

Earning's call speech Q4 FY 21

Mr. Rajiv Mittal:

Thank you.....

Dear Friends, Good Evening.

Let me first welcome you all to the Earnings Call post announcement of Q4 FY 21 results of VA Tech WABAG Limited. Joining me today for this earnings call is, Mr. Sandeep Agrawal, our Group CFO. We hope you all had a chance to go through the results update.

The world, especially India is going through a tough phase on account of the second wave of the COVID -19 pandemic, which has taken toll on lives and livelihood. I wish you all the best of health and let us all hope that we get through the second wave of the pandemic and emerge more resilient globally and much more environmentally responsible. At WABAG, we have taken all the necessary health and safety measures at our sites as well as offices, to ensure good health and wellbeing of our employees and labor.

Our endeavor at WABAG, has always been to be amongst the top 3 global water solution providers. I am extremely happy to note that WABAG is now amongst the Top 4 private water operators across the globe, ensuring safe & clean drinking water as well as sanitation. This is indeed a proud moment for all us at WABAG and all our stakeholders.

At WABAG, Health and Safety is of paramount importance and is an integral part of our culture. As a recent testimony to this, WABAG secured 4 prestigious awards among a tough competition from 220 entries at the Environment Health Safety (EHS) Excellence Awards organized by CII South zone.

Moving on to our performance for the year, we witnessed improvement in economic activities and progress in Q3 and this further improved across the globe, as we progressed into Q4 as well. Our construction and supply chain reached near pre-COVID levels in Q4.

In the fourth quarter, our capital projects team led by Mr. Varadarajan achieved the financial closure of the two HAM projects in our orderbook.

In the KMDA HAM project we have partnered with IFC Washington and Tata Cleantech for the project debt funding and Eversource Capital will be our equity partner. The financial closure was completed in February 2021. Design, engineering and ordering activities are nearing completion. Construction work at site has already started.

In the Digha Kankarbagh HAM project in Bihar, we secured the project debt funding from PTC India Financial Services and achieved the financial closure in March 2021. As you know, in the Digha Kankarbagh project we are already progressing on the DBO portion of the contract and with the financial closure, the design, engineering and ordering works on the HAM portion is in advanced stages. Construction works is expected to start soon.

I would like to take this opportunity to congratulate the team for this wonderful achievement and wish to see many more such successes going forward.

Coming to some key project updates...

Our Doha South project in Qatar is being executed for Public Works Authority (ASHGAL) towards rehabilitation of South Doha Sewerage Treatment facility using advanced technologies to treat additional sewage, which will be generated from the football stadium constructed for the FIFA world cup 2022. This project includes rehabilitation of the existing plant, which simultaneously remains in operation during the project phase. Detailed engineering is complete, all long lead items have been ordered and delivered at site. Civil works for new unit digesters, side stream filtration unit, and bulk chemical storage is complete and we expect to complete the project by this year end.

Our MARAFIQ project in the Kingdom of Saudi Arabia to design and build a large-scale sewage treatment plant with a capacity of 120 MLD, for Jubail Industrial City is progressing well. We have completed engineering and ordering activities, with most of the items already delivered at site and balance in advance stage of manufacturing. Site civil works have progressed well with utmost focus on HSE where the project has achieved a major milestone of 4 Million safe man-hours.

In our Zarat, Sea Water Reverse Osmosis plant of 50 MLD capacity, expandable to 100 MLD being executed for Sonede in Tunisia, the project has progressed well with engineering and ordering nearing completion. Civil works at site are at peak progress, equipment deliveries and installation has commenced. Delivery of Intake and outfall pipes at site has been completed.

At our 300 MLD Independent Sewage Treatment Plant at New Jeddah Airport in Kingdom Of Saudi Arabia, which is being built with the state-of-the-art NEREDA technology for the first time in the region, the project is progressing well amid global pandemic climate. We have achieved approval of basic engineering package. Detailed engineering and procurement activities are moving in full swing. Construction activities from customer's side is also progressing well.

