

Earning's call speech Q3 FY 21

Mr. Rajiv Mittal:

Thank you.....

Dear Friends, Good Afternoon.

Let me welcome you all to the Earnings Call post announcement of Q3 FY 21 results of VA Tech WABAG Limited. Joining me today for this earnings call is, Mr. Sandeep Agrawal, our Group CFO and Mr. Rajneesh Chopra, our Head of Global Business Development. We hope you all had a chance to go through the results update.

We had informed in our previous interactions that our H2 was expected to be strong. In line with the expectation, you can see that in Q3, our operations across geographies gained further momentum. Our construction and supply chain is nearing pre-COVID levels and we are confident that this will improve further through Q4 and going forward.

You must have seen our recent announcement relating to order wins worth about 100 Million Euros. We are extremely delighted that even during these challenging times, our clients globally continue to repose confidence in our capabilities and have given us repeat orders which are technologically demanding. Let me take a moment to reflect on these recent order wins.

WABAG Swiss bagged its biggest ever order of 26 Million Euros from the utility of Biel, towards design and build of Lake Water Treatment Plant replacing the existing facility, thereby ensuring water security to the city of Biel and Nidau. The plant will be built with state-of-the-art technology that purifies water using a multi-barrier treatment, including reverse osmosis.

In Tunisia, we secured an order worth 11 Million Euros from SONEDE, to design and build 30 MLD Water Treatment Plant at Kasseb Dam in consortium with a civil contractor. The project funded by KfW will be constructed using advanced Lamella clarifier technology.

In Libya, we signed a repeat contract worth 62 Million Euros with General Desalination Company of Libya to design and build 3 Thermal seawater desalination – Multi-Effect Distillation plants in the city of Bomba. This plant will provide drinking water capacity for more than 300,000 people in the region. The order is the largest thermal desalination plant order in the history of WABAG. This framework order will be activated on receiving of L/C from the customer.

I am happy to witness that the ONE WABAG mantra is working very well with global collaboration across our teams in different clusters helping us secure these orders from our strategic and core markets. You would already know that some of our biggest orders today like MARAFIQ, Doha, ZARAT, Jeddah are a reflection of this global collaboration.

It is indeed a proud moment for WABAG, as we bagged two prestigious awards at the Water Digest Water Awards 2019 - 20.

WABAG was bestowed with “BEST WATER TREATMENT PROJECT – INDUSTRIAL” for our Petronas ETP at Malaysia and

“EXCELLENCE AWARD FOR BEST CORPORATE SOCIAL RESPONSIBILITY IN WATER SECTOR”. We are delighted with the dual recognition, for our efforts with projects and CSR activities.

Coming to some key project updates...

In our Doha South Project, civil works are substantially completed and we are now in the installation phase. The Odour control system, Side stream filtration and Digesters are marching towards Mechanical completion and the plant will move into commissioning phase section by section starting from April 2021.

In our MARAFIQ, engineering is completed and delivery of process equipment have commenced at site. Construction activities are in full swing and first batch of hydro test of key water retaining units is complete. Commissioning is expected to commence from end of 2021.

In our Zarat project in Tunisia, Engineering activities is in final stage of completion. Procurement of key equipment is largely complete and civil works at the site are in peak progress.

In our Jeddah project, being executed using patented NEREDA technology, basic engineering is complete and detailed engineering is underway. Site excavation and procurement activities have commenced.

I also would like to highlight the performance metrics of the Core Business for the last nine months.

- EBITDA of the core business for the nine months stood at 9.5%
- Core PAT of the business for nine months stood at 4.7%
- Return on Capital Employed (RoCE) of the core business stood at 20.5%

Our “core” business, which is water technology, continues to perform and grow.

I would like to express my sincere thanks to our direct and indirect employees and all the stakeholders including our customers, suppliers, investors and bankers for their continued support especially during these pandemic times.

