

Earning's call speech Q1 FY 20

Mr. Rajiv Mittal:

Thank you.....

Dear Friends, Good Afternoon.

I welcome you all to the Earning's Call post announcement of Q1 FY20 results of VA Tech WABAG Limited. Mr. Sandeep Agrawal our Group Chief Financial Officer joins me in this earnings call.

I would like to start the call by mentioning about our two large project wins in this quarter.

I'm highly pleased to inform to you all that WABAG secured a INR 1,477 Crore worth order from State Mission for Clean Ganga – Uttar Pradesh towards Operation, Maintenance and Management of the Sewage treatment and network infrastructure in the cities of Agra and Ghaziabad for a period of 10 years.

This is the first initiative across the country on the “One City – One Operator” model. WABAG will manage, operate and maintain 22 Sewage Treatment Plants, 22 Pumping Stations and underground network of over 3,000 kilometers with the objective of providing round the clock uninterrupted operations. WABAG shall also improve, rehabilitate and up-grade facilities related to systems, structures and equipment etc. associated with the Sewage Treatment Plants and underground collection systems.

Such projects help us with steady & predictable revenues and cash flows. This project will improve our backlog on O&M contracts and also help us move towards our target of 20% revenue contribution from O&M business.

I would like to recall that WABAG already carries the rich experience of managing over 120 sewage treatment and pumping units with a sewage load of 4,000 MLD and a population of 16 Million people in the city of Istanbul, Turkey. I'm confident that we will succeed in this new initiative in India and a model that can be replicated across the country.

Another breakthrough in this quarter, was WABAG securing the largest order under Namami Gange worth INR 1,187 Crore from Bihar Urban Infrastructure Development Corporation (BUIDCO) to develop Sewage Treatment Plants (STP) of 150 MLD capacity along with sewerage network of over 450 km in Digha and Kankarbagh zones of Patna, one of the most populous cities on the banks of River Ganga. This project comprises of a Design, Build and Operate (DBO) scope worth INR 940 Crore and Hybrid Annuity scope worth around INR 247 Crore. WABAG will also be responsible for the operations and maintenance of the STPs and the sewerage infrastructure for a period of 15 years. The project will be implemented by BUIDCO with financial assistance from the World Bank under the prestigious National Mission for Clean Ganga (NMCG) Scheme.

It has been a great start to the year from the perspective of order intake and we have already secured 50% of the order intake guidance for the year and our order backlog is also at an all-time high of over INR 11,700 Crore including framework contracts.

Moving over to the updates on project execution...

As of 30th June, 2019, the Net Receivables from GENCOs stood at INR 410 Cr and from Tecpro at about INR 69 Cr totaling to 479 Cr

Receivables from Tecpro of 69 Cr is being pursued by us legally through NCLAT. Out of 410 Cr from GENCOs, we are currently pursuing the receivables from TSGENCO of about 140 Cr, as part of the final settlement which we are expecting to be approved in the forthcoming Board meeting of TSGENCO followed by collection. We expect that the TSGENCO final project settlement will reduce GENCO receivables to below Rs 300 Crore in the next few months.

Receivables from APGENCO becomes due for payment progressively on achieving various contractual milestones. We expect that the PGTR of the project will be completed within this fiscal and post PGTR & hand-over, half of the retention will be payable. The balance retention will become due after 1 year of defects liability period.

In our Dangote project in Nigeria, Engineering is at final stages and equipment ordering is nearly completed. Client has issued dispatch clearances for key equipment and the dispatches have started. 97% of engineering approvals for construction have also been released. 65% of the physical progress is completed.

In our Polghawela project in Srilanka, the design phase is now complete and majority of the designs have been approved by client. The project is now in advanced construction stage. The transmission and distribution pipe laying is in full swing with multiple contractors at site. The treatment plant and intake structures are progressing well along with the 7 reservoirs. Manufacturing of major equipment is on schedule and major deliveries are expected to be completed by the end of Q3 FY 20. The project commissioning is expected to commence in third quarter of 2020.

The construction activities at Koyambedu TTRO Plant are on the verge of completion and pre-commissioning activities have started. Most of the key structures are ready and finishing works are underway. 95% of transmission pipe laying is completed. Commissioning has been kicked off and the Commissioning Team is under mobilization. 1st phase (pre-treatment) out of 5 phases is commissioned and 2nd (Chemical dosing area) and 3rd phase (UF Treatment) are under advance stage of commissioning.

Talking about our MEA Projects....

Marafiq Project in Saudi Arabia which is a shining example of Inter-cluster collaboration has picked up good pace. Purchase Orders for all Long Lead Items have been placed. 50% of Engineering has been completed & 30% Model Review is already over. Local Site Mobilizations have been accomplished and excavation of major structures have started.

In the other two key projects in MEA region, South Doha, Qatar and Zarat, Tunisia, engineering activity and local site mobilization is progressing well. The projects are now in early stages of equipment ordering and are expected to pick up pace through this year.

I now request Sandeep to take you through the financial highlights of the quarter. Over to you Sandeep.....

Mr. Sandeep Agrawal:

Thank you Mr. Mittal....

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 ended 30th June 2019.

Our revenue from operations for the quarter ended 30th June 2019 stood at Rs. 324 Crore on standalone basis and at Rs. 457 Crore on consolidated basis. The consolidated revenue is lower compared to previous year, as stated during our previous earnings calls, since our large key overseas projects like AMAS and RAPID have reached completion and the new orders are currently in the start-up phase. Revenues from new orders are expected to pick up pace through this fiscal.

EBITDA for the quarter stood Rs. 46 Crore on Standalone basis and Rs. 38 Crore on consolidated basis. Profit after Tax for the quarter stood Rs. 19.9 Crore on Standalone basis and Rs. 2.6 Crore on consolidated basis.

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

Concluding Para:

Thank you everyone for your participation in our Q1 FY20 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.