

## **Earning's call speech Q2 FY 16**

**Mr. Rajiv Mittal:**

Thank you .....

Dear Friends, Good Afternoon.

I welcome you all to the Earning's Call post announcement of Q2 FY16 results of VA Tech Wabag Limited. Along with me is Mr. Varadarajan, my colleague on the Board.

To begin with on the operations in the first half, I am very happy to inform you that we have bagged the biggest ever order for the WABAG Group with the Petronas RAPID for construction of Effluent Treatment Plant. Over the last 18 years, Wabag in India has built plants for Industries of varied advanced technologies and we are now focusing in the overseas market to leverage our capabilities so created. It gives me immense satisfaction in this regard because of the larger size of the order that we have won in Malaysia and more so for an advanced technology against reputed large international competition. This also signifies good brand recognition for Wabag in the international market. The contract value of this order is around Rs. 1,500 crores. We have won this contract together with our local JV Partner Muhibbah Engineering (M) Bhd. This RAPID ETP is one of the Largest Industrial Wastewater related Environmental facility going to be built in Entire South East Asia. Winning of this prestigious order goes to prove our technological superiority and execution capabilities in providing world class solutions for large and complex industrial water projects both at home

and abroad. Also, with this order we now have a major presence in South East Asia. We are progressing fast with this job and have already incorporated a new subsidiary in Malaysia, WABAG Muhibbha JV SDN BHD, to execute this prestigious order.

We now have a healthy order backlog of over Rs.7,000 crores providing a visibility of over 3 years.

Regarding APGENCO Projects, I am delighted to share that we have successfully synchronized the 600 MW power plant at Kakatiya and would achieve the COD, Commercial Operation in the current quarter. As you are aware, WABAG took the lead in this BOP Project midway and it's a matter of satisfaction for us that the focused hard work of our team has paid off by reaching this milestone. In the other project in Rayalaseema, we are continuing to be on track to complete the project by the end of December 2016.

Now coming to the update on our 191 MLD Desalination Project in Al Ghubra, Oman, I am happy to share that we have achieved 100% capacity in this plant. We will commence the reliability trial run very soon. On account of increased stay at site, there had been additional expenses to the tune of around Rs. 5 Crores during the quarter.

Now I would like to touch upon the Organization Realignment which we have been communicating to you over the last two quarters. It is needless for us to mention that the biggest asset of the Company is its Human Capital. Our efforts in regard to realignment of the organization is aimed at gearing up its human capital towards Company's vision of becoming 1 Bn Euro company. Our Board decided that a senior most member of the WABAG family who understands the inherent WABAG culture, the significance of brand WABAG and one who has been

part of the WABAG growth story be accorded this responsibility for the Group. I am pleased to inform you that Mr. S. Varadarajan, member of the Board, part of promoter group and a home grown talent has assumed charge as Director and Chief Growth Officer.

I am also pleased to inform you that Board has appointed Mr. Parthasarathy Gopalan as the CFO at the recent Board Meeting held on 7th November. Partha would take over the Group leadership function for Finance from Varadarajan. Partha has over 23 years of rich professional experience across three diverse organizations. He was the CFO of Ford India, having worked with Ford Motor Co for over 13 years in India and abroad. Immediately before joining Wabag, he was the Chief Operating officer of the Indian operations of CRH plc, a leading international player in building materials business.

As part of the organizational realignment, we have further strengthened the Group Management such that Finance, HR and Business Development functions will have oversight on group functioning. While Varadarajan and Partha will take care of the Group function for HR and Finance, Mr. Rajneesh Chopra, who was our earlier O&M SBU Head will now take care of the Group function as Global Head of Business Development. In the Group HR, we have also inducted Mr. Ravi Shankar to support Mr. Varadarajan. Ravi Shankar has over 34 years of experience across large organizations in HR.

