"Welspun Enterprises Q2 FY21 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to Welspun Enterprises Q2 FY21 Earnings Conference Call hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mohit Kumar from DAM Capital Advisors Limited. Thank you, and over to you, sir.

Mohit Kumar: Thank you, Lissan. On behalf of DAM Capital, we welcome you to the Q2 FY21 Earnings Call for Welspun Enterprises. We have with us Mr. Sandeep Garg, Mr. Ved Mani Tiwari, Mr. Kevin Daftary from the Welspun Enterprises. So without much ado, I will hand over the call to the top senior management. Over to you, sir.

Sandeep Garg: Thank you. Good day, ladies and gentlemen. On behalf of Welspun Enterprises Limited, I welcome you all for Q2 FY21 results concall. I hope that for you, your family and colleagues, are all well and are continuing to take the necessary safety precautions. On this call from the management side, we have me, Mr. Sridhar Narasimhan and Mr. Ved Mani Tiwari. I believe you would have already gone through the financial results published yesterday.

Before we go into the details for this quarter, let me quickly start with recent developments this quarter has had, two major milestones. The first being achievement of PCOD for our project Chutmalpur-Ganeshpur and Roorkee-Chutmalpur-Gagalheri HAM project. We also received appointed date for HAM project Sattanathapuram-Nagapattinam worth 2004 crores (pre-escalation) as a bid price project cost. Meanwhile, to assure you, we at Welspun are taking extreme caution and higher standards of hygiene and safety and are being practiced not only at our Headquarters, but also across all our sites and locations. We are also taking utmost effort and precautions to create awareness and protect our employees from the pandemic of COVID-19. We are also following the guidelines as per the central and respective state governments with respect to attendance at office and policies for safety and wellbeing of our employees.

Now with these words, I would want to move onto the operational performance at our various locations across various sites. Our current manpower is in the range of about 80-85%. In the July to September quarters, labor availability has been in the range of about 70% or there around. Our revenue in Q2 FY21 is up 7% year-on-year and EBITDA margin is at 13.9%. our revenue in H1 FY21 is down by 39% year-on-year mainly due to Q1 FY21 numbers which were affected by COVID and hence are not comparable. In spite of this, we have maintained our EBITDA margin at about 14.3%.

I would now like to update the investors on our current project's portfolio for roads. As you know, our current HAM portfolio stands at 7 projects totaling to approximate value of about 10,000 crores. In addition, we have a BOT project valued at about 2,100 crores. The approximate portfolio of roads stands at about 12,000 crores. The current order book which is unexecuted stands at about 4,370 crores.

Now coming to specific projects. The first project that we completed was Delhi-Meerut Expressway Package I which was completed in the month of June 2018 and the last or the fourth annuity was received in July 2020. As you know, the project has an annuity phase of 15 years, out of which 2 years have lapsed. We have brought down the borrowing cost and the current borrowing cost for the project stands at about 7.8% which is almost close to the revenue or the interest that we get from NHAI which is bank rate plus 3%.

The next project that I would want to talk about it is the Chutmalpur-Ganeshpur and the Roorkee-Chutmalpur-Gagalheri or CGRG project. We received the PCOD for the project on 5th of August 2020 and we are working for it to get our COD as soon as the obligations are completed by NHAI with respect to the balance of works and the change of scope. The third project that I would want to talk about is Gagalheri-Saharanpur-Yamunanagar project or GSY. The physical progress at the end of the Q2 FY21 stands at 98% and we are expecting its PCOD any time now. As to the best of our knowledge, the independent engineer has recommended to NHAI for issuance of PCOD and only the formalities are balance to issue the PCOD.

The third project that I would want to talk about is the AM2 or Amravati project in Maharashtra which is a PWD project. We have completed the physical progress about 71% at the end of Q2 FY21 and we are targeting to achieve the PCOD for this project in this current calendar year. The next project that I would want to talk about is Chikhali-Tarsod which is an NHAI project in Maharashtra. We have completed 66% progress at the end of Q2 FY21 and we are likely to achieve the PCOD for this project during the current financial year. So out of these projects, we expect all these 5 projects to become operational within this financial year. So approximately 6,200 crores value of portfolio orders of 10,000 crores would be completed within this financial year.

