

Earning's call speech Q3 FY 15

Mr. Rajiv Mittal:

Dear Friends, Good Afternoon.

I welcome you all to the Earning's Call post announcement of Q3 FY15 results of VA Tech Wabag Limited. I am joined here by our CFO, Mr. Varadarajan and our Investor Relations Advisors, Stellar IR Advisors.

Let me begin on a positive note, the news which you must be already aware of by now, that the Board has recommended a Bonus issue of 1:1 to expand our retail base and also to reward our existing shareholders.

Now, I will take you through the various developments during the quarter.

WABAG Turkey and WABAG Philippines have recorded phenomenal progress this year. Philippines has bagged back to back orders this year, both being funded by World Bank and have emerged as the leader in that geography. Also, the recent projects won by Philippines have a good margin profile, being backed by WABAG India for Design, Engineering and Key equipment procurement. I am happy that within a short span of time since the incorporation in year 2011, WABAG Philippines has achieved this remarkable feat of becoming the market leader in Philippines. This reinforces the success of our strategy in going for local presence in identified target markets and in encouraging entrepreneurial talent in those local markets.

WABAG Turkey has continued its consistent performance by winning more orders to the tune of about Euro 78 mn this year. WABAG Turkey also, within a short time span of about 4 years has grown manifold. WABAG Turkey now has a good chunk of Operation and Maintenance Projects where the margins are always higher than the EPC projects.

In the Middle East also we are seeing good traction in the Operation and Maintenance opportunities and we have won a few O&M jobs in Qatar and Bahrain. During the Quarter we have also opened a new subsidiary in Bahrain to execute these projects.

The opportunity in the water market in India is slowly but surely turning around and we expect to see good traction in the coming quarters. We secured a major order as part of the Ganga Action Plan in Varanasi during the last quarter. With the governments clear focus on the water & waste water and the expected strong implementation, we are quite optimistic of major orders getting finalized in the near future. In the Industrial sector, activities have been muted so far during the year, but we see bright business prospects going forward in fertilizer, power and oil & gas sectors.

During the quarter we have secured orders worth Rs. 665 Crores. The major orders received during the quarter are a Rs. 220 Crore JICA funded Ganga Action Plan Project in Varanasi. WABAG India won an order for a value of INR 220 crores for Design and Construction of 140 MLD Sewage Treatment Plant at Varanasi including Operation and Maintenance for ten years. The scope for WABAG includes Design, Engineering, Supply, Installation, Testing and Commissioning of

the Sewage Treatment Plant whereas the civil construction will be carried out by our JV partner. The order is part of JICA – Funded Ganga Action Plan Project and the implementation agency for this project is Ganga Pollution Prevention Unit of UP Jal Nigam, Varanasi.

WABAG would employ the Activated Sludge Process with Biogas based Power Generation for this project. This process will help the plant to generate power from biogas and the plant will be largely self-sufficient in terms of power using this “Green Energy”. This will not only help the project to reduce its operational costs but will also reduce the carbon emissions and thus will qualify for carbon credits.

A World Bank funded Sewage Treatment Plant is the next order we won in Philippines which is worth INR 175 Crores. WABAG Philippines has won this order which is also World Bank funded. WABAG will Design & Build the 60 MLD Valenzuela Sewage Treatment Plant for Maynilad Water Services Inc. using the Activated Sludge Process. The contract also includes Operation and Maintenance of the plant as part of performance proving period of one year.

The next project is an INR 100 crore World Bank funded Sewage Treatment order in Philippines. This order is for construction of 20 MLD Sewage Treatment Plant at Tunasan. The project is again funded by World Bank. After designing and building the plant, WABAG will operate and maintain the plant for a period of one year as part of the contract. This Project is unique since this STP is constructed to handle wastewater flowing into the Laguna Lake which is one of the biggest alternate drinking water sources of Manila in Philippines.

Next order is an EPC order of Euro 6 mn for municipal Wastewater Treatment Plant in Turkey co-financed by the European Union and the Republic of Turkey. WABAG Turkey won this Euro 6 mn municipal Wastewater Treatment Plant which is located in the vicinity of Ankara, the Capital of Turkey. The wastewater treatment plant will be equipped with mechanical and biological treatment technology on the basis of the activated sludge process, and also incorporate carbon and nitrogen removal. The facility will correspond with EU regulations regarding environment-friendly wastewater treatment plant and in particular with the Environmental Impact Assessment Report. The treatment plant will have a capacity of 20,000 m³/d.

Coming to the update on our 191 MLD Desalination Plant in Al Ghubra, the Project that we are executing in city of Muscat in Oman is progressing well. I am glad to inform you that most critical scope of executing a desalination project involving marine activity namely installation of the intake and outfall pipe on the sea bed is completed successfully. The plant is largely completed on the mechanical front and we are now working for automation of the plant. We hope to commission part of the plant and produce water sometime in June this year as required by the end customer namely Government of Muscat. Though contractually the project is delayed by few months, our end customer has expressed satisfaction on the progress of work made so far. As I have mentioned in the past, this Project is strategically important for WABAG going forward towards pre-qualification in the large desal jobs. As a matter of prudence and conservatism, we made a provision of Rs.10 Crores towards risk of liquidated damages on account of delay.

We just concluded our Annual Budget Conference last week, in which our CEO's and CFO's of various subsidiaries participated. I am happy to share that they have expressed their optimism and confidence in driving and achieving the growth in their respective geographies in the coming years. This augurs well for the group's vision of Euro 1 Bn topline target which we had set a couple of years back.

With this I now hand over to Mr. Varadarajan to take you through the financial highlights of the quarter.

Mr. S Varadarajan:

Good afternoon everyone.

I believe you must have had an opportunity to have a look at the result update presentation as circulated and uploaded on our website. I would now take you through the financial highlights for the quarter.

On a consolidated basis, we achieved Sales of Rs. 1,523 crores during 9M FY15 as compared to Rs. 1,334 crores in 9M FY14 registering a growth of 14% over 9M FY14. Net Profit for the 9M stood at Rs. 39.6 crores as compared to Rs. 42 crores in 9M FY14.

Our Standalone Sales for the 9M stood at Rs. 652 crores as compared to Rs. 622 crores during the same period last year. Net Profit for the 9M stood at Rs. 38.5 crores as against Rs. 39.5 crores during the corresponding prior period. On a quarterly basis the Standalone EBITDA and Net Profit has recorded a growth of 29% and 7.4% respectively.

In Overseas the employee benefit expenses increased because of the Istanbul O&M project for which the site personnel are on our own rolls.

The total cost of operations in Standalone decreased during the quarter due to a marginal reduction in the employee benefit expense during the quarter and because of collection of receivables against provision made for receivable in the previous quarter.

Higher forex loss during the quarter was majorly due to the reinstatement of Japanese Yen receivables from the Nepal project.

I may mention to you that Euro has depreciated almost 15% from April this year. As you are aware, forex movement in Euro impacts WABAG while translating the financials to INR.

Concluding Para:

I would like to thank everyone for participating in our Q3 FY15 earnings call. We have uploaded the analyst presentation on our website. In case of any further queries you may get in touch with Stellar IR Advisors, our investor relation advisors or feel free to get in touch with us directly.