"VA Tech Wabag Limited Conference Call"

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MODERATORS: MR. RAJIV MITTAL
MR. S. VARADARAJAN

Moderator: Ladies and gentlemen good day and welcome to the VA Tech Wabag Limited, Q3 FY'12 results conference call. As a reminder for the duration of the conference all participant lines are in the listen only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference call please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is been recorded. At this time I would like to hand the conference over to Mr. Rajiv Mittal, Managing Director of VA Tech Wabag Limited. Thank you and over to you sir.

Rajiv Mittal: Thank you. Dear friends good afternoon. Thank you for accepting our invitation and being with us for this concall. It is my pleasure and welcoming you all for this discussion on our Limited Audit Quarterly results Q3 FY'12. Along with me is my Executive Director Finance, Mr. Varadarajan and also our Investor Relation Advisor Strategic Growth Advisors.

We would first like to update you on various events during the quarter, which are as under. Let us start first with the order intake. Traditionally our order intake has always been strong in the second half of the financial year and in the order intake in the third quarter has been pretty good. We have been able to book Rs.533 Crores of orders in the last quarter. We are also in advance stages of finalizing various orders totaling over 1,000 Crores, which we will talk, bit later. Some of the key orders, which we have bagged in Q3, are Delhi Jal Board. It is a sewage treatment plant of 20 MGD on a DBO basis, which is design, built and operate basis with the operation of almost 11 years after we finish the construction at Papankala phase II in New Delhi.

Turnkey EPC orders for de-mineralization plant at Durgapur Projects Limited worth Rs.50 Crores. This is again a repeat order from a client this is third of its order, which we have executed over the last three years with them. You will be happy to note that we also received the order from Turkey a subsidiary we setup about a year back after the Libyan crisis came in and we are happy to report we have booked our first order for a wastewater treatment plant of Siverek, which is approximately 7.7 Million Euro.

We have also received two orders from Czech Republic of Euro 3.1 Million for modernization of a plant and a reconstruction of a wastewater treatment plant. We have been getting also good orders from Swiss and recently we got new filtration plant order for Euro 3 Million. There are few orders in O&M Operation and Maintenance business unit of a total of Rs.40 Crores they have booked in this last quarter.

You will be also happy to note that after Libyan crisis we had also shifted our focus more to Saudi Arabia and we were lucky to book order in the last quarter for a wastewater treatment plant of Madinah for a Euro of 8.4 Million. With all this our firm order book is Rs. 3550 Crores. Of this approximately 70% is the India business and 30% is from the Overseas. In addition, to the firm orders as we mentioned earlier we also have framework contracts of worth Rs.1,360 Crores on receipt of advances or letter of credit or notice to proceed or financial disclosure we will take this orders to the firm order book.

For FY'12 we have guided for revenues of Rs. 1,400 to 1,450 Crores and a closing order book of Rs.4,000 Crores currently we are on track to meet revenue guidance and order book guidance. Also for our order book we had our order intake of Rs.914 Crore in the last nine months and expect another Rs. 1,000 to 1,100 Crores of order for Q4. This orders intake in Q4 will be driven by some of the key orders like we have told you before that we have three built, owned operate BOOT contract one is Aurangabad the other one is Ulhasnagar and third one is Namibia where special purpose companies have been formed and these companies have completed the contract signing with the authorities. This one milestone we have already achieved and now we are in advance stage of financial closure. Ulhasnagar we expect to close this month the financial closure we have already got the term sheet. We are in the final stages of negotiating and finalizing the term sheet and Aurangabad and Namibia will be closed in the month of March.

Post that these orders worth Rs.530 Crores will move from framework contracts to firm order book. Our overseas subsidiaries have added 52 Million Euro worth order intake in the last nine months and we have around Euro 30 Million orders in the framework contract. We expect to convert these orders also to the firm order book on receipt of Letters of Credit in this Q4. We are also preferred bidder with some of the large industrial growth in the Oil and Gas and Steel sector where we expect to get repeat orders worth about Rs.200 to 300 Crores in this quarter.

Now lets move to the Libya, with regards to Libya we continue to see positive overall development. In the country our Country Manager has moved back to Tripoli and we are in a process of establishing contact with the clients and we hope in next few months the situation will further improve. The Chennai desalination project is progressing well and we have already carried out a invoicing of almost 70% of the EPC order. We expect to complete the entire EPC work by middle of this year, which is 2012, and the O&M is expected to begin post construction completion.

We are also in advance stage of due diligence in evaluating our M&A opportunities abroad and we shall keep you updated upon the material development. Our nine month consolidated revenues is Rs.773 Crores and generally our last quarter contributes almost 40% to 50% of annual revenues and this year is going to be no different. Our Dambulla in Sri Lanka should have started contributing to the topline in quarter 3 itself but as some of the designs approvals and other approvals took sometime we expect this supplies and deliveries and payment because of some design will all start flowing in Q4 and we will be able to achieve our yearly target in this Q4.

