to IWT. As stated in our Annual Report for the previous year, the capital restructuring process of IWT was approved by the local authorities in Oman in the previous year and the Company has taken up the case with regulatory authorities in India for necessary clearances and approvals.

Corporate Social Responsibility

In accordance with the Act, your Company allocated a limit equivalent to 2% of the average net profits of its three immediately preceding financial years for implementation of CSR activities. During the year under review, your Company incurred a sum of ₹ 172.55 Lakhs towards CSR expenditure.

In keeping with the Company's CSR focus on water and waste water, the Company identified various projects for implementation for the year 2017-18. Apart from three multi-year watershed projects, i.e. one at Pulleri village, Kanchipuram District, Tamil Nadu and two at Cuddalore District estimated at ₹ 2.50 Crore, the Company signed MoU with NABARD as co-financing partner for three more multi-year watershed projects, one each at Tuticorin District, Dindigul District and Virudunagar District, Tamil Nadu with three reputed local NGOs as implementing partners. The estimated cost (WABAG's portion) for the three projects is ₹ 2.25 Crore.

Furthermore, your Company also entered into a Memorandum of Understanding (MoU) with Bharat Rural Livelihood Foundation (BRLF), an independent non-profit society set up by the Government of India for implementing watershed project in six districts in West Bengal for which we have committed a sum of ₹ 2.50 Crore spread over a period of 4 years. Out of this, the Company has already paid a sum of ₹ 53.00 Lakhs towards the first year instalment. The key objective behind this CSR investment by WABAG is to leverage the MGNREGA funds which will have wider impact in terms of end beneficiaries, i.e. poor farmers and tribals in West Bengal. With this commitment to BRLF, the total commitment approved by the CSR Committee towards certain multiyear projects is over ₹ 7.00 Crore.

Over and above the major watershed development projects as mentioned above, your Company also implemented a few minor projects – one health and hygiene project at Viralipatti, Pudukottai District; water treatment plant for special children at Shristi Trust, Munnar, Kerala; water treatment plant for

Voluntary Health Services, Adyar, Chennai, pond renovation projects at Cuddalore District at the instance of NABARD besides a minor irrigation project at Sevalaya, Chennai.

Your Company had undertaken revitalizing and enriching projects in CSR in the areas of Water, sanitation and livelihood in 2017-18 thereby increasing the continued value creation in the areas in which your Company operates. These initiatives address the necessities of the local communities in and around Chennai where company is headquartered.

The CSR Committee of the Board has been constantly reviewing the projects and gives directions to expedite implementation of the projects undertaken.

Your Company's CSR Committee comprises of Revathi Kasturi (Chairperson) (DIN: 01837477), Rajiv Mittal (DIN: 01299110) and S Varadarajan (DIN: 02353065). The Committee is responsible for formulating and monitoring the CSR policy of the Company. This policy is available on the Company's website in the following link: <http://www.wabagindia.com/Policies.aspx>

Pursuant to Section 135(4) of the Act, the major contents of CSR policy are as follows:

Core Ideology: For WABAG, responsible business practices include being responsible for our business processes, engaging in responsible relations with employees, customers and the community. Hence for the Company, Corporate Social Responsibility goes beyond just adhering to statutory and legal compliances, and creates social and environmental value while supporting the company's business objectives and reducing operating costs, and at the same time enhancing relationships with key stakeholders and customers.

Total Outlay for each financial year: From April 1, 2014, for each financial year, WABAG pledges at least 2% of the average net profits made during the 3 immediately preceding financial years specifically towards CSR initiatives.

Allocation of Resources & Thrust Areas: The CSR Committee of the Board of the Company will manage 2% of the average net profits made during the 3 immediately preceding financial years to undertake CSR initiatives which meet the needs of the local communities where we operate.

WABAG CSR Committee may make contributions to the corporate foundations/Trusts towards education for the under privileged children, vocational and livelihood training of youth, relief to the poor, education and encouragement of sports, medical relief and disaster relief & rehabilitation, or both.

WABAG's commitment to CSR will be manifested by investing resources in one or more of the following areas:

Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water;

Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently-abled and livelihood enhancement projects;

Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;

Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal Welfare, agro-forestry, conservation of natural resources and maintaining quality of soil, air and Water;

Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts;

Measures for the benefits of armed forces veterans, war widows and their dependents;

Training to promote rural sports, nationally recognized sports, Paralympics sports and Olympic sports;

Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Schedule Castes, the Scheduled Tribes, other backward classes, minorities and women;

Contribution of funds provided to technology incubators located within academic institutions which are approved by the Central Government;

Rural development projects: The surplus arising out of the CSR activities will not be considered as part of the business profits of the Company.

The annual report on our CSR activities is enclosed herewith as **Annexure VI** to the Board's report.

Particulars of Loans, Guarantees or Investments

Details of loans, guarantees and investments covered under the provisions of section 186 of the Act, form part of the notes to the financial statements.

Internal Control Related to Financial Statements

Your company has put in place adequate internal financial controls over financial reporting. These are reviewed periodically and made part of work instructions or processes in the Company.

Your Company continuously tries to automate these controls to increase its reliability. The Company follows accounting policies which are in line with the Indian Accounting Standards notified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015. These are in accordance with the Generally Accepted Accounting Principles in India.

International subsidiaries provide information required for consolidation of accounts in the format prescribed by the Company. These are certified by the respective statutory auditors for being compliant with the group accounting policies for the purpose of annual consolidation of accounts.

