

## **Earning's call speech Q2 FY 21**

**Mr. Rajiv Mittal:**

Thank you.....

Dear Friends, Good Afternoon.

Let me welcome you all to the Earnings Call post announcement of Q2 FY 21 results of VA Tech WABAG Limited. Mr. Sandeep Agrawal, our Group CFO joins me today for this earnings call. We hope you all had a chance to go through the results update.

To start with, let me wish you all, the best of health during these tough times due to COVID-19 pandemic. The pandemic continues to have an adverse economic and health impact globally. We are seeing a second wave in many of the Western countries. Though in India, the position is getting better, we must take necessary precautions to avoid any resurgence in infections, especially during the festival times.

The first quarter of this year was overshadowed by the nation-wide lockdown in India for the most part and lock-downs in some of the other countries where we operate. Directionally, overall business has started moving towards normalcy in Q2, especially in the overseas regions. As we mentioned in our previous quarter earning calls, our Engineering and Procurement activities were less affected while the site activities slowed down due to the COVID related restrictions.

Activities at our overseas EPC sites have been picking up pace since the start of Q2 and slowly being ramped up to pre-COVID levels. Indian projects have also started ramping up and we expect to be closer to normal levels of operations in H2. Labor availability both in India and MEA regions has been continuously improving. We have implemented best practices on health and safety at all our sites in line with Government directives and Customers' advisories.

It gives me immense pride that Wabag has been recognized & awarded under the **“Best Research / Innovation / Adaptation of New Technology for Water Conservation”** category under the National Water Awards by the Ministry of Jal Shakti. WABAG is the only private sector organization to be recognized at the National Water Awards. Such recognitions keeps our engineers motivated to innovate and contribute more vigorously for sustainable development of water infrastructure.

Our Order book position remains extremely strong at over 3 times annual revenues, with a healthy mix of multi-lateral funded projects from marquee customers with innovative solutions. We continue to pursue our focus on O&M to ensure getting to 25% of overall revenues in the near future.

Coming to some key project updates...

In our Doha South project in Qatar, Civil works are substantially completed. The procurement of bulk items is complete and installation work is in progress. Final inspections of the balance equipment is underway as we prepare for testing and commissioning. Being a rehabilitation project, the project is being progressively handed over section by section and we expect to hand over the total plant by May 2021.

In our MARAFIQ project in Kingdom of Saudi Arabia, we are very happy to inform that the team has achieved around 3 million Safe Man-hours. Engineering is largely completed and key process equipment deliveries are underway. Construction activities are in full swing and the project is expected to be completed by June 2022.

In our Dangote project in Nigeria, Engineering is complete and delivery of equipment is in the final stage and we expect to complete the deliveries by next quarter.

In our Polgahawela project in Srilanka, Engineering is complete and finishing works of water retaining structures and other civil works is in progress. All major equipment have been delivered and pipe laying works are currently underway.

In our Zarat project in Tunisia, Engineering activities are in advanced stage of completion. Ordering of key and long lead items is largely complete and civil works are progressing well.

I would like to give a short update regarding the recent developments with Delhi Jal Board. WABAG had issued the termination and dispute resolution notice for Kondli project due to non-payment of our invoices by DJB. In turn, DJB had arbitrarily and in violation of contractual provision issued the debarment letter. We have filed a writ petition with the Delhi high court and we expect the stay order by the honorable Court in our favour against this said debarment letter issued by DJB.

In line with our practice started in this year, of presenting the metrics of the 'Core business', I would like to give you an update of the core business numbers for this Half year too.

- EBITDA of the core business for H1 stood at 8.7%.
- Working capital level of core business stood at 83 days
- Return on Capital Employed (RoCE) of the core business stood at 20.7%.

As you can see the three key metrics of our core business, which are Profitability, Working Capital and RoCE have been intact. Our "core" business, which is water technology, is intact, growing and growing strongly.

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.

I now request Sandeep to take you through the financial highlights. 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 quickly take you through the key financial highlights for the quarter and half year ended September 30, 2020.

Our six month consolidated revenue from operations stood at Rs. 1,039 Crore compared to Rs. 1,093 Crore, largely in line with previous year levels. On a standalone basis, the revenue from operations was Rs. 634 Crore as against Rs. 767 Crore last year.

The EPC projects continued to witness slower progress amidst the lockdown restrictions whilst O&M revenue has increased by 30% year over year, with key contribution from new One City One Operator projects.

EBITDA for the six month period stood at Rs. 72 Crore on consolidated basis and at Rs. 55 Crore on standalone basis.

Profit after Tax attributable to owners for the period stood at Rs. 22 Crore on consolidated basis and at Rs. 12 Crore on standalone basis.

Continuing the trend over the last few quarters, our net interest cost has reduced by 35% on consolidated basis and by 30% on standalone basis on account of significant debt reduction.

As always, our commitment to focus on liquidity remains prime, and in line,

- Group gross debt position, which stood at Rs. 520 crores in March 2020, has come down to Rs. 432 crores in September 2020, which is a 16% reduction in 6 months.
- Specially, the gross debt in our overseas entities, which stood at Rs. 79 Crores in March 2020, has reduced to Rs. 42 crores as of September 2020 a reduction of 47% in 6 months.
- Gross debt in India has reduced by 10% from March 2020 levels and stands at Rs. 390 crores as of September 2020.
- We recently completed the equity raise of Rs.120 Crores from Marquee investors and the same will be invested in the working capital to expedite execution.

Debt reduction has been prime on the management's agenda to improve the liquidity levels of the group and our efforts are showing the expected results.

I am also very happy to inform that WABAG has recently received a credit rating upgrade to A+ on long-term rating and A1 on short-term rating with Stable outlook. This recognition specially coming during the COVID times is motivating to us and all our stakeholders.

We continue to work closely with our bankers and are thankful for their continued support throughout the quarter. We wish you all a very safe and happy Diwali and festival season ahead.

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

**Concluding Para:**

Thank you everyone for your participation in our Q2 FY21 earnings call. We wish you all a very safe, happy and prosperous Diwali and festival season ahead.

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.