With this I conclude my part of the speech and I now hand over to my colleague to Mr. Varadarajan to present the result for nine months FY'12.

S. Varadarajan: Thank you. Good afternoon friends. You must have also had an opportunity to see the analyst presentation we have circulated as well as uploaded in our website. Let me present the results for nine months FY'12. On a consolidated basis the company recorded revenue of Rs. 772.7 Crores in comparison to Rs.734.2 Crores in the corresponding previous quarter. The net profit for the nine months FY'12 was Rs.13.4 Crores as compared to net profit of Rs. 6.6 Crores in nine months FY'11. The Chennai Denasalization project, the IOCL Paradeep project, overseas projects like Tehran and Shiraz, the Delhi Jal project are some of the major contributors to the revenue.

On the working capital side we have seen an improvement in the current quarter the payments started receiving from Chennai Denasalization project also there has been a good collection from the Algerian and Iranian projects. On the liquidity side, currently we have cash and cash equivalence of Rs.300 Crores and we also see some improvement in the liquidity position in the Q4 once we start collecting the money from the invoicing and collecting the money from the Sri Lankan project in Q4 FY'12. With this we now open the floor for question and answers.

Moderator: Thank you very much sir. We will now begin with the question and answer session. We have the first question from the line of Jonas Bhutta from Merrill Lynch. Please go ahead.

Jonas Bhutta: Hello, good afternoon everyone. Just a couple of questions from my side, could you just highlight what could be our order inflow in the international subsidiaries in the Q3 alone and what were it in the first half?

S. Varadarajan: This one is this Siverek job, which we announced, that is the Turkey job which is 7.7 Million Euro and we also had this Saudi Arabian job as Mr. Mittal mentioned that is about 8.2 Million Euro. We had two STPs order from Philippines in Indian Rs.30.8 Crores. These are the major orders in addition to that as we said there is a Swiss order of about 3-odd Million Euro and Czech Republic is also of about 3.1 Million Euro from Czech Republic.

Jonas Bhutta: So it is close to Rs.150-odd Crores for this quarter?

S. Varadarajan: Yes, I would say about Rs.150-200Crores if you add some small other orders from other subsidiaries.

Jonas Bhutta: So in this quarter the international subsidiaries, which is nothing but consolidated minus standalone it is close to Rs.200 Crores. Is that right?

S. Varadarajan: Yes.

Jonas Bhutta: On the second part on Libya I know it has been quite sometime that we been talking about it but what would have if the Libya orders were pretty much active in your order book what kind of revenue recognition were you looking at in FY'12 from a perspective is wanted to understand what is the revenue foregone in FY'12 because you have not be able to execute these orders?

S. Varadarajan: I think that we are on record we have always said when we did our planning for FY'12 we did not consider any revenue from Libya because we were not doubtful of situation improving so short answer is we did not consider any revenue coming out of Libya in this financial year.

Jonas Bhutta: Last but not the least wanted to know now that you know FY'12 is nearly ending so what could be your guidance for order inflows for FY'13 and the kind of revenue outlook for the same?

S. Varadarajan: See we have always said that our aim is always to grow the order book and topline of about 20% and bottomline always 30% we call thus that profitable growth and that is the target we give it to our subsidiaries that we have to get a topline of 20% and bottomline of 30%. That will be our target. We are as the moment finalizing our budget exact numbers and I am sure within very soon our budgets will be finalized and we can even share the exact numbers but that is the directions given to all the subsidiaries.

Jonas Bhutta: Lastly will you be able to maintain margins in your international subsidiaries in the current year. You did close to 4.8% last year because in the nine months we are actually negative so far so just wanted to know because the asking rate gets higher to around close to 18%-19% in Q4 wanted to know whether you will be able to maintain your margins in the international subsidiaries this year?

S. Varadarajan: See you must see that if we are paying almost 50% we do in the Q4 anything between 40% and 50% our fixed overheads basically with this we are more less as service sort of company where our 6 overheads remain fixed irrespective the sales so if you are going to do more sales in the Q4 anything between 40% and 50% and have fixed overhead which is proportionate say 25% naturally our margin in the Q4 will be much, much better than the first three quarters.

Jonas Bhutta: But the question was will you be able to maintain it on year on year basis not on a quarter basis but I want to know FY'12 over FY'11 will they have the same king of margins?

S. Varadarajan: Yes, and as I said before this are looking at growth on year –on-year basis of about 30% on the bottomline.

Jonas Bhutta: All right fine. That is it from my side thank you and all the best.

Moderator: Thank you. The next question is from the line of HR Gala from Quest Investment. Please go ahead.

HR Gala: I just wanted to know a couple of things. Number one, how much money we stuck up in Libya, which we might not have recovered so far because of the problems there?

