

## **Earning's call speech Q2 FY 20**

**Mr. Rajiv Mittal:**

Thank you.....

Dear Friends, Good Afternoon.

I welcome you all to the Earning's Call post announcement of Q2 FY20 results of VA Tech WABAG Limited. Mr. Sandeep Agrawal our Group Chief Financial Officer joins me in this earnings call.

I would like to start the call with the positive note that, in the first six months of the current fiscal year, we have a positive cash generated from operations of Rs. 119 crores at consolidated level and Rs. 46 crores at standalone level. This is a direct result of our continued focus on receivables, working capital and cash management, in this tough economic scenario. The new projects have started progressing and we aim to expedite the pace in the next quarters in order to complete the projects on time, on cost and profitably.

On to the next important issue, GENCO status...

As of 30th September, 2019, the Net Receivables from GENCOs stood as follows:

- Rs. 138 Cr from TSGENCO, where we have completed the project and await the TSGENCO Board approval for the final payment to be made to us. Tecpro is endeavoring to initiate an arbitration against TSGENCO, which we understand, is to be challenged legally by TSGENCO. We also plan to challenge this legally, as it delays payment of our dues from TSGENCO.

- Rs. 69.5 Cr as you know is the money that was collected by Tecpro and held under trust, but not paid to Wabag. We had initiated an appeal against the NCLT resolution passed. NCLAT has now positively considered our appeal and asked NCLT to revisit the resolution plan.
- Rs. 263 Cr are the receivables and retentions pending to be collected from APGENCO and this will flow in progressively as we complete specific contractual milestones. Contractually the project retentions are due 50% post PGTR & handover of plant to customer and balance after 1 year of defects liability period.

The management is completely focused on the situation and we are doing our best to ensure that all due monies are collected from GENCOs and Tecpro.

On to the other key projects in execution....

In our Dangote project in Nigeria, Engineering and equipment ordering is nearly complete. Client has issued dispatch clearances for key equipment and the dispatches are currently progressing well. Majority of engineering approvals for construction have also been released. About 70% of the physical progress is completed.

In our Polghawela project in Srilanka, the design phase is completed and all major designs have been approved by client. The project is now in advanced construction phase. The transmission and distribution pipe laying is in full swing with multiple contractors at site across multiple locations. The treatment plant, intake structures and reservoirs are progressing well. Manufacturing of major equipment is on schedule and key equipment deliveries are expected to be completed by the end of Q3 FY 20. The project commissioning is expected to commence in third quarter of FY21.

The Koyambedu TTRO Plant is almost complete along with 72 Km pipe-laying work to the Industrial Corridor in Sriperumbudur. The project including the piping network is under advanced stages of commissioning and will be inaugurated by the CM, this week. This is a landmark project for the city of Chennai and for WABAG in converting sewage into usable industrial water thereby reducing fresh water stress to the city.

In the “One City – One Operator” project in Agra & Ghaziabad, we are expecting to sign the contract in this week and the O&M activity is expected to start by next month. We hope that the success of this model will enable more state governments to replicate the same.

Coming to the progress on our MEA Projects....

In our Jubail STP Project in Saudi Arabia being implemented for Marafiq, 50% of Engineering has been completed & 60% Model Review is already over and the engineering is due for completion by March 2020. Purchase Orders for all Long Lead Items have been placed and manufacturing clearances have been given. Excavation is almost complete, dewatering system is implemented and concreting works for rafts & water retaining units are under progress. We have also collected the advance for the project.

In our South Doha Project in Qatar, basic engineering is approved and construction activities have been commenced. Demolition work is fully done, rehabilitation work is now progressing satisfactorily with 45% of the concreting is completed. All long lead items have been ordered.

In our Zarat Project in Tunisia, basic engineering package has been approved and construction activities have commenced. Ordering of long lead items are progressing satisfactorily.

These large new projects, along with other recent orders in India, are expected to pick up further pace in the coming quarters. Our Order book position continues to remain strong at Rs. 11,500 crores, about 3x of revenues, which gives us confidence and visibility about the future.

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

**Mr. Sandeep Agrawal:**

Thank you Mr. Mittal....

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 half year ended 30th September 2019.

Our revenue from operations for the six-month period stood at Rs. 767 Crore on standalone basis and at Rs. 1,093 Crore on consolidated basis.

EBITDA for the six-month period stood Rs. 95 Crore on standalone basis and Rs. 102 Crore on consolidated basis.

Profit after Tax attributable to owners for the six-month period stood Rs. 37.8 Crore on standalone basis and Rs. 29.7 Crore on consolidated basis.

We expect that the project progress will pick up faster pace in the next quarters enabling us to continue to report good results and cash generation. Our constant efforts on cash and receivables management has also started paying off and we will aim to keep the momentum going in the same direction.

As already mentioned by Mr. Mittal, we are happy to note that, our cash flow generation from operations for the six-month period was at Rs. 46 Crore on standalone basis and Rs. 119 Crore on consolidated basis.

We are working closely with our bankers and are thankful for their continued support in providing non-fund lines for new projects, which will further improve the cash and working capital position of the company.

Our Net Working Capital has reduced by around Rs. 300 Crore Year-over-Year, in line with our constant efforts and actions to improve the working capital position. Net Debt position at Group level as of 30<sup>th</sup> September 2019 stood at Rs. 347 Crore as against Rs. 433 Crore as of 31<sup>st</sup> March 2019, a reduction of 20%.

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

**Concluding Para:**

Thank you everyone for your participation in our Q2 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.