

Draft Earning's call speech Q3 FY 18

Mr. Rajiv Mittal:

Thank you.....

Dear Friends, Good Afternoon.

I welcome you all to the Earning's Call post announcement of Q3 FY18 results of VA Tech Wabag Limited. I am joined today in the call, by our CFO Mr. Parthasarathy Gopalan.

To begin with, I am extremely happy to share with you all, that WABAG Austria has converted a framework contract of 17.4 Million Euros in Tobruk, Libya into an order intake during this quarter. The Tobruk Thermal Desalination plant has been entrusted to WABAG by General Desalination Company of Libya. With a capacity of 13,300 m³/d, the plant would ensure continuous drinking water supply for a population of approx. 130,000 people in the city of Tobruk, where water is a scarce resource. The order includes design, engineering, supply, installation and commissioning of the plant and WABAG has already progressed on the design & engineering and presently in the procurement phase. The plant is expected to be completed in the next 18 months. The project payments have been secured by confirmed letter of credit.

Last Quarter, we informed you that we are L1 in orders worth about 1,900 Cr. We are expecting to convert about 50% of these orders in the last quarter along with couple of other large bids to ensure a healthy closing backlog of order for this year.

Coming to Execution, I am happy to share that WABAG has completed the multi stage treatment system in Madinaty WWTP, Egypt with a capacity of 40,000 m³/d for a new satellite city near Cairo. WABAG has applied an advanced treatment scheme consisting of mainly biological treatment, tertiary filtration and disinfection. The reclaimed water is directly pumped into a special service water network for irrigation purposes. WABAG was responsible for design, engineering, supply, installation and commissioning of the plant. Now, after completion of start-up, WABAG has been entrusted with the responsibility of operation & maintenance of the plant for a period of 12 months.

In the Al Madina Al Shamaliya Sewage Treatment Plant in Bahrain, the civil works are complete and installation is also substantially completed and the start-up is planned in next 3 months. Other minor civil works like road works and landscaping are in progress. Long sea outfall works are 100% complete, tested and under commissioning.

In our APGENCO Project at Rayalaseema in the State of Andhra Pradesh, post completion of the synchronization in Q1, the project is nearing completion at brisk pace. The coal handling plant is nearing completion and COD is expected in this quarter.

In our Koyambedu TTRO project, the engineering is substantially complete and ordering is at an advanced stage. The civil works have picked up speed in the last few months, both at the treatment plant front, where piling works have been completed and super structure works are progressing and also pipe laying front. The project is progressing as per schedule.

In our Polghawela project, the project is currently in the advanced design phase with basic engineering approved and civil drawing for intake area and 50% WTP submitted to the client for approval. First lot of pipes have reached the site and pipeline laying work has commenced for intake line. Area clearance for laying pipeline has commenced and is progressing as per schedule. The project is on schedule for completion by March 2020.

In our PETRONAS project, we have successfully completed more than 4.5 million safe man hours since the commencement of the project. Engineering and procurement have been completed and Civil works are substantially complete. Pipe works and equipment installing are in progress. About 82% of underground piping work has been completed and 98% of above ground piping fabrication has been completed.

As we stated in previous quarter, our constant efforts towards improving our working capital levels have led to our working capital levels coming down to 94 days compared to 101 days in the previous quarter.

In line with our strategy to focus and grow the presence in MEA region, it gives me immense pleasure to inform you that Mr. Deep Raj Saxena, has joined us as the head of MEA Cluster region. Mr. Deep Raj Saxena has around 35 years of EPC experience and brings with him rich exposure of securing and executing projects across the Middle East region. Mr. Deep Raj Saxena and his team will be based out of Dubai with special focus on developing and executing pure play water projects across multiple sectors, municipalities and industries in the Gulf and African region.

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

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. I would like to take you through the key financial highlights for the quarter and 9 month period ended 31st December 2017.

On a consolidated basis, during the 9 months period of FY 18, we achieved Revenue of Rs. 2,420 crores as compared to Rs. 2,076 crores during the same period in FY'17, registering a growth of 17%. EBITDA for the 9 month period rose to Rs. 200 crores recording a growth of 21% against Rs. 165 crores in FY'17. Our Net profit in 3 quarters stood at Rs. 74 crores.

Our standalone revenue from operations for the 9 month period grew by 21% and stood at Rs. 1,322 crores as compared to Rs. 1,094 crores in the previous period. EBITDA was at Rs.148 crores for the 9 month period. Net profit stood at 91 crores for 9 month FY18 as against 46 crores during the same period last year.

The operational issues faced on account of GST implementation has been progressively coming down, though not completely yet. While clarity on GST rates is mostly there, procedural delays for amending some customer contracts persist resulting in delays on invoicing and collection front. We hope, that the situation would improve by year end.

Regarding working capital, our continued focus on collection has led to improvement during the quarter despite GST issues and we are starting to see signs of further improvement as we proceed towards the end of the financial year. The Net working capital days has improved to 94 days which is a 7% improvement over the previous quarter. Our net cash position in Q3 has also substantially improved and in the 3 month period, we have reduced our net debt by nearly Rs. 190 crores.

It gives us immense pride that Mr. Rajiv Mittal has been ranked amongst the top 3 global water leaders for a second year in a row by Water & Wastewater International (UK). The ranking for this year was focused on active leaders who were driving companies forward into the digital water age with a focus on innovation. This recognition is a true testimony to the leadership and technology focus at WABAG.

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

Concluding Para:

Thank you everyone for your participation in our Q3 FY18 earnings call. We have uploaded the analyst presentation in 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.