S. Varadarajan: Okay we have side this before and I want to repeat that as a company we are very conservative most of our international subsidiaries only do business based on Letters of Credit. All our business in Libya is based on Letter of Credit and we do not have any open receivable or cash credit we give it to our clients the moment we put our goods on the ship and we have a bill of lading we go to the bank and collect our money. So even during this disturbance there was some shipment which was pending and there was a old something at the bank because of this Libyan crisis even two weeks back that money was also released which was again backed up by LC from Bank Austria which is part of UniCredit 2.1 Million came in so we do not take any open credit.

That is number one. Number two even if there is a political risk we are covered by the Export Credit Insurance of Austria, which is called as OKB and that is also will cover us incase of anything happens which we did not expect. So we do not have insured any open receivables in Libya.

HR Gala: My next question is what extend are we benefited by this Rupee depreciation which happened in last quarter? How much was the impact on our accounts in this particular quarter?

S. Varadarajan: We have the predominant part of import happening in Nemmeli in this part of this period and so we actually lost about Rs.3 to 5 Crores but the good part of it is that a significant part of this Sri Lanka job will get executed and we expect to collect the advances etc., in Q4 so that should actually be a bigger upside for us.

HR Gala: But was there not any translation gain etc.?

S. Varadarajan: There was an overall gain, which is about Rs.2 Crores for us; it is sitting in the other income.

Rajiv Mittal: I just want to add what Varadarajan said in Nemmelli project say whatever number about 3 Crores to what he said we paid actually in cash the other part is you are asked about translation as you can see from translation there will not be any gain because as you can see from the international subsidiaries they are still in slightly dread, any translation only can further reduce our losses because the loss will be higher if I have 1 million at Rs.60 and 1 million at Rs.65 there is a 6 Crores loss I will have a 6.5 Crores loss so that is it is no qualitative figure for us in fact because the international subsidiaries only will get into positive in the Q4, till Q3 we have translation loss in the bottomline. Last point I want again to record from the Indian subsidiaries we do business in the international markets like South East Asia, Middle East and Sri Lanka and we are looking at a substantial revenues in the Q4 form this location which will be anything between 35-odd million US and that should give us a cash positive in terms of forex because we had estimated at Rs.45 a Dollar and if it go anything better this can only help us to achieve our bottomline.

HR Gala: Last question from my side is do you anticipate any change in the mix of the order between municipalities and private sector going ahead?

S. Varadarajan: Yes I think as I said before in the last four five quarters we have definitely seen a bit of slowdown in some of the Municipal orders because of various reason which other industries suffering but at the same time we have seen a good increase on the industrial side especially on Oil and Gas and Steel side and we would like to see that this year ending we would have still a better order intake in the industrial prices than what we had in the past years but going forward next year onwards I am sure government is putting tremendous pressure and we can feel that municipal sector will also start giving the same sort of numbers we have achieved in the past.

HR Gala: Is there any significant margin differential between the two municipal and the industrial order?

S. Varadarajan: I would say not significant may be 100-200 basis points different but not significantly.

HR Gala: Thank you very much and wish you all the best.

Moderator: Thank you. The next question is from the line of Rashi Talwar from Ashmore India. Please go ahead.

Rashi Talwar: Hello, Mr. Mittal I just wanted to understand that in the quarter why was there such a substantial drop in international revenues because standalone revenues if I am not wrong grew by 11% but there was a decline on a consol basis?

Rajiv Mittal: You are absolutely right and this partly it because last year up to nine-months December ending FY'11 we had revenues still coming from Libya and that Libya disturbance has started sometime in February so that.

Rashi Talwar: Okay, so it basically a base effect of Libya has been not being there?

Rajiv Mittal: Absolutely right and that is the reason we had inconsistent in last three quarters in saying the revenues which are going to drop from Libya we are moving our focus into other countries so one side there was a threat of Libya but we converted that into other opportunity to going to the countries where we were not present like Philippines, Turkeys, Saudi we were present but we give more focus on it and as I said in my earlier part of my speech that all these three countries where we have gone and inverted we have got rewards. Turkey we have order, Saudi we have order and Philippines we are already executing order. So all these revenues will make up part of it you will see even in the fourth quarter some revenues come in but next year they will come substantially and we will not feel the effect of Libya next year at all.

Rashi Talwar: Thank you.

Moderator: Thank you. The next question is from the line of Chavvi Agarwal from Ambit Capital. Please go ahead.

Chavvi Agarwal: Good evening sir. Sir my first question is that you have mentioned in the last year there were been some our revenues from Libya can you quantify the amount as to how much was the revenues from Libya in nine-month FY'11 which we are missing?

S. Varadarajan: See, I do not have the exact number I can definitely give you offline or if you want I can put it on our website for benefit of all of you, but I would get and this is a very wide guess it would be something of the order of man if you talk at least 20 to 25 million Euro YTD basis not on quarter-on-quarter basis but on the YTD basis.