As mentioned by us in the Analyst meeting in Mumbai in May this year, we have classified the Group into four Clusters namely India Cluster, Europe Cluster, MEA Cluster and Latam Cluster. In the India cluster, Mr. Patrick Andrade, has taken over as the Chief Operating Officer and Mr. Shiv Shukla has joined us as Head of Sales & Marketing function. Patrick was earlier leading the Industrial Water

Business out of Pune as Business Head and Mr. Shukla has over 28 years of experience and has joined us from competition.

At the international side as we already mentioned in the previous call Mr. Bernard Birou heads the European Cluster and Mr. Erik Gothlin heads the MEA & LATAM Clusters.

As you can see we are focusing more on strengthening the Management bandwidth and prepare the organization in scaling up to our Vision of 1 Bn Euro. With this I now hand over to Mr. Varadarajan to take you through the financial performance for the quarter.

**Mr. S Varadarajan:**

Good afternoon everyone.

I believe you must have had an opportunity to have a look at the result update presentation as circulated and uploaded on our website. I would now take you through the financial highlights for the quarter.

On a consolidated basis, we achieved Sales of Rs. 1057 crores in H1 FY16 as compared to Rs. 904 crores in H1 FY15 registering a growth of 17% over H1 FY15. Net Profit for the half year stood at Rs. 4.75 Crores as compared to Rs. 26 crores in H1 FY15.

Our Standalone Sales for the half year stood at Rs. 578 crores as compared to Rs. 359 crores during the same period last year. Net Profit for the half year stood at Rs. 40.54 crores as against Rs. 20.81 crores during the corresponding prior period. On a quarterly basis the Standalone EBITDA and Net Profit has recorded a growth of 60% and 105% respectively.

In terms of order intake as Mr. Mittal said in his speech we have bagged our biggest ever order for the Group from Malaysia. Also, last quarter we bagged a big order in Bahrain. Winning of these orders is testimonial to our continuous focus on increasing our Ticket size and this will aid us in our vision of becoming a Billion Euro Company.

We have been working hard in the collections front to reduce the working capital. But, as you can see, with remarkable growth in the topline in India, our working

capital requirement has also increased. Our net cash position in the balance sheet helped us achieve this kind of growth in revenue despite the very tight liquidity conditions in the present market faced by our supply chain and sub contractors. Our net working capital on consolidated basis excluding cash stood at 59 days of sales. We have set up a separate team to focus on Project closure as part of realignment of orgn. and we achieved commercial closure of five projects during H1 wherein we collected the retention money and the Bank Guarantees. Our collections for H1 in India also saw a growth of 22% over previous year.

It has been a very satisfying and learning experience for me during my journey with Wabag as CFO of the WABAG Group all these years. It has been a great privilege for me that our Board has chosen me to lead the HR function for the Group and align the organization with its renewed vision. I deem it a bigger opportunity for me to nurture and grow our most valuable asset namely the Human Capital, and gear up the organization to scale up new heights. Wabag is not only aiming to join the Billion Euro club but also prepares itself to become one of the top few companies in global water engineering market.

Going forward, Parthasarathy will be interacting more with you along with our Investor Relations team and I will also be available during this transition period. I am sure you would continue to provide great support to Mr. Parthasarathy which I have received all along from all of you. With this I would like to hand over the line to Partha to speak a few words. Over to you Partha....

**Partha Gopalan:**

Good afternoon to all. I feel honored that the Board of VA TECH WABAG LTD., has entrusted this huge opportunity to me to serve as the Group CFO. With my diverse experience in Finance and business management, I am delighted to take up this role with Wabag, an organization which has a great future, serving the globe in the field of water. I shall rise up to the challenges of the Group and meet the expectations of all the stakeholders. Looking forward to interacting with you all more often in the coming quarters. Thank you!

We now open the floor for Question and Answers

**Concluding Para:**

Thank you everyone for your participation in our Q2 FY16 earnings call. We have uploaded the analyst presentation on our website. In case of further queries you may get in touch with Stellar IR Advisors, our investor relation advisor or feel free to get in touch with us directly.

Thank you very much for participation.