

Earning's call speech Q3 FY 16

Mr. Rajiv Mittal:

Thank you

Dear Friends, Good Afternoon.

I welcome you all to the Earning's Call post announcement of Q3 FY16 results of VA Tech Wabag Limited. I am joined today in the call by our CFO Mr. Parthasarathy Gopalan.

As you are all aware the city of Chennai was battered by heavy rains and floods during the months of November and December. But Chennai stood against this catastrophe and I am happy that Chennai has rebounded very quickly and is back on track in a very short span of time post this devastating Floods. Our employees too showed great resilience and rose to the occasion managing our various O&M Sites in and around Chennai braving the rains and floods.

Now, let me take you through the sectoral developments. The recent months saw many positive decisions by the Central Government in terms of Namami Gange and also Smart Cities program. The hybrid-annuity based PPP model, where upto 40% of the capital investment will be paid by central government through construction linked milestones and the balance through an annuity over the contract duration upto 20 years, was approved by the cabinet, for funding the waste water treatment plants along the banks of river Ganga. This decision points towards the right direction in implementing the ambitious Ganga project.

On the smart cities program, the Government has announced the first list of 20 cities that would be developed into smart cities. These cities would receive funding to the tune of Rs. 50,800 crore. It is important to note that 13 of these 20 cities are in the WHO list of the 20 most polluted cities in the world. Any smart city should have the core infrastructure elements which would include adequate water supply and proper waste water treatment and disposal or even reuse of water. We see this as a great opportunity for WABAG in the near future.

Coming to the execution front, our prestigious Petronas Project in Malaysia is proceeding at a good pace. The team from Petronas is working closely with us and are based at our office in Chennai. We have already completed the Re-FEED engineering. Usually this re-FEED engineering is done by the Client, but in this job we have taken up this responsibility and have completed it successfully. We have also started the early ordering of supplies. Already more than 75 engineers are working on this project.

Coming next to the AMAS project which is in Bahrain; As you know, from our Facebook page, His Excellency, the Deputy Prime Minister of Bahrain laid the foundation stone for this project during the month of December and now we are at an advanced stage on the design and engineering. The mobilization of offices and survey are being done at the site. We expect substantial civil engineering to be completed in this quarter and the construction would start from early next quarter.

On the APGENCO projects I am happy to share that the Honourable Chief Minister of Telengana, Mr. K Chandrasekhar Rao dedicated the Kakatiya Power project on 5th January 2016 to the nation. On the second project at Rayalaseema for Andra

Pradesh, we are on track and expect to install the Turbine generator in this current quarter.

Now a quick update on our Al Ghubra project. We are happy to share we have completed 90% of the reliability run. We are producing water to full capacity and quality is as expected by the client. We also expect to hand over this plant very soon.

The Al Ghubra experience has provided us the learning opportunity as it was our First time working in an integrated JV. We have institutionalized our learning from this project in our Petronas RAPID ETP project wherein we have taken the Lead role in the JV. We also have a realistic contract period of over 3 years to complete this Petronas project. The Al Ghubra experience will guide us in executing larger projects and also will be a very big reference for us in the Desal sector.

On the execution front, we had some challenges in the European cluster, in securing the Engineering approvals. But I am happy that we had subsequently received the approval and we are trying our best to expedite the execution of these projects to complete it on time.

Coming to the Order Intake we have already achieved over Rs. 3,350 crores of order intake out of our Guidance of Rs. 3,500 – 3,700 crores for this year. In this quarter, Wabag Turkey has bagged a large order for sewage treatment for a value of Euro 20.75 Million from the Turkish Ministry of Environment and Urbanization. The order is co-financed by the European Union. Wabag Turkey will design and build this new municipal wastewater treatment plant with a design capacity of

roughly 145,000 m³/d. This will be one of the most modern plants having a combination of mechanical/biological wastewater treatment based on the activated sludge process and consequent sludge treatment with anaerobic digestion and solar sludge drying. This order, after Siverek and Polatli WWTPs, is the third from the client – the Turkish Ministry of Environment and Urbanization – and further strengthens our market share in Turkey.

I am also delighted to share that during the quarter there was a good progress on the loan agreement negotiation between the ERD of Sri Lanka and our EXIM Bank for Polgahawella Integrated Water Supply Scheme. This is the final step before the loan signing which I hope will be done this month itself. This is the second order that the Company has bagged from Sri Lanka, the first one being in an advance stage of completion at Dambulla in Sri Lanka.

Our Annual Global business meet took place last week in Chennai wherein business leaders from all the global subsidiaries took part. It was a matter of great satisfaction to see a robust pipeline of the orders we possess, even during this tough macro-economic environment. It is during these adversities that we thrive on and the teams confidence has given me immense satisfaction that WABAG Group would come out stronger.

It was a moment of pride for all of us at WABAG last week when we celebrated our 20 years of our excellence in India. We have come a long way from the humble beginnings in India growing from a 6 member team to a 2500 strong global team today.

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

Mr. Parthasarathy Gopalan:

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. 1,686 crores in 9M FY16 as compared to Rs. 1,523 crores in 9M FY15 registering a growth of 11% over 9M FY15. Net Profit for the nine months stood at Rs. 23.7 crores as compared to Rs. 39.6 crores in 9M FY15. Net profit for the quarter saw a growth of 37% against the same quarter last year and stood at Rs. 18.9 crores. 11% depreciation of Euro and many overseas projects under engineering resulted in slower revenue growth in the overseas business.

Our Standalone Sales for the nine months stood at Rs. 950 crores as compared to Rs. 652 crores during the same period last year registering a growth of 46%. EBITDA recorded a growth of 51% and was at Rs. 106 crores as against Rs. 71 crores during the prior period. Net Profit stood at Rs. 61 crores as against Rs. 38 crores during the corresponding period last year.

Coming to the cash position, our Gross cash as on 31st December 2015 stood at Rs. 380 crores as compared to Rs. 302 crores in September 2015. Our net working capital number of days without cash was at 54 days.

Our performance on the Standalone segment has recorded an impressive all around growth during the year. As you are all aware, the realignment exercise

which we have been carrying out this year across all the geographies is developing and creating synergies which, going forward will help us in our growth endeavors.

With this we now open the floors for the Q&A session.

Concluding Para:

Thank you everyone for your participation in our Q3 FY16 earnings call. We have uploaded the analyst presentation on our website. In case you have further queries you may get in touch with Stellar IR Advisors, our investor relation advisor based at Mumbai or feel free to get in touch with us directly.

Thank you very much for participation.