Chavvi Agarwal: Sir other than Libya are we seeing any issues in execution in any other sign its may be Saudi Arabia or maybe to Austria where we have project going on where we have expected higher revenues that we can receive in this quarter in the international?

Rajiv Mittal: No, I think first I want to clarify especially people who have not still realized that in Austria we have a subsidiary but we do not do any projects in Austria there is no home market for us in Austria we are more focused on Central and Eastern Europe we and North Africa And Middle East. So any of this countries where we are working but there is still Romania, Poland, Turkey, Saudi we have not seen any slowdown or any stop orders or any delay in this order executions so we are on track and we have as I said before we have strongly believe that we will be able to give you the numbers what we have guided you for this year.

Chavvi Agarwal: Okay, that you are saying that is for the only drop in revenues in the international market it because of there will be nothing else?

Rajiv Mittal: That is right and that also you will see partly we will compensate in the fourth quarter from all these Philippines, Turkey and Saudi Arabia orders which we have already has and next year we will completely compensate or maybe do even better than that.

Chavvi Agarwal: Okay, sir in the last quarter you have mentioned there were some payments due on the Chennai desalination market have you received that gross payments from the movement or from the board or are we yet to receive some payment in some of the else?

Rajiv Mittal: No, I think Mr. Varadarajan said earlier in his speak that we have received some payments. I can confirm that it is almost close to 40% to 50% of that we have already received even as we are talking today we got a RTGS of 32 Crores from the clients today so we have slowly started paying up but we have not fully liquidated that because we have still not received the funds from the center they are using their exchequer to pay us and progress the project.

Chavvi Agarwal: Okay, sir my third question was on your Sri Lanka and Dambulla projects you think that you will book the revenues in the next quarter. Can you tell me that broadly to cost that you have incurs so far in that project in the last six months?

Rajiv Mittal: See, it is always the cost is something which were direct cost see if all the cost we go do a survey we do a consultant to do a local survey soil investigations and all that then there is a cost of taking a insurance bank guarantees and all that and for is the cost of our own manpower which are involved in project execution, finance, design work so we I do not have a quantified number but generally such costs are for the total project anything between 7% and 8% so maybe we must have incurred maybe few Crores so far which we have not been able to build but we will build it in this quarter.

Chavvi Agarwal: And sir what percentage of this project is complete so far 10% 15% if you see was any update on that?

Rajiv Mittal: See, we only consider the project complete if we are able to build because you know our accounting policy we do not book our sales based on cost we are that is very difference to some of the EPC contractors where they do it on a POC basis based on cost they book their revenues only book our revenues after our (indiscernible) 28.27 certified by our clients. So we are bit conservative but I think we find it is a better way to do it and hence we have not booked any revenue at this project so far.

Chavvi Agarwal: Okay, and sir in the next quarter how much tell me are your expecting exclusively only from this project?

Rajiv Mittal: We are very ambitious because there are things, which we are planning to do I would say if you bring to this substantial revenue we will see in the fourth quarter it can be of the tune of almost 30% of the total project value.

Chavvi Agarwal: Okay and sir I wanted to ask about your China for you would ventured into China last year so what is the status there and what are your planning in terms of how when can we get the first order coming from there?

Rajiv Mittal: I must say China we are not been so lucky. We have invested in the last one year and this is a definitely investment from our side but we have not seen any firm orders still landing but we are still very hopeful there market is huge, opportunities are great but I do not think that it will be very soon before we get it maybe we are planning about 15 to 20 million of order intake in the next financial year and we are working towards it. We have a complete marketing team with head of marketing in our Beijing office and I am hope they also get some projects very fast.

Chavvi Agarwal: Sir can you please confirm how much money has been invested in China so far?

Rajiv Mittal: See if you take this fiscal year it will be close to about 700000 to 800000 Euro which is the little less than a million Euro.

Chavvi Agarwal: Okay, and sir my last question is pertaining to the Chennai Desalination plants we books like the lesser revenues this quarter compare to the last quarter any specific reason or just the monsoon effect?

Rajiv Mittal: No, it is not the monsoon effect you know what happens there is always a slow start when we do the design like we are doing in Sri Lanka then we have a chunk of the revenues has we did in Sri Lanka in this quarter and the next year first quarter where most of the supplies will go in and then the construction is happening parallel so that we do not get a real chance to build a lot when construction is going on because in Chennai projects the construction portion if you remember is hardly 10% to 15% of the total project cost. So the main revenues came from supply which more or less we have completed our supply now we are installing the equipment's and we hope by middle of this year we will be ready to start the plant and that is the reason you have seen a slowdown in the revenues.

Chavvi Agarwal: So, right now we are in the installation fields?

Rajiv Mittal: Absolutely right.

Chavvi Agarwal: Okay, and the procurement and the construction works are complete on the first it?

Rajiv Mittal: Procurement is more or less 95% compete and construction is almost 85% to 90% complete.

