

Earning's call speech Q4 FY 16

Mr. Rajiv Mittal:

Thank you

Dear Friends,

Good Afternoon from Bucharest in Romania.

I Welcome you All to the earnings call post announcement of Q4FY16 results of VA Tech WABAG Limited. I am joined here today in the call by our CFO – Mr. Parthasarathy Gopalan and our Chief Growth Officer – Mr. Varadarajan; Varadarajan will take you through how the Realignment and other HR Initiatives will drive the organization to its next level of growth.

Let me start with the Key Highlights of the Year: We have achieved the highest ever order intake of over Rs.5,000 crores in last year FY '16. Our continued business development efforts and focused drive of our sales team helped us in winning high ticket orders at a time of subdued global environment and delayed decision making seen at various levels. Close to 70% of this order intake was contributed by four projects which came from Petronas for ETP in Malaysia; AMAS Sewage Treatment Plant in Bahrain; Koyambedu Tertiary Treatment Plant in Chennai, India and Polgahawela Water Treatment Plant in Sri Lanka. During the last couple of years, our proactive approach to focus on international markets sensing the slowdown at the home market has helped us to reap rich dividends.

Also, it is important to note that the share of Industrial Orders were also significant during the year with Petronas and Dangote being big ticket Industrial Orders in refinery and fertilizer space. The orders won during the year also have a significant higher portion of engineering and supply which is our core expertise and this should also reflect in a healthier margin profiles and also positive cash flow.

The Highlight of the Fourth Quarter was conversion of Polgahawela Water Treatment Plant in Sri Lanka from framework contract into a firm order intake following the signature of the loan agreement between the water board of Sri Lanka and Exim Bank of India. The order is worth US\$108 million and is the second order secured from Sri Lanka by the company through buyer's credit. The first one being executed by us is the Dambulla order which is in the advanced stages of completion. The scope includes design, construction, testing and commissioning of Integrated Water Supply Scheme for Polgahawela and adjoining areas which is close to Colombo.

The other significant order intake clocked by the company in the fourth quarter is the 45 MLD Tertiary Treatment Plant order from Chennai Metro Water India. The order also includes operation and maintenance of the plant for a period of 15-years. This will be one of the biggest reuse plant in the country. This project is a decisive step in the direction of domestic wastewater recycle thus creating alternate source of water wherein treated water from the existing Koyambedu Sewage Treatment Plant will be recycled and conveyed to various industries in the outskirts of Chennai. The project will adopt a state-of-the-art Ultra Filtration and

Reverse Osmosis Technology to treat the Secondary, Domestic Wastewater to provide consistent quality of water to various industries.

Coming to the Execution Front: We are progressing well on all the key projects in our order backlog; in the Malaysian Petronas Rapid Project, the Refeed Engineering approval has been obtained and the procurement and construction activities have already started for this project.

In the Al Madina Al Shamaliya Sewage Treatment Plant Order in Bahrain, which was bagged during the second quarter of last financial year, the Basic Engineering has been approved by the client and in this project the civil work have started and the ordering of key equipments is also in advance stage.

In the Raw Water Treatment Plant Order from Dangote Fertilizer in Nigeria is at final stages of Engineering and major portion of dispatches will be done in the current quarter.

In the APGENCO Project in Rayalaseema, we have completed the Boiler Hydro Testing and are in the process of erecting the Turbine Generator. In the current quarter we will complete the fuel oil handling system and start the erection of conveyor galleries. We are on track towards completion of this project in the current financial year.

Coming to an Update on our Al Ghubrah Desalination Plant in Muscat, Oman, I am very happy to state that the plant has been handed over to the client post successful completion of 30-day reliability run. You may be heartened to know that the 30-day trial run was continuous and there was not even a single stoppage or interruption which showcases our technology and construction superiority as a

leading player in Desalination space. We have started the process of arbitration on the liquidity damages with the customer and we expect to conclude our discussion over the next couple of quarters. We hope to share the outcome of the arbitration with you in the next quarter concall.

Continuing our learning from this experience, you may have noted that in all the major orders bagged by us during the last year, we are independently executing the projects or we would be the leader in the entity so that we will have full management control on the execution.

Continuing with our trend of creating wealth and sharing this wealth with our stakeholders, I am happy to share that board has recommended a dividend of Rs.4/share which is 200% on paid up equity capital of the company.

We see a very good order pipeline across different geographies, especially in India, Nepal, Bangladesh, Sri Lanka and also in some parts of Europe, LATAM and Middle East. During the last year, we have bagged significant portion of our orders from overseas geography which are being serviced out of India and all these projects carry a good healthy margin and as mentioned before we are on track of executing these projects on time.

Coming to the Financial Year 2016-17, we have begun well on the order intake front; we have already secured orders worth Rs.500 crores; they are Wastewater Treatment Plant in Nepal, Industrial Desalination Plant from Reliance Industries for their Jamnagar Operations and Industrial Water Treatment Plant for WABAG Czech.

On the Guidance Front for the financial year 2016-17, we expect order intake in the range of Rs.4,000-4,200 crores and expect to clock a revenue in the range of Rs.3,000-3,200 crores during the year.

