

Earning's call speech Q1 FY 16

Mr. Rajiv Mittal:

Thank you

Dear Friends, Good Afternoon.

I welcome you all to the Earning's Call post announcement of Q1 FY16 results of VA Tech Wabag Limited. I am joined by our Executive Director Mr. Varadarajan and our Investor Relations Advisors, Stellar IR Advisors. Today, we also have along with us Mr. Erik Gothlin, who has taken over as the Head of Middle East and Africa Cluster. He is joining us from Oman today; Erik will take us through the highlights, recent developments and the future outlook in this region.

To begin with I am happy to inform you that we have inducted our CFO Mr. S Varadarajan, into our Board as a Director. Along with him we have also inducted Mr. Malay Mukherjee as an Independent Director. I am confident that the rich experience and expertise of both the new members of the Board will further strengthen our Board.

Now, let me take you through the developments during the quarter. I am very happy that we have begun the year well. We have won some good orders right at the beginning of the year from international geographies. The fresh order intake during the Quarter surpassed Rs. 1,000 crores which is in line with our full year order intake guidance. Our continuous focus on the Middle East and African markets has resulted in rich dividends. We have secured good orders in Bahrain,

Saudi, Nigeria and Egypt. Erik would cover more on these markets in his speech. It is pertinent to note that these Geographies would be supported by the manpower in India.

During the quarter we have also commenced the Realignment of our Organisation Structure forming four clusters, about which I spoke during our last interaction in Mumbai in May this year. While our MDU's continue to exist we have strengthened them with leadership and competency at the cluster level.

In India our SBU structure ceases to exist and now functions as one organisation. I may mention that out of the four clusters formed India Cluster will cover India, South East Asia and the neighboring countries; The Europe cluster will include Europe along with Turkey. Middle East and Africa is one cluster and LATAM will be another cluster.

We have also strengthened the group management with the objective of stronger control and support during our journey towards Euro 1 Billion.

The new structure will promote seamless collaboration between business units and clusters with the objective of making required technology & skill set available locally to the customer in each country at a competitive pricing. Also, with this realignment we are focusing more on the softer aspects of our core asset which is the human capital.

In our AGPGENCO projects, for one of the projects we have already completed the Boiler lightup and the synchronization of the plant will be done very soon maybe in the next 4 to 6 weeks. In the other project in Rayalaseema, we have started the Coal handling and Marshalling yard works. This project will be completed by the end of December 2016.

Coming to the update on our 191 MLD Desalination Project in Al Ghubra, Oman. I am delighted that our Plant has started producing water and now we are able to supply the City of Muscat with fresh drinking water. We will gradually increase the plant to its full capacity and will start the performance trial run in the next 4 to 6 weeks. It is important to note that this project has enabled us to become a top desalination player in the global arena and will be a great reference project for WABAG in the mega desalination projects that are expected to come up in the near future. As you are aware we had certain challenges in this project such as delay in getting the visas for the skilled technical persons, challenging site conditions due to which we are delayed in the completion of this project. On prudent and conservative measure in this quarter we have made additional provision of about Rs. 5 crores and there has been an increased cost due to extended stay at site of approximately Rs. 5 crores. This project we are executing as an integrated joint venture with Cadagua from Spain and Galfar from Oman and we have had a good learning that will make us ready for future.

We have been sharing with you about our vision to grow faster and profitably. We are present in faster growing emerging economies and our brand has gained significant acceptance in these markets. We are preparing our organization for future challenges in continuing with our target of achieving profitable growth.

With this I now hand over to Mr. Erik Gothlin to take you through the developments in the Middle East and Africa cluster.

Mr. Erik Gothlin

Thank you Mr. Mittal. A very good afternoon to all from Oman. The year has started with a bang for the Middle East and Africa Cluster. It is very heartening to say that we have won some big orders in this region, in Bahrain, Saudi, Nigeria and in Egypt. The brand Wabag is making deeper inroads and we see a very big opportunity in this region.

The MEA cluster was created to bring in more focus in this high growth market. Wabag is present in the MENA region for a pretty long time and have executed many prestigious and first of its kind projects in this region. Couple of years back following the success of Namibia, we entered Tanzania, with a big order funded by Exim bank of India. We see a good opportunity in this region and the orders which we have won recently is testament to this.

The STP order secured in Bahrain valued at around Rs. 580 crore is funded by the Abu Dhabi Fund for Economic Development (ADFD). WABAG JV will Design & Build the 40 MLD Al Madina Al Shamaliya Sewage Treatment Plant for the Ministry of Housing, Bahrain.

Al Madina Al Shamaliya (AMAS) is located on reclaimed land off the north coast of the Kingdom of Bahrain. The site comprises 13 islands that have been reclaimed to provide an area of around 750 hectare which will be connected to the mainland with bridges and culverts. AMAS will function as an entirely autonomous town with social and private housing, schools, offices, shops, university, and recreation facilities for a population of over 90,000.