I now request Rajneesh to take you through the outlook for water sector in the backdrop of Union Budget 2021 and opportunities opening up for WABAG, followed by Sandeep for an update on the financial performance.

Over to you Rajneesh.....

Mr. Rajneesh Chopra:

Thank you Mr. Mittal....

A very good evening to you all present here.

Today's analyst call comes at a time when the market potential for Water Sector, specifically in our home country is extremely promising, post our Union Budget 2021-22. Let me share with you a few highlights of the same:

- The outlay for Dept. of Drinking Water and Sanitation in FY22 is INR 60,030 crore, a massive 352% increase in allocation
- For Jal Jeevan Mission, the outlay for 5-year plan stands at INR 2.87 lakh crore, while the allocation for FY22 stands at INR 50,000 Cr, an enormous increase of 434%
- The Ministry of Jal Shakti has said that 20% of the Water Demand under JJM would be met with recycled water
- Moreover, Dept. of Water Resources, River Development and Ganga Rejuvenation has been allocated a substantial outlay of INR 9,023 Cr in FY22

Post budget, the market for Water and Sanitation in India is extremely bright and WABAG is very well placed to capitalize on the substantial opportunity especially in JJM, where technology players like WABAG will have a crucial role to play in terms of resource augmentation as Nal Se Jal will lead to exponential demand for drinking water and will have to be supplemented by recycled water as well as with desalinated water given India's huge coastal line of over 7500 km. In both recycling and desalination, technology players like WABAG will play a critical role in ensuring water security.

Desalination is now emerging as an affordable and reliable source of water, with an active pipeline of projects of over 1000 MLD. We expect the desalination market to grow substantially in a double-digit figure in coming years both in municipal as well as industrial segment for captive use. Recycle and reuse policies have already been formulated by five states wherein they intend to recycle and reuse up to 70% of the treated water and given the technology expertise and proven track record of WABAG, we will emerge as a front runner.

National Mission for Clean Ganga has implemented river rejuvenation project very successfully and as substantial component of pollution abatement by treating the municipal wastewater as well as industrial effluents. WABAG as a leading technology player has been successful in securing multiple orders in effluent treatment as well as sewage treatment. Given the success of the model, Govt. is planning the same **to be replicated across 33 rivers under National River Conservation Directorate (NRCD) in India**, opening a huge market in terms of Wastewater Treatment and Management. We hope this to gain traction given the timelines various authorities have committed to National Green Tribunal (NGT).

Similarly, several countries in SEA like Indonesia, Singapore, Vietnam and Philippines have immense potential going forward, driven by govt. regulations and improved focus on Water and Sanitation. **In Vietnam, the National Assembly has agreed to the new draft wastewater regulations**, under which **new effluent discharge standards are mandated and all Industrial Parks are mandated to install centralized WWTPs**. For this, a long term spend of **\$8-10 billion is envisaged**, which makes it an extremely attractive market. Similarly, **in Philippines, an outlay of \$6.5 billion is mandated for Wastewater collection and treatment, under which 16 major WWTPs will come up by 2027** and existing plants will be **retrofit for Biological Nutrient Removal compliance**.

Going forward, we foresee that such markets, where technical expertise will be the key remain extremely attractive for WABAG.

Multilateral funding from major organizations such as World Bank, JICA, ADB and KFW will be another key growth driver going forward, which we foresee as a key focus segment for us in Developing Countries such as India, SEA and Africa. **In India and SEA alone, the multilateral funding has active projects to the tune of almost \$2 Bn, with a further funding of over \$500 Mn in the pipeline.** Complying to the world-class design and execution standards set by the Multilaterals. WABAG has executed several multilaterally funded projects in the past successfully and we look forward to executing many such projects going forward. Similarly, **Africa as well has emerged as a preferred destination** for multilateral and G2G funding, with projects amounting to **over \$1.5 Bn presently active.**

With regard to MEA cluster, **KSA remains a key focus** for us, which is the largest market for Desalination in the world, wherein **projects with cumulative capacity of 7,820 MLD** are under active consideration. The rest of GCC as well is a rapidly growing market, especially Egypt. **Egypt's water authorities have outlined a 30-year mega programme for Desalination**, under which a total Desalination capacity of **10,482 MLD is to be created and investment of \$15 Bn is envisaged.** As far as Africa is concerned, both Northern Africa and Sub-Saharan Africa have substantial pipeline of opportunities across Municipal Desalination, Industrial Desalination and Wastewater Treatment.