Coming to the balance portfolio, the other project is Aunta-Simaria in Bihar. As most of you know that this time Ganga was in spate much earlier than expected and it started rising from middle of June and this being primarily a bridge project where we are working, there has been almost insignificant progress on the project for the Q2 FY21. The other project that I would want to talk about in the road portfolio is the Sattanathapuram-Nagapattinam which is in Tamil Nadu. After a long wait, we finally received the appointed date for the projects on 5th of October 2020. There was a change in the scheme that was finally acceptable to NHAI. They changed the configuration of the road from 4-lane main carriageway and 6-lane structure to 4-lane carriageway and 4-lane structure and this resulted in a slight reduction in the civil cost and we expect the PBC because of this to change in the range of 100 to 150 crores with a proportionate reduction in civil cost as our cost to execute the project.

On this reduction, NHAI handed over at the appointed date, a land of about 29.4 kms or 52.71% as against the requirement of 80%. We expect another 6.1 km to be 10.9% to be handed over to us by 30th of November and additional 6.3 kms or 11.4% by 31st of December 2020. To meet the mark of 80%, we expect about 4.85 kms to be handed over by NHAI by 15th of January 2020. Out of this, 55.75 km length, we expect by 15th of January to have 83.7% or 46.67% land. This project is very important in terms of its value. So it is one of the largest projects in HAM model for the company, and we expect it to start giving the revenue generation in the Q4 of the current financial year.

You know, we acquired BOT toll project from Essel through a harmonious substitution route, which became the concessionaire which is the first harmonious substitution completed by NHAI. The total project cost was estimated at Rs.2,122 crores. Out of which, this Rs.1,593 crores are expected to be completed by us. The project is fully financed and the order book for the company that is Welspun Enterprises stands at about 1,100 crores. The physical progress for this project at the end of Q2 FY21 stands at 53% and it will be our endeavor to achieve the PCOD for this project in the financial year 2021. As you know that once we achieve the PCOD, we would be entitled to proportionate tolling of the project.

Now coming to Water Infra, the major project that we have is Dewas Water project which supplies water to the industrial units of Dewas. The commercial operation for the project began on 30th of April 2019. The revenue for the project stands at 4.7 crores and EBITDA of 2.3 crores.

I would now want to cover the oil and gas sector. There are 4 relevant projects or 4 relevant fields. The first being the Kutch block or GK-1 block. ONGC is the operator for that particular block and we are owning 25% PI on the block and ONGC is in process of developing the field development plant for the project which is getting delayed because of the COVID situation. The other projects which is a substantial 100% owned by Adani Welspun which is a joint venture between Adani and Welspun Enterprises is the Mumbai block or MB-OSN-2005/2 block. We expect the Phase II exploration starting before end of November 2020, the one well that we plan to drill, we plan to start its drilling in a month from now.

The other adjoining field to this block which is the discovered small field called B9. We would drill one well in the B9 field post completion of the well in the Mumbai block. The overall GIIP for these blocks stands at about 0.9 TCF on 100% basis which has been not only estimated by our technical team but has been tier reviewed as well. The economic ultimate recovery from these blocks is expected to be about 70% of the GIIP. As you may recall, there is one more block which is Palej block which is oil bearing block but is under dispute. We are continuing with our efforts to revive the block with Ministry of Petroleum and DGH.

I would now want to move to the current outlook and would want to cover the road. The current bids at the NHAI level are 34 for HAM and about 26 for EPC. So total 60 bids are out for bidding totaling to about 50,000 crores give or take, and two-thirds of these bids are in HAM in value terms and about one-third in EPC. So the company is targeting to bid for these projects both in HAM and also in EPC on a selective basis for the projects which will allow us to achieve our threshold returns. Apart from these NHAI bids, the company is also evaluating road projects at the state level in the states where the payments are not at risk.