Chavvi Agarwal: Okay, and sir it would be great of you could just let me know later probably the amount of Libya revenues from Libya in the last nine-months FY'11?

Rajiv Mittal: Will do.

Chavvi Agarwal: Thank you sir. In case of any question I will get back to you.

Moderator: Thank you. The next question is from the line of Shashank Abhishek from BNP Paribas. Please go ahead.

Shashank Abhishek: Good afternoon sir. A couple of questions from my side firstly if the forex loss on the importers comment was on there would it be fair to say which EBITDA margins would have been higher because I am getting that is above the EBITDA line?

Rajiv Mittal: Yes, definitely EBITDA margin would have been at least 3 Crores to 3.5 Crores higher.

Shashank Abhishek: 3.5 Crores higher and secondly I am looking that the employee cost on a standalone basis now at about a 146 million is this because of wage increases or have you added on to the number of employees which you have?

Rajiv Mittal: Can you repeat the question Shashank?

Shashank Abhishek: On the employee cost on the standalone company in India at about 146 million that is a significant jump over the previous year so is that because of wage increases or the number of employees has actually increased and if you can quantify that?

Rajiv Mittal: Yes, this is something which we did in the we did tell in the last quarter con call also we change this policy on this variable pay and we have to as a result double variable pay we will be accounting in one year and also transfer to the next year and that is an impact of about addition of 4 Crores which we have added in this year there is an increase in the employees about 10% and there is also an increments which we have done. So all these put together then you see the volume, which is increasing on the topline so, the increase on the number of people were upon account of that. That is about 250 Lakhs so like this we have in the engine side we have some cost, which are additions.

Shashank Abhishek: the same question for your international operations because there also one looking at about Rs.355 million now is that also because of an increase in the employee base as if there any?

S. Varadarajan: No, actually by as it was in the international side as Mr. Mittal was explained there is a 10% effect on account of this translation 60 versus 66 there is an impact there in fact we have significantly reduced the personal cost in Austria which is our largest subsidiary and we have some additional cost some sort of the subsidiaries like Turkey we have some subsidiary in China where we recruited people but never revenue from that you heard from Mr. Mittal profile about the several cube in Turkey and pays like that so those just will start flowing a only in their future but in the part it is a cost which is additions.

Shashank Abhishek: Right sir and a couple of housekeeping question sir; can you just give me the debt number and the debtors and creditors?

S. Varadarajan: See, on a long-term debt which you have question is we are not having any long-term debt but we have borrowed close to about 100 Crores on a short term basis because of the gas which we had from connection in Nemmeli job what Mr. Mittal explained and that we expect to collect it in this quarter and get it repaid.

Shashank Abhishek: Right and the debtors number and the other current assets?

S. Varadarajan: RSL in terms of asset group the number of days about 200 odd days.

Shashank Abhishek: I am sorry I did not get that 200 days debtors.

S. Varadarajan: It is 218 days you want creditors also.

Shashank Abhishek: Yes, please.

S. Varadarajan: That is 145 days.

Shashank Abhishek: All right thank you so much.

Moderator: Thank you. The next question is from the line of Charanjit Singh from Enam Securities. Please go ahead.

Charanjit Singh: Hello sir if I have got it right I think you have guided to 20% of order inflow kind of growth in the next year and I was just trying to understand what is the bases for this confidence of growth in terms of from the municipalities and the industrial sector and taking into account that the JNNURM scheme is expected to expire by March 2012. So can you please highlight on that?

Rajiv Mittal: Thank you. See there is two things first let start with going you ending is JNNURM. I am sure we all know that JNNURM as it was there in the past is going to expire. In fact has expired but it is coming at new avatar and it is called as new JNNURM much bigger with the capital outlay and a budgetary allocation plus there is also a big outlay going to come from this national river basin authority which will again to clean up Ganga that is the major investment coming in plus there is a lot of multinational funding which is come in to various states and cities we have all these data which we collect from the market and as identified the project we are not at the broad level we are not at the longed list levels it is a short list for next year where we have targeted our projects and also identified the target backup for that so in case any of this project and delayed we have a backup for that so we are very bullish on the municipal sectors because we have see a tremendous opportunity and as I said before in the last four, five quarters we have seen slowdown in the municipal authorities and this is all going to it we are going to catchup all this and we definitely are very bullish from next year on the municipal sector. Coming to the industrial sector we see continuous investment happening and we must have all see in that there is still as decent amount of oil and gas investment going to happened and we also have identified critical projects which we are going to target to fill up our order book.

Charanjit Singh: Okay, sir but if we look at there will make around five states which are going to elections so there might be a freeze on orders for next six months so in taking that also into account you think that the municipalities will be ordering strongly?