With this, I now hand over to Mr. Varadarajan for his Insight into the Human Capital Aspects of WABAG.

Mr. S Varadarajan

Good Afternoon, Friends. I have been fortunate to assume the role of Chief Growth Officer of WABAG and also lead the People Development Initiatives in one of the most exciting phases of WABAG's journey.

In July 2015, we embarked on three major Initiatives simultaneously which is Realignment of WABAG India by combining four strategic business units into one organization, Realignment of the WABAG Group into four clusters and reorienting the culture of WABAG as a means to creating a high performance organization. Our Realignment initiative was aimed at enhancing the competitiveness of the organization through collaboration and competency. Now, we started the whole exercise in 2015-16 and we would be continuing to work on this initiative in 2016-17 also. The Realignment Exercise so far has been progressing satisfactorily, we named it as "One WABAG" as the key underlying theme is Collaboration and Competitiveness.

Within a few months of implementing Realignment, we did a base lining of the employee engagement levers in India and the results of that survey helped us in formulating several policies. Many new initiatives have been launched across WABAG Group including cross-functional collaboration forums within the cluster and across clusters with the objective of deriving benefit of synergies faster qualitative decision making, knowledge management and nurturing leadership.

Employee capability building is one of our key focus areas to improve upon our competitiveness to build our internal capacities and release of management bandwidth for strategic purposes. With overall execution excellence in mind, we have launched continuous technical training programs for our site workforce.

Executive coaching support to identify high potential employees, greater focus on training on project execution, training and exposure to cross-cultural practices are other initiatives that are continuing to strengthen the company's international execution capability.

Retention and Development of employees remains one of our top most priorities, new and best in its class practices have been identified in the areas of high potential talent identification and development with the intention of providing faster career growth to high performing and high potential employees across WABAG globally.

We continued with our campus and lateral recruitment during the year with renewed vigor to meet our growth needs. Improved exposure to international projects with a large number of employees across the world participating in or managing the international projects has helped develop global managers at WABAG. Exchange of technical personnel from one cluster to another has also begun and is being actively encouraged. The HR function has been strengthened across. We today have a global head of HR supported by cluster head of HR in India and Europe clusters. With that new initiatives are being launched across clusters to bring about improved synergy across clusters.

In 2016-17 and beyond our focus and emphasis would be on following four areas for HR: Common Performance Management Process across WABAG Group, Global Talent Architecture and through it identify and develop a global talent pool, Leadership Development and Succession Planning, Strengthening the Project Execution Management.

With this I hand over to our CFO – Mr. Parthasarathy for his insights on the Financials of the Company.

Mr. Parthasarathy Gopalan:

Good afternoon everyone.

The year FY'16 is a good year for us in a tough macro operating environment. Since joining WABAG in September 2015, I have been witnessing good control mechanisms that the company has established over the years. The level of transparency is also something that you seldom see in this industry. As Mr. Mittal mentioned in his speech, we have a very healthy order book which gives us good visibility over the next two years and a strong balance sheet which we effectively use in times of tight liquidity in the market.

We do have certain challenges in the working capital front due to the tough market conditions. But we have put in place a strong core team headed by our chief operating officer to control the receivables and project closures. I am pleased to mention to you that in India we took 27 projects to closure during this financial year, collected Rs.88 crores from these projects and collected Rs.300 crores of guarantees back from these customers during this financial year. Our overseas projects won during the last year have been structured in such a way that we have good upfront cash flow in these projects which would help us in managing our working capital.

Now, I would like to take you through the Financial Highlights for the Quarter and Financial Year ended 31st March 2016. I believe you must have had an opportunity to look at the 'Results Update Presentation' as circulated and updated on our website. On a consolidated basis, we achieved sales of Rs.2,542 crores in FY'16 as compared to Rs.2,428 crores in FY'15, registering a growth of 5% over the previous year. Net profit for the year stood at Rs.92 crores as

compared to Rs.110 crores in FY'15. Delay in obtaining Engineering approvals from the client for the European cluster during the last quarter contributed to the lower than expected sales in the fourth quarter. Also, 7% depreciation what we have seen in rupee-euro, further accentuated the sales drop for the full year. Our standalone sales for the year stood at Rs.1,503 crores as compared to Rs.1,220 crores last year, registering a growth of 23%. EBITDA recorded a growth of 27% in FY'16 and was at Rs.195 crores as against Rs.154 crores in FY'15. Net profit stood at Rs.117 crores as against Rs.90 crores during last year, recording a growth of 30%. Execution of good margin project mix in the international units by a standalone team helped to increase the operating margin by an impressive 40 basis points in the standalone numbers. Net working capital in terms of number of days was at 96-days. As the proportion of business from India has gone up, this has resulted in increase in net working capital of the group.

Coming to the Cash Position: Our gross cash as at 31st of March 2016 stood at Rs.399 crores as compared to Rs.422 crores in last March. Short-term borrowings were at Rs.327 crores as on 31st of March 2016.

With this, we now open the floor for Questions-and-Answers.

Concluding Para:

Thank you everyone for your participation in our Q4 FY16 earnings call. We have uploaded the analyst presentation on 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.

Thank you very much for participation.