On a good note, I would also want to share with my investor community that the company has bidded for its first major project in Nal Se Jal scheme in Uttar Pradesh for an opportunity in water segment totaling to about 2,000 crores. We expect the water segment to unfold and opportunity in that sector has not yet started. The advantage of this scheme is that the substantial money has come from the center rather than only line up on state finances and the support is anything between 50% from the center to 100% on the center depending upon the state and union territory. So, we see a lot of opportunity going forward in this sector and we expect to bid additional 5,000 crores project in water sector in this financial year.

Being a strong and healthy cash flow balance sheet, we expect and are well positioned to do early financial closures of the projects that we went. I assure you that the company will continue to pursue its asset-light model and continue to focus on operational excellence and prudent risk management. With this, I would now want to hand over the call to Mr. Sridhar Narasimhan, the CFO for giving you the financial highlights. Over to you, Sridhar.

Sridhar Narasimhan: Thanks, Sandeep. Good afternoon, everyone. This has been a pretty satisfying and increasing quarter and as far as operations are concerned, we are close to the pre-COVID levels as Sandeep explained. The revenue for the quarter was at 324 crores and operating EBITDA at 38 crores which is 5% up from the corresponding previous quarter. EBITDA margin stood at 13.9% as against 15.2% in the previous quarter. Cash PAT at 35 crores for the quarter and the company has adequate cash to fund the future equity requirement for the ongoing projects and the project in pipeline. The long-term loans are adequately supported by the current assets and as we speak, we have our entire working capital undrawn which gives an additional flexibility to the company in terms of its liquidity position.

With these words, I suggest that we move to the question and answer session and would want to hear from the investors what they would want from us.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Rohit Natarajan from Antique. Please go ahead.

Rohit Natarajan: Sir, my question is more to do with kind of first half has gone through and we still have the labor availability at 80-85%. What will be the revenue guidance at this juncture for FY21 and would you want to hold on to the EBITDA margin guidance too as well?

Sandeep Garg: Thanks, Rohit for this question. To answer your question short, yes, we are holding on to our guidance on both revenue and the EBITDA margins.

Rohit Natarajan: Sir, my next question will be more on to long-term outlook, if I have to look at numbers from FY23 perspective, you have hinted that you are looking at a very good traction of order inflow for this particular year. Can you talk about any guidance of order inflow part especially on road segment because we see that there is a lot of lag in terms of when you get the order and when it starts the construction? What exactly is the quantum over there and why for order inflow part so that you have a sustainable revenue coming in FY23 onwards, something of that sort?

Sandeep Garg: So, Rohit, to answer your question, there are two-pronged approach that the company is taking. We recognize that the HAM and the BOT projects, there is a lag between the order 1 to order conversion and execution. So, we have started looking at strategic opportunities in EPC place as well, which get converted into revenue generation quickly. So that is one aspect that the company has responded to the current opportunities. The second is that even with the current order book on the road, we have a clear visibility of 2 years of revenue which is forecasted, so which is a healthy situation wherein there is no time lag per se as you say. So I think the company has responded in 2 ways to the situation of a lag between order 1 to order conversion to revenue.

Rohit Natarajan: Sure sir, I appreciate that part. Sir, more to do with the cash position, I understand the gross cash position is robust enough, but when you look at from that net debt, net cash position, that has actually a little bit stretched a bit, what exactly is the outlook over there? I understand you have some plans to sell off the assets once you get the PCOD in place? Are there any talks that is going on? What stage are we in terms of asset monetization?

Sandeep Garg: As I have been saying, we will be taking a portfolio approach towards assets monetization. We believe that once we have the PCODs and the CODs of this balance projects that we expect to come on within this financial year, that will be the most opportune time to create a portfolio and talk about investor interest in these projects. However, to liquidate our equity, we do an interim stage of refinancing the projects once they achieve the PCOD and draw the additional debt which we can draw because we do not draw the full debt during the construction phase which allows us approximately 30-50% of our equity return immediately and thereafter, we wait for the portfolio to build up and liquidate the portfolio. We followed the same principle in Delhi-Meerut, and we expect to follow the same in the balance projects which are getting completed.