In our 30MLD Sea Water Desalination Plant being executed for Mangalore Refinery and Petrochemicals Limited, Engineering and procurement activities are complete. Equipments have been delivered at site and the civil works are in the final completion stages. Sea water intake structure and cross country pipeline works are fully complete. We expect to commission the project within H1 FY 22.

In our Effluent Treatment Plant being executed for Purolite in Romania, which includes 15 years of Operation & Maintenance, engineering and procurement activities are complete and the project is currently under commissioning phase. We expect to complete commission of the project within next quarter, which will be 3 months ahead of schedule. Thereafter, WABAG will run the Operation & Maintenance of the plant starting H2 FY 22.

Moving on to key financial highlights for the year...

I am delighted to inform that, with our continued focus on cash management and debt reduction we have returned to Net Cash position of Rs. 44 Crore this year and once again generated free cash of Rs. 96 Crore and operational cash of Rs. 135 Crore.

Our gross debt has reduced over last two years from Rs. 613 Crore in March 19 to Rs. 520 Crore in March 20 and to Rs. 350 Crore in March 21. We are proud of the team for this significant achievement.

I also would like to highlight the performance metrics of the Core Business for FY 21.

- EBITDA of the core business for the year stood at 9.6% against a reported EBITDA of 7.7%
- Core PAT of the business for the year stood at 5.3% against a reported PAT of 3.9%
- Return on Capital Employed (RoCE) of the core business stood at 21.4%
- Core Net Working Capital Days stood at 58 days for the year

Our “core” business, which is water technology business, remains intact and continues to grow profitably.

With a high quality order book of close to 10,000 Crore and also an excellent order pipeline visibility, we are confident of another good years’ performance to generate value for our stakeholders in our growth story.

I would like to express my sincere thanks to our direct and indirect employees and all the stakeholders including our customers, suppliers, investors and bankers for their continued support especially during these pandemic times.

I would now request Sandeep to take you through the financial highlights for the year.

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 take you through the key financial highlights for the quarter and year ended 31st March 2021.

Our consolidated revenue from operations stood at Rs. 2,835 Crore, up by 11% as compared to previous year. On a standalone basis, the revenue from operations was Rs. 1,843 Crore, up by 6% as compared to previous year.

Revenue from EPC projects grew by 10% and O&M projects by 17% year over year.

EBITDA for the year stood at Rs. 219 Crore on consolidated basis and at Rs. 170 Crore on standalone basis. Our EBITDA margins excluding forex gain / loss and divestment gain we had last year, has largely remained intact on YoY basis.

Profit after Tax attributable to owners for the period stood at Rs. 110 Crore on consolidated basis, up by 21% and at Rs. 73 Crore on standalone basis, up by 24% from previous year representing Profitable Growth.

For the Quarter, our consolidated revenues was Rs. 1,000 Crore, a 27% Year over year growth and standalone revenue was Rs. 700 Crore, a 42% year over year growth.

As it has been our endeavor, we returned to Net Cash position of Rs. 44 Crore in FY 21. Our gross debt has reduced by 33% from March 20 and our net interest cost by 48% on consolidated basis, on account of significant debt reduction. Our Net Working Capital stood at 97 days.

Debt reduction has been prime agenda of the Management, to improve the liquidity levels of the group and our efforts are showing the expected results.

Continuing our focus on cash management, we continued to generate free cash and operational cash for second consecutive year.

During FY 21, we generated Free Cash of Rs. 96 Crore on Consolidated and Rs. 69 Crore on Standalone basis and positive operational cash flow of Rs. 136 Crore on Consolidated and Rs. 105 Crore on Standalone basis.

We thank our bankers, vendors, investors and all other stakeholders for the continued support extended to us during the year and going forward.

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

Concluding Para:

Thank you everyone for your participation in our Q4 FY21 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.