Compliance to UN Sustainable Development Goals (SDG), especially SDG-6 remains a top priority for developing and developed nations. The COVID pandemic has reiterated that Water and Sanitation is imperative to public health, which has only amplified the focus on SDG-6, which aims for clean water and sanitation for all by 2030, which will open up huge avenues of opportunities globally. Further, Water and Sanitation has a key role to play in compliance of **UNSDG 3, 9, 11, 13 and 14, the implementation of which will have tangible and intangible impacts going forward.**

Going forward, **Industrial Segment remains a major growth driver** and a key focus for us across all our clusters, wherein we foresee an **immense potential of \$2.4 Bn over the next 2 years.** In **India cluster**, several high-technology projects across **Oil & Gas, petrochemical, metal and mining** from major conglomerates such as RIL, IOCL, JSW, Petro Vietnam among many others are at various stages of tendering. Similarly, in **MEA cluster, Oil & Gas and Petrochemical** remains the key Industrial growth driver having several upcoming projects from Saudi ARAMCO, Qatar Gas, ADNOC etc. **Europe Cluster too has an attractive Industrial Market** with our several projects across our existing and new clientele such as Petrom OMV, Shell, Lukoil, NIPIGAS expected to take shape.

In conclusion, driven by Improved Focus on Water and Sanitation, especially post-COVID and government regulations for pollution abatement across various geographies globally, the Global Market for Water and Sanitation has immense potential in the coming years, where Technology players like WABAG will play a key role in developing, executing and operating major projects across the Globe.

I now hand over to Sandeep.

Mr. Sandeep Agrawal:

Thank you Rajneesh....

Good evening Friends,

Trust you had an opportunity to look at the result update presentation as circulated and uploaded on our website. Let me take you through the key financial highlights for the quarter and nine month ended December 31, 2020.

Our nine month consolidated revenue from operations stood at Rs. 1,835 Crore compared to Rs. 1,772 Crore, largely in line with previous year levels. On a standalone basis, the revenue from operations was Rs. 1,143 Crore as against Rs. 1,254 Crore last year.

The EPC projects which had slower progress in the last two quarters have now picked up pace and we expect the progress to further improve and return to normal levels of operations.

EBITDA for the nine month period stood at Rs. 142 Crore on consolidated basis and at Rs. 108 Crore on standalone basis.

Profit after Tax attributable to owners for the period stood at Rs. 64 Crore on consolidated basis and at Rs. 40 Crore on standalone basis.

For the Quarter, our consolidated revenues stood at Rs. 796 Crore, a 17% Year over year growth. Our EBITDA stood at Rs. 70 Crore and PAT at Rs. 42 Crore, with a 36% year over year growth.

Continuing the trend over the last few quarters, our net interest cost has reduced by 45% on consolidated basis on account of significant debt reduction.

As always, our commitment to focus on liquidity improvement remains prime.

- Group gross debt position, which stood at Rs. 520 crores as of March 2020, has reduced to Rs. 383 crores as of December 2020, a 26% reduction in 9 months.

Debt reduction has been prime agenda of the Management, to improve the liquidity levels of the group and our efforts are showing the expected results.

We continue to work closely with our bankers and are thankful for their continued support throughout the quarter.

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

Concluding Para:

Thank you everyone for your participation in our Q3 FY21 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.