

Earning's call speech Q4 FY 20

Mr. Rajiv Mittal:

Thank you.....

Dear Friends, Good Afternoon.

First of all, in these trying times of COVID -19, I wish you all the best of health and let us all hope that we get through this pandemic and emerge more resilient globally and much more environmentally responsible. This is going to be the new normal for the times to come and we need to be cognizant of the changes we need to make in our day to day lives to be stronger and healthier.

Let me welcome you all to the Earning's Call post announcement of FY20 results of VA Tech WABAG Limited. Mr. Sandeep Agrawal our Group Chief Financial Officer joins me in this earnings call today. We hope you had a chance to go through our results presentation uploaded over the weekend.

The COVID 19 pandemic, which set in during the latter part of 2019 and spread across the globe rapidly in 2020, has thrown the whole world off guard and made countries and their governments move into war mode to contain the spread. In these difficult times, it gives us immense pride to have had the opportunity to contribute in these efforts by ensuring our Operation and Maintenance sites continued to operate across the globe ensuring no disruptions to normal life.

I would like to thank our direct and indirect staff who have been a pillar of strength during these times in balancing personal safety and organizational commitments. They have always been our biggest asset and once again have demonstrated their motivation and commitment to the organization. And we sincerely express our thanks and appreciation to each and every such COVID warrior.

Also, my sincere thanks to all the stakeholders including our customers, suppliers and bankers who have supported us through this year and I would expect that this support continues through our growth journey.

During this period, activities at some of our EPC sites continued to operate as per the local directives. Over the last few months, activities have started to resume across all our EPC sites in a progressive manner.

Our order intake for the year was about Rs. 4,350 Crore comprising of breakthrough orders such as One City One Operator O&M in Agra and Ghaziabad, the Hybrid Annuity Model project in Digha and Kankarbagh under Namami Gange scheme, the WTP and networking in Bhagalpur, Drinking Water Treatment Plants at Saint Sulpice, Switzerland and also in Coimbatore, India and the Water Treatment Plant for Thai Oil Refinery. After the successful completion of the Al Madina Al Shamalia project in Bahrain, we are now Operating and Maintaining the plant for a period of 5 years.

As you may note, today we have our biggest ever order book with a healthy mix of multi-lateral funded projects from marquee customers with innovative solutions. It is also heartening to note that our O&M backlog comprises 30% of our total order backlog today. This is a significant step towards achieving our target of 25% O&M revenues to the overall revenues in the near future.

On GENCO projects, the legal proceedings both at Supreme Court and NCLT have been deferred due to the COVID lockdown situation. Hence status quo remains. We are confident of a positive outcome on both cases and we will keep all of you updated of the developments.

Our large new projects have started to pick up further pace and are expected to progress further in the coming quarters. Our Order book position continues to remain strong at Rs. 11,000 crores plus, which is about 3x of annual revenues, which gives us confidence and visibility about the future. This in the current situation is such a boon, that the company is in a position to focus on new orders only if they provide us good margins, cashflows and payment terms.

During our earlier communication, we have always committed our focus on execution, cash flows and debt reduction. As you can see, in the current year our operational margins have improved by 200 bps mainly due to traction in execution of the new projects and also control of total cost of operations. We have also turnaround and generated Rs. 245 Crore of positive operational cash primarily as a result of our continuous focus on cash management and working capital. This has also resulted in reduction of our net debt by Rs. 250 Crore, which is almost 60% reduction YoY.

In summary, this year has been a year of breakthrough orders, strong order book position, back on positive cash flows path & improved operational efficiency. We are committed to keep this momentum going to meet the expectation of all our stakeholders.

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

Mr. Sandeep Agrawal:

Thank you Mr. Mittal....

Good evening Friends,

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

Our revenue from operations for the year stood at Rs. 2,557 Crore on consolidated basis and at Rs. 1,746 Crore on standalone basis. Our previous year revenues were Rs. 2,781 Crore and Rs. 1,748 Crore respectively.

EBITDA for the year stood at Rs. 246 Crore on consolidated basis, a year over year improvement from 7% to 9.6% and at Rs. 176 Crore on standalone basis, a year over year improvement from 9.8% to 10.1%.

We are happy to inform that we have concluded the divestment of our majority stake in Ujams BOOT SPV in Namibia, in line with our strategy of remaining asset light. We now own a minority stake of 8.4% in this SPV to continue our presence in Namibia. The reported other income at consolidated level includes Rs. 19 Crore of gain from this transaction.

Profit after Tax attributable to owners for the year stood at Rs. 91 Crore on consolidated basis and at Rs. 58.8 Crore on standalone basis. Our previous year PAT were Rs. 105 Crore and Rs. 102.4 Crore respectively.

During the year, based on government regulation in India, the company had the option to adopt a reduced tax rate of 25% as against the erstwhile higher tax rate. The company adopted the reduced rate of 25% and a one-time impact of this change on deferred tax assets and consequent change of tax positions, was absorbed in the tax expense of this quarter.

Our Net Working Capital has reduced by around Rs. 100 Crore Year-over-Year, a reduction of 10% on the Working capital base. This is in line with our constant efforts and actions to improve the working capital position.

Also, our Net Debt position at Group level as of 31st March 2020 stood at Rs. 182 Crore as against Rs. 433 Crore as on 31st March 2019, a reduction of almost 60%. Gross debt has reduced from Rs. 613 Crore to Rs. 519, a reduction of 15%. We continue our focus on debt reduction and improving cash position to return back to a debt free status at the earliest.

We have made significant headway in liquidity management during the year by continued focus on generating positive cash flow. We have generated operating cash of Rs. 245 Crore at Group level and Rs. 132 Crore at Standalone level during the year. This is a direct result of our continued focus on collections, working capital, project progress and cash management, in this tough economic scenario.

You must have also noticed that we have not given any guidance for FY 21. Considering the uncertainty prevailing across the world, the focus of governments on fighting the pandemic and the consequential economic difficulties, we have decided to adopt a “wait and watch” approach and will give an update when there is reasonable visibility. Going forward, we expect hygiene and sanitation to be of more focus and be the one of the first few sectors to revive in the forthcoming quarters. We are monitoring the evolving situation and we will update as the year progresses.

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

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

Concluding Para:

Thank you everyone for your participation in our Q4 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.