

Earning's call speech Q1 FY 18

Mr. Rajiv Mittal:

Thank you

Dear Friends, Good Afternoon.

I welcome you all to the Earning's Call post announcement of Q1 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 very happy that we have started the year by winning a major order from India. The INR 386 crore order in Bangalore is a DBO - Design, Build and Operate contract from the Bangalore Water Supply and Sewerage Board (BWSSB) for a 150 MLD Sewage Treatment Plant (STP) at K&C Valley. This is a repeat order for us in Bangalore where we have already executed two STP contracts. WABAG will design and build this plant to meet the recent stringent guidelines of Central Pollution Control Board (CPCB) and Renewable Energy Certificates (RECs) policy mechanism. The plant will be designed based on Activated Sludge Process with Biological Nutrient Removal System and Power Generation. Post construction of the STP, WABAG will also operate and maintain the plant for a period of 10 years. This plant will help to protect and improve upon the natural resources in the vicinity of Bellandur Lake in Bengaluru.

Coming to the opportunities, we continue to see a very strong outlook in the Middle East and Africa markets. We see a huge opportunity in the Kingdom of Saudi Arabia, where the government is in the middle of National Transformation Plan (NTP), by which, they are trying to attract private sector investments. This includes both Greenfield and Brownfield opportunities, in desalination, sewage treatment and the entire water and sewage networking including leakage reduction. This plan is expected to bring in more than US\$ 50 Billion as investment in the next 3-5 years into the country.

As part of our strategic realignment process, we have also increased focus on Middle East & Africa cluster thereby moving it from a spot market to a focus market in our business strategy. With good orders in the pipeline, we are now in the process of enhancing the management setup in this Cluster, which will continue to be supported by the India and Europe clusters, for the next couple of years and receive increased attention from the Group Management till the Cluster turns into a self-sustained one.

The market in India is picking up and the tendering activities in the Namami Gange programme has also kick-started. We expect this will pave way for the next set of projects, which are expected to be bigger and to be tendered soon.

In the South East Asian markets we see good traction and we are hopeful of winning some good orders in Countries like Sri Lanka, Philippines and Vietnam.

Our team in Latin America is developing the market and partnering with large players in the region. We have identified certain opportunities in countries like Argentina and Brazil. We will keep increasing our order pipeline in this market continuously to increase our presence going forward.

Coming to the Execution, in our Malaysian Petronas Rapid Project the Engineering at design center in Chennai is nearing completion. The internal checking of 90% engineering model has been completed and the review with the customer has been initiated. The key focus areas for next six – eight months will be dispatching of equipment's, bulk materials to site and expediting the civil works and installation. Full-fledged construction work at site is progressing with close to 1,000 labors working in the project site and 60% of RCC work is complete. Tankages and firefighting piping work at site is now in progress. Equipment erection, electrical & instrumentation works are planned to start next month.

In our APGENCO Project at Rayalaseema in the State of Andhra Pradesh, I am delighted to share with you that we have completed the synchronization of the plant, which is a key milestone in this 600 MW Balance of Plant project. We are on track to achieve the COD by end of December 2017.

The Tertiary treatment plant in Chennai is progressing at a brisk pace with detailed engineering completed and the piling work at site is also completed. In our Polgahwela project in Sri Lanka, the basic engineering is completed and we have commenced the procurement activities. Construction is expected to start from next quarter.

In the Al Madina Al Shamaliya Sewage Treatment Plant in Bahrain, civil works for all water retaining units are completed along with hydro-testing. Overall Civil works are close to 75% and the Long sea outfall is fully completed. Almost 85% of the supplies are completed and the electro mechanical installation works have commenced. The pre-commissioning activities are planned to start by end of October this year.

I would like to reiterate that we are on track in all the key projects and well on track to achieve our full year guidance.

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 take you through the key financial highlights for the quarter ended 30th June 2017.

Our standalone revenue from operations for the quarter grew by 36% and stood at Rs. 355 crores as compared to Rs. 260 crores in the previous period. EBITDA recorded a growth of 56% and was at Rs.37 crores in Q1 FY18. Net profit stood at 18.1 crores in Q1 FY18 as against 17.5 crores during the same period last year.

On a consolidated basis, we achieved Revenue of Rs.669 crores in Q1 FY'18 as compared to Rs. 580 crores in Q1 FY'17, registering a growth of 15%. EBITDA for the quarter rose to Rs. 42 crores recording a growth of 52% against Rs. 28 crores in Q1 FY'17 . Our Net profit grew by a stellar 61% and stood at Rs. 8.4 crores.

In line with our sustained focus on the working capital, we see the working capital level and receivables being broadly in line with our business levels and growth plans. Focused teams for collection of overdue receivables are in place and we are seeing initial signs of improvement and are confident that the situation will improve further in the forthcoming quarters.

As you would be aware, our 22nd Annual General Meeting for the year ended 31st March 2017 was held last month. At the AGM, Mr. Mittal made a detailed presentation on the current business and prospects for the future, in line with our best standards of communication to investors and all other stakeholders. Since

inception, WABAG as a policy has always been transparent in its communication and disclosures with the investor community. We have been and will continue to adopt the best practices in Corporate Governance and I am sure all of you will agree to the fact that as a Company we are one of the best in the segment in terms of open communication to all the stakeholders.

Coming to our realignment update, the integration of our Europe cluster is progressing well. As you would know, Mr. Mahmut Gedek has been heading the combined entity of Austria and Turkey. Mr. Erwin Moetz who heads the Romania entity, has taken over the additional responsibility of leading the subsidiaries focusing on the Industrial segment in this cluster. I'm sure Erwin and Mahmut will work together towards making the cluster competitive in line with our overall business strategy.

As mentioned by Mr. Mittal in his speech, the focus is now on developing the MEA cluster where we see tremendous opportunities for growth. With Mr. Pankaj Sachdeva, CEO for India Cluster leading the team, Group Management bandwidth will now be more focused on developing the MEA cluster with a long term view. MEA cluster meeting with a 2020 vision for the cluster was held recently and I'm sure you will soon see traction with new businesses coming in from the geography.

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

Concluding Para:

Thank you everyone for your participation in our Q1 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.