

## **Draft Earning's call speech Q2 FY 19**

**Mr. Rajiv Mittal:**

Thank you.....

Dear Friends, Good Afternoon.

I welcome you all to the Earning's Call post announcement of Q2 FY19 results of VA Tech Wabag Limited.

As you are aware, the organization was realigned from a SBU based structure to a geography based structure few years back, with 4 clusters namely India, Middle East & Africa, Europe and Latin America. As part of our growth strategy, we strengthened our leadership team.

In 2016, Mr. Pankaj Sachdeva joined us as the CEO for the India Cluster enabling me to invest more time on the Group. Last year, we had Mr. Deep Raj Saxena joining as the CEO for the Middle East & Africa, a region which we expect to be the next growth driver for the Group. I am sure, with such senior and experienced leaders in place, our goal of being in the Top 3 global water companies is not far away.

Today, I am joined in the call by Mr. Deep Raj Saxena our CEO for Middle East & Africa.

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 briefly take you through the key financial highlights for the quarter and half year ended 30th September 2018.

Our revenue from operations for the first half of FY 19 stood at Rs. 1,440 crore on consolidated basis and at Rs. 861 crore on standalone basis. The consolidated PAT grew by 16.7% and stood at Rs. 49 crore for H1.

Our net working capital days for the period ended 30<sup>th</sup> September 2018 stood at 122 days compared to 98 days as on March 2018. The increase is mainly on account of additional working capital due to higher mix of projects in the construction phase where the fund requirement for project progress is higher. Also, the recent order intakes of approx. Rs. 2,000 crore in the MEA market were expected to be awarded much earlier. With the recent award wins, and the collections from projects at completion stage we are confident that the working capital situation will improve in the next quarters.

We are immensely proud that the 140 MLD STP built by WABAG at Varanasi, was dedicated to our nation by the Honourable Prime Minister Shri. Narendra Modi on 12<sup>th</sup> November 2018. This flagship plant built by WABAG at Varanasi is the largest sewage treatment plant to have been commissioned under the prestigious Namami Gange scheme till date. We take utmost pride, as this plant ensures treatment of about 50% of the sewage discharge into the river Ganga from the city of Varanasi. I thank each and every stakeholder for being part of the journey and for enabling us to achieve the successful completion of this project.

Our order intake for the year currently stands at about Rs. 3,000 crore which is more than 55% of our annual guidance for FY 19. It is worth mentioning that, two thirds of the order intake came from the MEA region. This reiterates our strategy to diversify geographically and reduce the dependence on India. This recent momentum in order intake gives us confidence on meeting the guidance numbers for the year.

The back to back major order wins in the Middle East is of immense pride to us, since these were secured from some of the prestigious clients in the region, amongst stiff international competition. The breakthrough orders repose the confidence of customers on WABAG to deliver technology driven solutions at competitive prices. I would like to congratulate our teams across geographies for securing these wins.

I would now request Deep to give us a brief on the outlook for the region and update on the recent order wins. Deep joined us last year and has been instrumental in strengthening the MEA organization. He brings 35 years of execution experience from reputed organizations in India and the Middle East. He also comes with a rich EPC background which I am sure will help WABAG to grow and consolidate in the region. Over to you now, Deep...

**Mr. Deep Raj Saxena**

Thank you Mr. Mittal, for the introduction. A very good afternoon everyone.

I take this opportunity to share with you the immense market potential in the water infrastructure space in MEA region. Governments across MEA region have realized the vital need for smart water management and the same is reflected with the recent spurt in water / waste water investments, be it - The National Transformation Plan - Saudi vision 2030 or National Master Plan – Oman – 2020 - or multilateral / bilateral and G2G funding to the African continent from various countries including India. All these plans highlights the immediate need for water infrastructure to meet the present and future demands of the region.

Adding to that, with the recent increase in Oil prices, government's affordability in this region to realize these investments have also shaped up positively. This also opens up new opportunities in the Oil & Gas sector in the region and WABAG with its significant experience and references with marquee brands in the O&G sector like Reliance, IOCL, PETRONAS, DANGOTE, OMV is well positioned to capitalize on these upcoming opportunities. WABAG, as a complete water technology solutions provider with a proven track record, is very well positioned to leverage municipal, as well as industrial projects in the MEA region. As you know, WABAG is present in this region for over 3 decades through projects executed and under execution in Saudi Arabia, Oman, Qatar, Bahrain and other GCC countries. Also, we are present in the Middle East through our O&M operations in Oman, Qatar and Bahrain. Similarly, with our leadership in

North Africa, we are now also expanding our presence in the Sub-Sahara region.