Rajiv Mittal: See normally the freeze does not happen after reduction it always a month or two before the election when they go into a silent period. They are not allowed because in the board of conduct come in and they are not allowed to make any major decisions. I believe immediately after the election the new government will be there maybe it will take two, three months for them to settle down and announce their budget but after that they will come up with the schemes which are already there knocking on the door which has to just be approved and move on. So we definitely believe from the second quarter even for the election state we will be order inflow.

Charanjit Singh: Okay, sir then another last question from my side is on the Sumitomo JV what is the status right now and are there any particular specific jobs, which we are doing?

Rajiv Mittal: There are almost half a dozen jobs which we have identified there as various stages some of them are at the bidding stage, some of them are at the evaluation stage, where we had negotiating with the customer so we are very hopeful that things will happen but somethings happen which are totally unexpected so there is delay such things because this are anyway long gestation period orders and we definitely believe in the coming fiscal year we will see some of these orders coming out of this joint venture.

Charanjit Singh: So what could be the size like you are looking at from this JV in terms of the ordering?

Rajiv Mittal: See this smallest can be anything but to in 5200 Crores and the largest can be anything up to 300 to 500 Crores.

Charanjit Singh: Sir that is all from my side. Thanks.

Moderator: Thank you. The next question is from the line of Ritesh Poladia from RBS. Please go ahead.

Ritesh Poladia: Thank you sir for giving an opportunity. Just in the initial remarks you said that fixed overheads are constant. So just if you can give us some understanding how much would be a fixed over hedge on an annualized basis for the company?

S. Varadarajan: On an annualized basis it is your topic but standalone or both?

Ritesh Poladia: Both, standalone as well as subsidiaries or the way it is comfortable for you.

S. Varadarajan: See, by the end of the year I would expect somewhere about 170 Crores so this basis on a consol basis I am using the current exchange rate but you are asking on a standalone basis it will be roughly about 90 Crores.

Ritesh Poladia: Okay, and that includes primarily salaries and general administration expenses?

S. Varadarajan: Yes.

Ritesh Poladia: Okay, second was on you said cash equivalent is about 300 to 320 Crores I did not get that number. How much would be in the India books and outside and the cash lying on the outside book is it possible for a free transfer or is there any restrictions?

S. Varadarajan: We are talking about the cash on the balance sheet whether it is 100% free cash or not right.

Ritesh Poladia: Yes.

S. Varadarajan: I would say somewhat about 3.5 million Euro is not free at the movement and the rest is free cash.

Ritesh Poladia: Okay, so that is quite negligible as so that and thirdly on Libya how much revenue you have booked last year so that we can have a fair understanding how the international operations are moving?

Rajiv Mittal: This is what I said earlier we do not have this number but I promise you we will put this on our website so that everybody can see that.

Ritesh Poladia: Thank you very much sir.

Moderator: Thank you. The next question is from the line of Vinay Rohit from ICICI Prudential. Please go ahead.

Vinay Rohit: Good evening sir. Sir my question is if I look at your consolidated minus standalone so in the overall revenue this spread would between EPC and O&M would be fixed sector approximately so despite that that margin and so even if we at just for the exchange what could be the margin then?

S. Varadarajan: No, me get your question right are you assuming that in the revenue the business will have 50% EPC and 50% O&M?

Vinay Rohit: Well I had calculated it from your PPT only so it is comes to around 50-50, 51% 49%?

S. Varadarajan: No, see if you see the EPC what we are trying to use about 350 Crores is municipal EPC and 272 Crores is industrial EPC. So if you put together about 21% odd percent is O&M and about 79% is EPC fee from the PPT.

Rajiv Mittal: On YTD basis 21% of our gross the consolidated is O&M.

Vinay Rohit: Yes, and on the standalone basis it would be?

S. Varadarajan: Standalone basis even lower I will just give you. YTD is 43 Crores out of total India sales from about less than 10%, but 8%.

Vinay Rohit: Yes, so if I look at on overseas on a overall revenue of sales 285 Crores you have 100 Crores is O&M right?

S. Varadarajan: You have O&M of 16.5 million Euro in the overseas portion so you are right 100 Crores is O&M.

Vinay Rohit: Yes, so despite that the margin are pretty low right.

S. Varadarajan: How did you conclude that?

Vinay Rohit: So, 136 Crores out of 285 Crores so it is approximately 50-50 right.

S. Varadarajan: See we have talked about 16 million Euro and if you even multiply by 65 is close to about 100 Crores is O&M and the balance is EPC. So it is about to I think 35% to 40% is O&M and about 60% to 65% is EPC.

Vinay Rohit: Yes, so in that sense should not be expect much higher margin from subsidiary business?

Rajiv Mittal: See because as Varadarajan said earlier it is true that you see a lower profitability but you must realize because the revenues as our gross revenue are low the fixed cost are fixed because unless we improve the revenue you will not see the margin and that is what we expect that we will be able to get the targeted number in the fourth quarter where some of the new orders we are hope the revenues will start flow. Showing format and that will be able to absorb the fixed overhead, which we cannot absorb if the revenues are lower.