In compliance with Section 134(5) of Act, your Company has put in place adequate system of internal controls commensurate with its size and the nature of its operations. The Company's internal control system includes the following but not restricted to aspects of:

1. Financial propriety of business transactions
2. Safeguarding the assets of the Company
3. Compliance with prevalent statutes, regulations, management authorisations, policies and procedures.

The Audit Committee of the Board periodically reviews audit plans, observations and recommendations of the internal and external auditors, with reference to the significant risk areas and adequacy of internal controls and keeps the Board of Directors informed of its observations, if any, from time to time.

Awards & Recognitions

Quality assurance

The Company has sustained its commitment to the highest levels of quality, best-in-class service management, robust information security practices and mature business continuity processes that have collectively helped achieve significant milestones during the year. While sustaining existing external benchmarks and certifications, the Company has added new certifications and further enhanced its programs and initiatives.

Please refer page 13 of the Annual Report for the details of the rewards and recognition achieved by the Company globally during this year.

Risk Management

Your Company has a comprehensive Risk Management and mitigation process for business, operation and strategy. The Board has constituted a separate Committee viz. Risk Management and Monitoring Committee which meets regularly and gets updates from Management on different strategies and its implementation to avoid future risk and threat to the Company. The Committee consists of 5 Directors out of which 4 are Independent Directors. The details on the Company's risk management framework, risk identification, risk evaluation, mitigation measures and monitoring mechanism forms part of the Management's Discussion and Analysis section of this Annual Report.

Particulars of Contracts or Arrangements made with Related Parties

Particulars of contracts or arrangements with related parties referred to in Section 188(1) of the Act, in the prescribed Form AOC-2, is enclosed herewith as **Annexure V** to the Board's report.

Significant and Material Changes/Orders

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future. There are no material changes and commitments affecting the financial position of the Company between the end of the FY of the Company to which the financial statements relate and date of this report.

Other Disclosures

1. During the year under review, the Company has not accepted any deposit within the meaning of Sections 73 and 74 of the Act, read with the Companies (Acceptance of Deposits) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force);
2. The Company has complied with Secretarial Standards issued by the Institute of Company Secretaries of India on Board and General Meetings;
3. The information on conservation of energy, technology absorption and foreign exchange earnings and outgo as stipulated under Section 134 of the Act, read with the Companies (Accounts) Rules, 2014, is enclosed herewith as **Annexure VII** to the Board's report;
4. The Company has not issued equity shares with differential rights as to dividend, voting or otherwise.
5. During the year there was no change in nature of business of the Company or any of its subsidiaries

Extract of Annual Return

In accordance with Section 134(3)(a) of the Act, an extract of the annual return in the prescribed format is enclosed herewith as *Annexure VIII* to the Board's report.

Health, Safety and Environmental Protection (HSE)

The Company has complied with all applicable environmental and labour laws. The details of quality, health, safety, environment initiatives, objectives and achievements made by the Company are detailed in the Management Discussion and Analysis section of the Annual Report.

Sustainability Initiatives

Your Company is in the space of providing solutions in the realm of water and waste water treatment. Your Company's strategy always focus on growth without adversely impacting the environment. In the past 4 years the Indian subcontinent has been facing drastic climate changes in which drought on one side and flood on other side made it more challenging. Sustainability runs through the Company in all its operations and functions. Your Company continuously focuses on solutions which have low carbon footprint and that are sustainable. Globally, your Company is actively involved in providing solutions that are eco-friendly and renewable in nature. Your Company's contribution towards sustainability is continuous in nature as is reflected throughout this report and forms an integral part of our business.

Whistle Blower Policy

The Company has established a vigil mechanism/framed a whistle blower policy. The policy enables the employees and other stakeholders to report to the management any instances of unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. This policy is reviewed by the Audit Committee to check the effectiveness of the policy. No personnel has been denied access to the Audit Committee. The provisions of this policy are in line with the provisions of Section 177 (9) of the Act, and SEBI LODR. The policy is available on the website of the company www.wabag.com.

Green Initiatives

The Company started a sustainability initiative with the aim of going green and minimizing the impact on the environment. Electronic copies of the Annual Report 2018 and Notice of the 23rd Annual General Meeting are being sent to all Members whose email addresses are registered with the Company / Depository Participant(s). For Members who have not registered their email addresses, physical copies of the Annual Report 2018 and the Notice of the 23rd AGM are being sent by the permitted mode. Members requiring physical copies can send a request to the Company.

The Company provides e-voting facility to all its Members to enable them to cast their votes electronically on all resolutions set forth in the Notice. This is pursuant to the Section 108 of the Act and Rule 20 of the Companies (Management and Administration) Amendment Rules, 2015.

Cautionary Statement

Certain statements in the Board's Report 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 labour and material availability, and prices, cyclical demand and pricing in the Company's principal markets, changes in government regulations, tax regimes, economic development within India and other incidental factors.

Appreciation

The Board of Directors wish to convey their gratitude and place on record their appreciation for all the employees at all levels for their hard work, solidarity, cooperation and dedication during the year. Further, the Board sincerely conveys its appreciation to its customers, stakeholders, suppliers as well as vendors, bankers, business associates, regulatory and government authorities for their continued support.

For and on behalf of the Board of Directors

B D Narang
Chairman
(DIN: 00826573)

Rajiv Mittal
Managing Director & Group CEO
(DIN: 01299110)

Chennai
May 25, 2018