

HERE TO MAKE A DIFFERENCE – HOW WELSPUN ENTERPRISES SUCCEEDS WITH THEIR DIFFERENTIATED PROPOSITION



Welspun World is a stalwart in the Indian business landscape, with a legacy of diverse ventures that have earned it a sterling reputation over the years. Among its various ventures, Welspun Enterprises has emerged as a cornerstone, contributing significantly to the group's enduring legacy. Recently, Welspun Enterprises secured a water treatment project from the BMC, in addition to the already under construction project in Dharavi, Mumbai. We spoke to Welspun Enterprises' Water Vertical CEO, Mr. Yogen Lal, to learn more about this development and the company.

Water Digest (WD): What motivated Welspun, as a prominent entity in various industries, to strengthen its presence in the water sector?

Mr. Yogen Lal (YL): Welspun Enterprises is the infrastructure arm of the Welspun group, and Welspun is a conglomerate with diversified business interests ranging from textiles to pipes to warehouses to infrastructure. So we have a number of businesses under our fold. By 2018, we had already established ourselves as a significant player in the roads vertical. In the same year, as part of our growth strategy, the management recognised the tremendous potential in the water sector, given the country's needs, as well as the general scarcity prevalent in various segments. For instance, in the water sector, we have municipal water and irrigation water, which together account for nearly 90-95% of our consumption. Upon examining these two sectors, the management concluded that they are highly underpenetrated and so they decided to set up this vertical.

This vertical officially started in 2018, and I joined as the first employee. For this vertical, we had a few minor projects that were almost in the operational phase at the time. However, a significant impetus and focus to the water business began in 2018. The first two years were challenging because we are selective in our bids, preferring to bid on differentiated propositions where we can make a difference.

We have certain ticket-size thresholds below which we do not attempt and comply with board-mandated return expectations. Keeping those in mind, we aimed to offer a unique value proposition, which landed us our first order on January 21. In between, you had COVID, which also derailed some of our plans for a year or so.

Nevertheless, we started on January 21, and today we are sitting on top of an order book worth more than Rs. 11,000 crores.

WD: Welspun has secured an order from BMC for the water treatment plant at Bhandup Complex. Could you shed some light on the project and the expected roadmap to achieve the 48-month

timeline for this?

YL: This project marks a significant milestone for the Welspun Group, or any industry player for that matter. It's Asia's largest treatment plant, and likely the world's largest treatment plant at a single location, currently under construction. Given its scale of 2,000 MLD, only megapolises like Mumbai can boast such plants. For this project, we have tied up with Veolia, a global leader in water technology and probably one of the world's largest companies in water.

Our execution strategy is straightforward, with a 48-month timeline for the design, engineering, and construction phases. At the time of bidding, we have already completed the major part of engineering. This project will commence shortly, and we are confident that, given our capabilities in engineering procurement and construction, we should be able to achieve this in 48 months. We'll internally set ourselves a stricter timeline, but we are pretty confident about achieving this, given that our design is already ready.

WD: How does Welspun incorporate innovation and technology to ensure the success of projects like the Rural Water Supply Project under the Jal Jeevan Mission in Uttar Pradesh?

YL: Uttar Pradesh was the first major order for this vertical; in fact, it was the first order since I joined, and that entails supplying water to more than 2,500 villages in five districts of U.P. The approximate contract value is around Rs. 2,800-odd crores just for construction, and then there is a 10-year operation and maintenance thereafter. So the overall contract value, including both CAPEX and operation and maintenance, should touch around three and a half thousand crores.

So that was our first significant win, and I am happy to state that we have already started supplying water to some villages. A number of our schemes are already operational, and we are supplying water to them. We expect this project to be over, maybe by late 2025.

WD: Welspun has also secured a project

at Dharavi for developing a treatment facility. What are the challenges of working in an over-constricted area like Dharavi, and what technologies does Welspun utilise to overcome them? Could you also provide insights into the specific space-saving technology being deployed for secondary and tertiary level treatment of wastewater at the facility.