Coming to our recent major order wins in the region

We have secured a major order in the Kingdom of Saudi Arabia to design and build a large scale sewage treatment plant for Jubail Industrial City for a total contract value of around half a billion Saudi Riyals equivalent to approx. 126 Million USD. It is a proud achievement for WABAG as we were one of the 3 companies that were shortlisted from about 25 companies to submit the bid for further evaluation. The tender was worked upon together by our teams in Austria, India, Saudi Arabia and Turkey.

Yesterday, we secured an order worth 82 Million USD from SONEDE amidst stiff international competition towards Design and Build of a 50 MLD Sea Water Desalination plant in Tunisia, expandable upto 100 MLD. The project is a DBO contract, funded by KFW Germany and will be built using state of art sea water reverse osmosis with energy recovery system. The project also includes design and installation of sea water intake and brine discharge systems. Also, it includes execution of treated water reservoir along with transfer pumping station. The project is scheduled to be completed within a period of 27 months followed by a 12 month O&M period.

Last month, we also secured a 275 Million Qatari Riyal equivalent to 76 Million USD order towards rehabilitation of South Doha Sewerage Treatment facility using clarification, filtration and aerobic digestion technologies to treat additional sewage which will be generated from the football stadium which is under construction for the FIFA world cup 2022. This breakthrough EPC order win from Public Works Authority (ASHGAL) includes rehabilitation of

the existing plant while simultaneously operating it till the plant is constructed for new capacity over a period of 24 months.

These 3 large successive orders totaling to about 284 Million USD which is more than Rs. 2,000 crore from prestigious clients in the region, is a testimony to WABAG's brand as a technology leader and execution capability in the sector.

Rapid urbanization and industrialization leading to need for improved sanitation and water demand, rising oil prices bringing deferred projects on track and Oil & Gas opportunities, untapped recycle and reuse potential and availability of multilateral / G2G funding for Africa are some of the key drivers triggering growth in MEA region. Our team is expanding its horizon in the region to broaden WABAG's customer base and enhance our regional alliances with partners & developers to meet sophisticated market demands for highest standards of process technologies in water & waste water in both municipal and industrial sectors.

I have complete trust and confidence that MEA region will be a key contributor to the growth story of WABAG.

**Mr. Rajiv Mittal:**

Thank you Deep...

Moving over to the updates on project execution...

WABAG has successfully completed the 150 MLD WTP in the City of Hanoi, Vietnam. The plant has been successfully completed in a record time frame of 12 months and will ensure clean and safe drinking water for over 3 million people in Hanoi and the surrounding provinces. WABAG has achieved the unique distinction of building this plant on turnkey basis, which is the fastest to be completed in Vietnam and the first of its kind in Hanoi.

The Polgahawela project is now in the construction phase. More than 95% of the designs are complete along with relevant surveys and pipeline designs. The pipe laying is in progress and about 80% of the pipe requirement has been shipped and orders have been placed for all major equipment and procurement is on schedule. The civil sub contracts have been awarded and the work has commenced on all fronts including the water treatment plant and the reservoirs. The project is on schedule for completion by March 2020.

In our APGENCO project at Rayalaseema in the state of Andhra Pradesh, post completion of COD in March 2018, all peripheral work and finishing of punch list points are under way. The performance guarantee trial run (PGTR) is expected to be conducted progressively from December 2018. We have secured extension of time for this project till June 2019.

In our TSGENCO project in Kakatiya in the state of Telangana, the reconciliation of balances with the client to ascertain the final settlement is at an advanced stage of discussion.

Out of the balance outstanding from GENCO projects of about Rs. 570 crore, we expect to collect about 50% during this fiscal year. This will substantially bring down our receivables and notably improve our working capital situation.

The execution of Al Madina Al Shamaliya Sewage Treatment Plant in Bahrain, has been completed and the final punch-list points are being attended to. The reliability run for water portion has been completed and the reliability run for the sludge portion will be completed by end of this month. The plant is expected to be formally inaugurated by mid-December. This plant is a testimony to WABAG's execution speed and capability, as this plant has been built on reclaimed land with deep and heavy water retaining structures in a short span of time.

I am very happy that our Malaysian Petronas Rapid Project is nearing completion. We have achieved over 98% physical progress. The mechanical completion has been achieved for Phase 1 of the project and ready-for-startup is nearing completion. Mechanical completion for a portion of Phase 2 has been achieved and for the remaining portion will be achieved in the coming weeks.

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



**Concluding Para:**

Thank you everyone for your participation in our Q2 FY19 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.