The STP plant will be equipped with tertiary treatment and sludge treatment using aerobic digestion and thermal drying. Thus the purified water can be reused and will cater for the entire irrigation water requirements for all 13 islands. This is the first EPC order for WABAG in Bahrain. It is pertinent to note that WABAG is currently active in Bahrain through its subsidiary incorporated last year for doing the O&M business.

The new order in Saudi Arabia which is a repeat order, is for a value of around 12 Mn Euro's for the pre-treatment of a mega- brackish water desalination plant. WABAG Austria was awarded by DNGO Contracting Co. as general contractor with the design and supply of a new drinking water plant for the National Water Company (NWC). The site is situated in the middle of a desert, around 100 km away from the capital Riyadh – and the plant will be built right next to the Al Wasia RO plant (200,000 m³/d), which was completed by WABAG in 2009.

NWC has developed a new well-field in the desert and the 400,000 m³ salty ground water (brackish water) shall be treated to produce clean and safe drinking water.

The project will be executed in two phases. The current order includes Phase 1 which is of around Euro 12 Mn and the Phase 2 is currently in our Framework contracts at a value of around Euro 19 Mn.

WABAG India bagged a Raw Water Treatment Plant (RWTP) Industrial order in Nigeria for a value of over INR 220 Crores. WABAG will design and build this plant which forms part of a Greenfield Integrated Fertiliser and Refinery Complex for Dangote Fertilizer Limited. This proposed Raw Water Treatment Plant will have a

capacity of 60 MLD and will treat lagoon water using a combination of biological treatment and UF-RO based tertiary treatment. This new order in the continent of Africa reinforces WABAG's continued focus in this emerging market.

In Egypt, WABAG Austria won a wastewater treatment plant for the city of Port Said with a value of over EUR 9 million. Port Said, which owes its existence to the construction of the Suez Canal, is situated at the northern end of the waterway on the Mediterranean coast. As in many growing cities, Port Said's existing water and wastewater treatment capacity has become unable to keep pace with the high level of population growth and therefore investments are being made in the related infrastructure.

For this project WABAG co-operates with the local construction Company SAMCO. WABAG's responsibility is for the complete wastewater treatment plant technology, which includes planning, engineering and supply of the electro-mechanical equipment, installation, start-up supervision and 12 months of O&M in the guarantee phase.

The plant will have a capacity of 40 MLD and peak load capacity of 107 MLD, and is being designed to accommodate subsequent enlargement to 65 MLD. Half of the purified and disinfected water will be fed into Lake Manzala, while the remainder will be reused for landscaping and irrigation purposes.

This latest order is the second to be received from Port Said in quick succession. In April 2014, the Suez Canal Authority awarded WABAG a contract for the planning and completion of the El Raswa water treatment plant. Also WABAG is currently executing two other projects which consist of a drinking water

treatment plant in Suez and a highly modern wastewater treatment plant for the sustainable reuse of the cleaned water for the new Madinaty satellite town, which is currently being built near Cairo.

The winning of these orders in the region of Middle East and Africa reinforces our focus and action in this high growth opportunity region. I am optimistic that this is only the beginning of WABAG's growth in the region. With this I now hand over to Mr. Vardarajan 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.

Our Standalone Sales for the quarter stood at Rs. 254 crores as compared to Rs. 125 crores during the same period last year registering a growth of 103%. EBITDA for the quarter stood at Rs.29.5 crores as against Rs.11.5 crores during the corresponding prior period registering a growth of 156%.

On a consolidated basis, we achieved Sales of Rs. 456 crores in Q1 FY16 as compared to Rs. 398 crores in Q1 FY15 registering a growth of 14.5% over Q1 FY15. EBITDA for the quarter stood at Rs.12.3 crores as compared to Rs.20.5 crores in Q1FY15 in the previous year. Mr. Mittal mentioned about the increased cost and conservative provisions made in Al Ghubra project in Oman. During this quarter the Depreciation has shown an increase in India of Rs. 5.6 crores due to the change in methodology of depreciation from WDV to SLM apart from globally aligning life of assets in line with Companies Act 2013 during Previous Year.

The employee cost on consolidated basis has shown an increase because of site employee cost in Istanbul O&M project shown as part of employee cost. The execution of this O&M project was started in the second quarter of last year.

With this we now open the floor for question and answers.

Concluding Para:

Thank you everyone for your participation in our Q1 FY16 earnings call. We have uploaded the analyst presentation on our website. In case of further queries you may get in touch with Stellar IR Advisors, our investor relation advisor or feel free to get in touch with us directly.

Thank you very much for participation.