Vinay Rohit: Okay, and another question so in Chennai there was one water and affluent treatment business of 1200 Crores which one big infra company has won. So I just wanted to know for we the bidders and why there and we get it if we were the bidder?

Rajiv Mittal: See, I am not aware of any business on affluent treatment on water treatment of 1200 Crores in Chennai so obviously we did not even bid for it. There is no question of winning it so it is at least not to our knowledge any treatment plant which is costing 1200 Crores in Chennai. Are you talking about Tamil Nadu?

Vinay Rohit: Yes, Tamil Nadu.

Rajiv Mittal: See Tamil Nadu again it will not be a treatment plants, is it the water scheme what you are talking about which is basically pipeline and all?

Vinay Rohit: I guess included pipeline as well?

Rajiv Mittal: Generally we do not even bid for such pipeline projects as we would like to remain we are a technology company and we bid for projects which involves technology and into the treatment plant side rather than only into the construction side of the business.

Vinay Rohit: Okay, they in case that the project includes the pipeline you would not did?

Rajiv Mittal: If it in a very substantial portion of pipeline we will never bid directly at the most we can just partner and do our treatment plant and somebody else has to do the pipeline work.

Vinay Rohit: Okay, thank you sir.

Moderator: Thank you. The next question is from the line of Anuj Agarwal from IDFC Mutual Fund. Please go ahead.

Anuj Agarwal: Good afternoon sir I just wanted one clarification we have guided for 30% increment in bottom-line for FY'12 so that pre-exception item or post-exception item may if last year we had some 13 Crores of exception item so?

Rajiv Mittal: This is post-exception items.

Anuj Agarwal: Post-exception so what we are saying is that?

Rajiv Mittal: Are 52.5 Crores 30% we have gain.

Anuj Agarwal: Okay, so assuming this year we do not have any exception item so vis-à-vis 65 Crores of last year including exceptional items we will have something like 68 Crores this year?

Rajiv Mittal: Not, 68 Crores it would be 30% on 52 about 80 Crores of the year.

Anuj Agarwal: As it was 68.

Rajiv Mittal: Yes.

Anuj Agarwal: That was it. Thank you.

Moderator: Thank you. The next question is from the line of Renjith Sivaram from B&K Securities. Please go ahead.

Renjith Sivaram: Hello, thanks for taking my question you have mentioned regarding this big outlet to clean up Ganga and there were some other huge opportunity can you just hazard a guess regarding the size like in how much can be that opportunity size?

Rajiv Mittal: See as new JNNURM as we are discussing we are just finalizing. This is the information which will be available to all of us because JNNURM is immediately it will be in the public domain and same way it is a national river Ganga basin, is also an authority which we just formed they just formalizing the share for each of the states which are on the banks of this Ganges. I am sure this information will be very soon available. I do not have this on my fingertips for this information should be available to all of us at this website of Ganga River Basin.

Renjith Sivaram: Okay, and sir regarding the margin contraction in the standalone like I would have missed it previously should I have discuss can you just help me in understanding that in the standalone and the both the consolidated also?

Rajiv Mittal: See, what we said earlier that our revenues should have gone much higher than 11% growth which we had shown in India because of this Sri Lanka project which in last few month we have been doing lot of investment in that both into the site investigation design, engineering and project management. But we have not been able to raise any revenue because our policy is only they have been the revenue based on approved invoices, which can only happen when we start supplying the goods. These supplies will start from this quarter and this is where I think we expect the revenues to flow in. So that is the reason first there is the revenue growth of 11% we actually should have got much better than that. Second on the EBITDA side one because we have a little lower sales EBITDA is also not growing that well though our fixed cost are growing as we have said before that we also have a policy of now not only paying the variable pay on the cash basis but also on the approval basis so from that point of view that apply cost has little bit gone up compared to last year we also would see that because of the forex because of rupee depreciating we had some imports which had effect of almost 3 Crores to 3.5 Crores on our result this year which more than that will compensate in the coming quarter because we will have a lot of exports which are much higher than the imports we had in the last quarter.

Renjith Sivaram: Okay. Sir this consolidated decline in revenues received majorly because of that Libyan order not be coming of the bookings?

Rajiv Mittal: We never expected that as we said that we never planned or budgeted for any revenues from Libya and that is the reason we opened up other subsidiaries like China, Turkey and concentrated more on Saudi Arabia and opened up Philippines so we are very happy that we took those decisions, which was a threat at some point of time of Libya disappearing were converted into opportunities of opening new markets and we told you that we have got orders from Philippine, Turkey and Saudi Arabia already and I am sure very soon we will also get it in China.

Renjith Sivaram: So why was it decline in tough line in the consolidated?

Rajiv Mittal: Because these were the orders which were under execution in Libya we had booked certain revenues but these are the orders which I told you we just got so we have not booked any revenues in future you will see the revenues coming from this orders which we have just booked.

