

Draft Earning's call speech Q2 FY 18

Mr. Rajiv Mittal:

Thank you.....

Dear Friends, Good Afternoon.

I welcome you all to the Earning's Call post announcement of Q2 FY18 results of VA Tech Wabag Limited. I am joined today in the call, by our CFO Mr. Parthasarathy Gopalan.

To begin with, I am happy that WABAG Philippines has won a contract for a value of US\$ 60 Mn along with a JV partner for a 900 MLD water treatment plant retrofit. The portion of the contract value for WABAG would be around US\$ 25 Mn. The scope of the order includes rehabilitation of electro mechanical works, retrofitting of civil structures and the design to handle 2000 NTU raw water turbidity.

WABAG India has now bagged a breakthrough order for a 150 MLD Water Treatment Plant for a value of USD 13 Mn in Vietnam. This significant project aims to meet potable water need for about 3 million people in 8 districts of Hanoi and the neighboring areas. This is another high profile investment of Vietnam – Oman Investment (VOI) in its distinguished water portfolio in Vietnam.

I am also happy to inform that, WABAG Austria has converted part of the Al Saad BWRO, Saudi Arabia framework contract into an order intake during the quarter. This order intake of EUR 10 Mn is for Phase 3 of the project towards design and supply of a new drinking water treatment plant employing RO technology. The Company is already executing Phase 1 & 2 of this project, towards pre-treatment plant for a capacity of 400 MLD.

Coming to Execution, in our Malaysian Petronas Rapid Project the Engineering is in completion phase in our Chennai office. Majority of Equipment and bulk materials are either in high seas under shipment or have already reached the site. Construction works are on full swing with almost 60% work completed. Water retaining civil structures are nearing completion and hydro-testing has started. Tankage works are under progress and expected to be completed in the next three months. Metallic and non-metallic piping work is under progress and mechanical & electrical work have also started.

In our APGENCO Project at Rayalaseema in the State of Andhra Pradesh, post completion of the synchronization in Q1, the project is progressing at brisk pace, on track to achieve the COD by December 2017.

The Polgahwela project is currently in design phase with basic engineering approved, surveys and pipeline designs are progressing. First lot of pipes have been shipped and orders have been placed on certain long lead equipment and procurement as a whole is progressing as per schedule. About 80% of the land have been handed over to us and we have started pipe line laying work at site. Civil construction works is scheduled to start in January 2018. The project is scheduled for completion by March 2020.

In the Al Madina Al Shamaliya Sewage Treatment Plant in Bahrain, engineering is complete and civil works for all water retaining units are in final stages of completion and progressively being handed over to the installation team. All process buildings are under final stages of civil completion and overall civil works are close to 90% complete. Long sea outfall works are 99% complete. Electro mechanical installation works are under full swing at site with mechanical completion targeted for December 2017. Supplies have been completed and the pre-commissioning activities are planned to start by January 2018.

I am glad to mention that WABAG Romania has achieved the distinction of becoming the best performing company in 2016 among all the Water Treatment Companies in Bucharest under the category of Medium enterprises.

I now request Mr. Parthasarathy to take you through the financial highlights for the quarter.

Mr. Parthasarathy G

Good afternoon everyone.

I believe you must have had an opportunity to look at the result update presentation as circulated and uploaded on our website. I would like to take you through the key financial highlights for the quarter and half year ended 30th September 2017.

On a consolidated basis, we achieved Revenue of Rs. 1,555 crores in H1 FY'18 as compared to Rs. 1,358 crores in H1 FY'17, registering a growth of 15%. EBITDA for the Half year rose to Rs. 123 crores recording a growth of 44% against Rs. 85 crores in H1 FY'17. Our Net profit grew by a stellar 43% and stood at Rs. 42 crores.

Our standalone revenue from operations for the half year grew by 21% and stood at Rs. 861 crores as compared to Rs. 714 crores in the previous period. EBITDA recorded a growth of 29% and was at Rs.96 crores in H1 FY18. Net profit stood at 50 crores in H1 FY18 as against 46 crores during the same period last year.

As you would all know, GST has been implemented across India and this has brought with it changes in the way of doing business and compliances. The Infrastructure sector to which we belong to, has been one of the sectors which has faced certain concerns on the output side and input side.

We faced delays in customer invoicing due to amendment requirement to municipal contracts for GST. Also, uncertainties on rate reduction relating to municipal contracts from 18% to 12% caused further delays, while we understand that few states are still pursuing for the rates to be lowered further.

On the input side, the erstwhile tax exemptions on domestic purchases for export projects were withdrawn and a refund /credit mechanism was introduced. This has increased the working capital on export projects in Q2. However, this has since been relaxed in October by the Government.

All of these factors have brought a temporary burden on the company's working capital levels. We expect the situation to improve in the next quarters, with better clarity coming through on GST.

As you all would be aware, our Company faced a CIRP on account of a contractual dispute of Rs. 1.5 Crores, due to one of our sub-contractors in a project. As you know the Company is financially strong and completely solvent. This was reiterated by our lead banker and confirmed by the Interim Resolution Professional, based on which the National Company Law Tribunal has subsequently recalled the order. We would like to thank all our valued investors, bankers, vendors, partners, analysts and esteemed clients for their unflinching support and trust reposed in our credentials.

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

Concluding Para:

Thank you everyone for your participation in our Q2 FY18 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.