YL: Thinking of this, 'necessity is the mother of invention,' as they say. So, as far as Dharavi is concerned, it is a very challenging project. It's a 418 MLD wastewater treatment facility. And the unique part of this project is that it has the lowest footprint. There are six other plants that are being constructed in Mumbai, but this plant has probably half the average footprint that is available to the other plants. So, if you look at it convert it into a per MLD basis, the footprint that is available for such a large plant is only 123 square metres. This is within Mumbai, where other plants are 250 square metres, and if you look at Delhi, it is probably a tenth of the area that is allocated. You have similar facilities in Okhla, where I think they have 10 to 15 times the area. Therefore there was no option but to go vertical.

We are using Sequential Batch Reactor technology or SBR technology which is a standard, proven technology globally, with Xylem, our technology partner. However, due to the limited space on site, we have opted for a vertical approach. The SBR structure's estimated height above ground level is 40 to 43 metres, which is comparable to the height of a 15-story building, making this project both unique and challenging. Globally, there are likely only a handful of similar projects and probably not in this scale. Although I understand that there are similar projects in Thailand and Paris, I don't believe they are as significant or large as this one, which makes it a challenging project. The size of the plot available with the Municipal Corporation was the primary constraint.

Significant work has already begun; construction is in full swing. We were awarded the project and started working on it in July,

2022, with a 60-month completion period. We have set a goal to finish it by the end of December 2026. So we expect that we will be able to do it ahead of schedule.

WD: Welspun recently acquired Michigan Engineers Private Ltd. Can you provide insight into the strategic rationale behind the acquisition and how it aligns with the company's long-term growth objectives?

YL: Michigan Engineers, as it was formerly called, has always been a strategic player in urban areas. It is a technology-driven organisation that offers specialist solutions in microtunneling and utility repair solutions. They are engaged in pipeline rehabilitation. They have considerable expertise in tunnelling and are presently constructing three sewage transport tunnels for BMC.

Considering the current urban environment characterised by significant congestion and limited space for pipeline installation, even in the majority of metropolitan areas, we believe that corporations and municipal authorities are compelled to convey water or sewage through tunnels or underground systems. Additionally, Michigan Engineers possess a high level of technological proficiency. In the past, they have been at the forefront of identifying and developing innovative solutions for municipal corporations, thus establishing a technological advantage. As a result, we believed the acquisition to be strategically compatible with our overarching business strategy.

WD: What upcoming strategies and initiatives is Welspun envisioning for its water sector endeavours, both in India and on a global scale?

YL: While we are sitting on a healthy order book currently, we would like to continue to consolidate this order book.

We look for strategic and differentiated plays where we can make a difference. So if you look at Dharavi, U.P. or even Bhandup, for example this plant of 2000 MLD is to be set out in an area of just 6 hectares, which is again probably the lowest footprint in the world. The BMC already has a similar sized plant that was built in 1980;

of 1,910 MLD in the same complex, which occupies almost 20 hectares, so this is about one-third the area available. So, these projects challenge us and we like to attempt these challenges by being able to provide differentiated solutions.

The strategy going ahead will also be to consolidate the order book, looking for such large value projects. There's a lot to be done in India; a lot to be explored domestically.

WD: In our research, we found that you are working on a hybrid annuity model. How do you see the success of hybrid annuity models in the water sector?

YL: The Delhi-Meerut expressway, which we did, was the country's first hybrid annuity project. And it was delivered ahead of time, so we are well experienced. We had a portfolio of road projects that were predominantly hybrid annuities, which we recently divested to Actis. We would be very happy and willing to look at such opportunities going forward as well.

The only thing is that the scale of the project has to be significant, and secondly, it has to be bankable, because ultimately banks would like

to have some comfort. When they look at central government support, they are very comfortable because whether it's NHAI, any other central organisation, or even NMCG, they are comfortable. So, we would be very keen to participate. Recently, there has been some reduction in the pipeline flow for hybrid annuities, but as a policy, we definitely support any such initiative.

WD: Please share any message you would like to convey to the readers of Water Digest.

YL: The message is that water is a very precious commodity. It is our collective responsibility to ensure that it is used and conserved very effectively so that our future generations do not have to be deprived of water in the years to come. I think it is our social and moral responsibility to ensure the judicious use of water.

This interview is a transcript of an episode of our 'Tuesdays With Titans' series. Featuring exclusive interviews with titans of industry, the series can be viewed in its entirety on our YouTube channel.