Renjith Sivaram: Okay, and how is generally the pricing scenario because of the lack of orders we have seen more competition and pressure on margins going forward?

Rajiv Mittal: See, we do not see that because as we have said before may times we concentrate on limited number of tenders which are properly financed and mostly we go for international financing where we have consultant who prefer technologies and give a weightage for technologies because we are a technology company and where we have technologies we have a limited competition and we do not see that our margins going extremely.

Renjith Sivaram: Okay, so you are confident of maintaining the same margins with 30% or the 20% growth next year?

Rajiv Mittal: Yes, definitely and we will even try to improve it.

Renjith Sivaram: Thanks that answers my questions.

Moderator: Thank you. We will take a final question from the line of Pranav Gokhale from Religare Asset Management. Please go ahead.

Pranav Gokhale: Good evening sir. I just have a couple of questions from mine. The first is just to understand what could be the O&M margins in the domestic and the overseas business and you get contribution level or EBITDA level?

Rajiv Mittal: See the O&M margins are generally higher than the EPC margins we talk about 18% to 205 EBITDA margins in the O&M segment.

Pranav Gokhale: Whether it is a domestic or international?

Rajiv Mittal: Yes.

Pranav Gokhale: Okay, so the reason why I am asking this question is if I actually look at your O&M revenues from nine-months basis which at actually about 106 Crores the point which has highlighted earlier of versus to 86 Crores. If I take that kind of 18% to 20% margins it is about 19 Crores order profit and out of whatever nine-month you done it implies that your project business has showing the EBITDA level margin of about and we get a 11% is that understanding correct. I understand there is an absorption level issue but I just trying to understand that is there a 11% negative EBITDA margin implied it could be 10% could be 11% or whatever but is that the understanding correct?

Rajiv Mittal: Actually in the specific period what you are referring to.

Pranav Gokhale: I am talking the nine-months period sir in that quarter.

Rajiv Mittal: Yes in that period then you understand overseas there was only one project which was contributing significantly and that was from the yearly operation maintenance job and that was having a lesser contribution imagine that the average which I mentioned to you. So it was on the EPC jobs were also contributing in terms of contribution margin but they are at the EBITDA level if you are asking they are very low at 3% to 4% level.

Pranav Gokhale: Okay, because otherwise this maths do not add up actually. So I thought first let me ask that question. Sir then I am just correlating it to a consol guidance if I understand it correctly you said on a reported number of 52 Crores you will imply a 30% growth rate is that correct. So with employees just a 6% adjusted profit growth because there was this one off versus 50% topline growth. So even on a consol basis somewhere there is a market rate, which we are taking at the EBITDA level could you highlight where it is. It is just purely because revenue is growing in line with your expectation of 15% point profitability is probably not so is there somewhere where you have been seen competition or with to do what at the EBITDA margins are going up?

Rajiv Mittal: As we have said before that we had assumed there was be no revenue coming out of Libya and that is the reason there was seen as shrinkage of our revenues and the bottomline in our international subsidiaries. As we just shared with you in this quarter we have booked in Saudi, in Turkey this orders of hopefully when we have see the execution plan of the act, we will be able to make something and that is what I said our aim is to make this international subsidiaries by end of this year to black (ph) Euro if we do that obviously our bottomline will improve but this were the revenues guidance and the bottomline guidance we had given right at the start of the year we are not change it but there is the good change that we will be able to beat our revenue as for as the bottomline guidance in the coming quarter. But that this unless we see the execution plan of Saudi Arabia and of the Turkey projects it is too early to commit anything.

Pranav Gokhale: Okay, so do I understand this Saudi Arabia and Turkey maybe at a lower margin than maybe our Libya project what we were in?

Rajiv Mittal: No, they are at least Saudi Arabia will be equal margins yes Turkey is not going to be at the Libya margin maybe slightly lower but the Saudi Arabia is almost a similar margin.

Pranav Gokhale: Okay, but going ahead you are confident of having that 15% topline 15% to 20% topline growth and replicated by PAT level growth at consolidation?

Rajiv Mittal: Yes, we are working towards it.

Pranav Gokhale: Sure, thank you sir.

Moderator: Thank you. I would now like to hand the floor over to Mr. Rajiv Mittal for closing comments.

Rajiv Mittal: Thank you friends for being patient and for your participation in this Q3 FY'12 Earnings Call. We once again reiterate that we are on track to achieve our revenue as well as order backlog guidance we had given in the starting of the year. We have uploaded the analyst presentation as well as the investor presentation of our company on our website in case somebody wants to refer to that. In case you have any further queries you can either get in touch with Strategic Growth Advisors our investor relation advisor or feel free to get in touch with me or Mr. Varadarajan. Thank you once again for your participation. Bye-bye.

Moderator: Thank you. On behalf of VA Tech Wabag limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.