

Earning's call speech Q3 FY 17

Mr. Rajiv Mittal:

Thank you

Dear Friends, Good Afternoon.

I welcome you all to the Earning's Call post announcement of Q3 FY17 results of VA Tech Wabag Limited. I am joined today in the call, by our CFO Mr. Parthasarathy Gopalan and our CEO, India Cluster – Mr. Pankaj Sachdeva.

To begin with, I am very happy to share with you that we have won a big order in Kingdom of Saudi Arabia. This order includes Design, Engineering and Supply of a Desalination plant and also a Sewage Treatment Plant for a major client in the oil & gas space. Order value is US\$82.5 million. Winning this order against competition from major global players, goes to prove our technological superiority and engineering capabilities in executing world-class large and complex industrial projects both at home and abroad.

Second major order during this quarter was bagged by WABAG Czech for Extension of Thermal Power Plant Long Phu I Project in Vietnam for the Condensate Polishing System, another significant part of the power plant. The Condensate Polishing System is designed for two blocks; the flow for each block is 750 m³/hr. The technology chosen consist of two stage treatments -- Filtration and Demineralization with external regeneration which will ensure a high quality of the treated condensate due to separation of resin of cation and anion exchange resin.

Value of this extension is US\$7.8 million, taking the total order value of this project to US\$27 million.

WABAG Joint Venture won an Integrated Water Supply Project in Barmer District in Rajasthan from Public Health & Engineering Department of Rajasthan. This order is valued at Rs.595 crores and also includes Operation & Maintenance for a period of 10-years. Scope of this contract for WABAG include Design and Supply of complete electrical, mechanical, instrumentation and automation works. We are the lead partners in this joint venture and have full control on this project.

Coming to the Order Pipeline we see a very strong outlook in the Middle East markets like Oman, Bahrain, Qatar and Saudi Arabia, in Africa markets of Nigeria, Tanzania and Rwanda and in Latin America market in countries like Brazil, Chile and Argentina. In the Southeast Asian markets, we are bidding for few big ticket industrial jobs and we are very hopeful also on Sri Lanka. Back home, in India, tendering activities have picked up of late in many states and also Namami Gange Project tendering have just now started. We are very optimistic that in the next few quarters, we would see more tenders of higher ticket size in this space.

Coming to the Execution, Our Malaysian Petronet Rapid Project is progressing well at a brisk pace and is on schedule as per the timeline. We have completed successfully the 60% model review with the customer. Our focus is now towards the completion of 90% model and expediting the manufacturing activity and dispatching them to site in the next six months. Most of the piling work has been completed and the civil work including roads and rails are in full swing. We expect tankages work to start this month and people are already mobilized.

In our APGECO Project at Rayalaseema in the State of Andhra Pradesh, major milestone of boiler light up was completed last year in December '16. Major milestone which is synchronization of the plant is planned for March 2017. Also the marshalling yard work for which we had obtained in-principle approval from South Central Railways during the last quarter have now been commenced.

In the Al Madina Al Shamaliya Sewage Treatment Plant in Bahrain, the detail engineering work is substantially complete; equipment manufacturing is in advanced stages with inspection happening as planned. Construction work is progressing well and all work fronts are opened up. Also, the offshore marine work has commenced.

Finally, I would also like to share a few of the key takeaways that came from our recently concluded WABAG Global Business Conference. Major topic was that for discussion during our meet was Responsive and Responsible Leadership priorities. Human capital is the biggest capital in WABAG and we continuously focus in developing our skill sets, management capabilities and leadership. The realignment carried out last year to strengthen the collaborative synergy has started yielding its results which we witnessed in our recent meet. In terms of project execution, business development and profitability, we are now seeing a coherent set of values and systems which shall guide WABAG to its next level of growth. As you would know, we have been strengthening our management bandwidth especially over the last couple of years through internal resources development as well as through lateral sources.

In line with this process of increasing the management bandwidth, I would like to introduce to you, Mr. Pankaj Sachdeva who joined us as the CEO of the India Cluster. He was earlier associated with Ariva which was erstwhile Alstom as the Director, Sales later on with ABB as President, Power Systems, followed by Kalpataru Power Transmission Limited as Managing Director and recently with Skipper International, Dubai as a Joint Group President and Group Director. I am sure Pankaj will lead India cluster well with valuable support from the team and all of you as well. Over to you, Pankaj.

Mr. Pankaj Sachdeva

Thank you very much, Mr. Mittal, and Good Evening to everyone. It is indeed a great pleasure in taking over as CEO of the India Cluster of VA TECH WABAG Limited. WABAG has its presence in all the gamut of water treatment and as well as a well-respected brands globally in this field. Apart from the skill sets of people here, it is the strong culture, emotional connect, corporate governance and transparency and as well as timely deliverance of project with the world class quality and standards which deliver the company to the scale of new heights and great benchmark. I thank the Board of Directors of WABAG in reposing their faith in me and I shall strive to make WABAG deliver to all our stakeholders.

I would now request Mr. Parthasarathy to take you through the financial highlights for the quarter. Thank you.

Mr. Parthasarathy G

Good afternoon everyone.

I believe you must have had an opportunity to look at the result update presentation as circulated and uploaded on our website. Before I get into the financial highlights. . . Recently Water and Waste Water International, WWI, conducted and announced the list of Top 25 Global Leaders in the Water and Waste Water space. You all will be glad to know that the 2nd most influential water leader in the world is an Indian and he is none other than our own Mr. Rajiv Mittal. At WABAG we are all proud to have him as our leader.

Now, I would take you through the financial highlights for the quarter and nine months ended 31st Dec 2016.

On a consolidated basis, we achieved sales of Rs.713 crores in Q3 FY'17 as compared to Rs.610 crores in Q3 FY'16, registering a growth of 17%. EBITDA for the quarter rose to Rs.79 crores as against Rs.49 crores in Q3 FY'16. For the nine months, consolidated sales stood at Rs.2,069 crores, an increase of 25% over the previous year. Consolidated net profit for the nine months increased from Rs.24 crores to Rs.27 crores. Our standalone sales for the nine months grew by 13% and stood at Rs.1,077 crores as compared to Rs.950 crores in the previous period. EBITDA recorded a growth of 38% and was at Rs.148 crores in the nine months FY'17. Net profit stood at Rs.46 crores as against Rs.62 crores during the same period last year.

As we had communicated to you earlier, during the quarter our JV Company in Oman, Al-Ghubra Project received the final arbitration award on the liquidated damages. Against our expectation of a partial relief, the final award was completely in favor of the customers. As per the award during the quarter, the company made the payout of our share of liquidated damages in the Oman Desalination JV and thereby the full impact of liquidated damages have now been considered in the group financials. This along with the margin drag projects moving towards the closure the outlook for the group to deliver on growth and profitability is bright.

Coming to Working Capital, With regard to the receivables in India, I am glad that with our focused efforts we have started to see improvement in the collection. Compared to March and September 2016, our receivable days in India have got better by almost 10%. We expect significant collection from our ongoing project in the next two to three months and we are confident of improving the working capital significantly in the next two quarters.

As mentioned by Mr. Mittal in his speech, we recently concluded our Annual Business Conference in Chennai. Business leaders from across the globe were very positive on the outlook that lies ahead for our business in various geographies, particularly in Latin America, Middle East, Africa and Southeast Asia apart from the big opportunities in India that you all know.

With this, we now open the floor for Question-and-Answer.

Concluding Para:

Thank you everyone for your participation in our Q3 FY17 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.