Rohit Natarajan: Sure sir. And finally if I may, I just have the question on Sattanathapuram project. The descoping or that portion which was supposed to be removed from the order backlog, has it been done, is that being considered when you talk about the current order backlog?

Sandeep Garg: That is correct. We have factored that in.

Moderator: Thank you. The next question is from the line of Mohit Kumar from DAM Capital Advisors Limited. Please go ahead.

Mohit Kumar: Sir, my first question is on the water segment. You said that you were participating in the UP Jal Jeevan opportunities and I believe all the tenders were bid out somewhere in April, May and June. Is that right? And secondly, do we see any further opportunities in the Jal Jeevan, JJM across the country because we have not seen any other states coming out as tenders in JJM apart from Uttar Pradesh?

Sandeep Garg: Thanks for the question, Mohit. The project that I refer to are the Nal Se Jal scheme in Uttar Pradesh. It is a large plan that Uttar Pradesh has come up with and it is as recent as yet today that the bids went out. So it is not the May episode that we are talking about. So Uttar Pradesh has come up with that. If you look at currently, Rajasthan is already in the process. The second is if you see, Maharashtra has already started the empanelment of advisors for similar schemes. These schemes practically will be spread all over the country because this is a quick method of making the water available to the villages for household purposes. I think it is taken a bit of a time to for the center and the state to configure the way these projects are going to be done because these are going to be large projects, but however, I think these issues have been settled and we see lot of such opportunities coming in a very quick succession from now.

Mohit Kumar: Secondly on the Mukarba Chowk – Panipat project, I think have you started the execution and what kind of run rate we are expecting in H2 FY21? And what kind of run rate we are expecting in FY22 and is there any case for extending the concession agreement or this extension is primarily linked to the traffic or given the delay and everything, is there something on the block to extend the concession agreement?

Sandeep Garg: So to answer the question on Panipat - Mukarba Chowk, the project is in full swing execution as we speak, and we expect the PCOD level execution to be achieved within this financial year. So from 53, we will quickly reach to a level of 75% plus of the land available so as to be able to get the PCOD. So that is number one question answered to you. In terms of the extension, yes, there is a provision on the contract which measures the traffic at the 2025 and based on this, the project can have an extension of up to 25% of the total contract period due to traffic violations. So this will only be determined when the actual traffic is measured over a period of 3 years and how this traffic growth sees. So that is as far as the extension is concerned. Yes, that is our reason of extension on the project which are obviously due to COVID which is the case in every BOT project which is already an announced policy by the government. So that is another reason of extension that we see of collection of toll period. Have I answered your question, Mohit?

Mohit Kumar: Yes. And I was looking for the kind of run rate which can come to us on the quarterly basis going forward for our P&L? So if you can help…

Sandeep Garg: If we have to hit the PCOD in the Q3, we expect it to be at least every quarter anything between 18-20% to reach from 53 to 75 plus. So we expect the promise to be in the range of 15-20% on quarter-to-quarter basis.

Mohit Kumar: Understood sir. And sir, thirdly on the Sattanathapuram – Nagapattinam, have they started the talk on the financial closure of the project? On which kind of rates are possible? And linked to that question is there was a talk from the industry of removing the bank rate, linking the payment to the MCLR or some of the SBI base rate. Has there been any progress do you expect it to happen or do you think this is still not apply for retrospectively, it will apply only prospectively?

Sandeep Garg: It is a very tricky question, but I will answer the easier portion of it quickly. The easier portion of the SNRP is the project is totally financially tied up. So there is no financial tie-up required for the project. It is totally financially tied up. So we have no problem in starting the project and completing the project. And coming to the question of bank rate, whether it will be done prospectively, retrospectively or will it happen, the answer is the industry is really pushing it for applying it to both prospective and retrospective projects. How the government will deal with it is something that is only the government knows, but the industry is definitely pressing very hard and hopefully, the government will respond positively. The government has been responding to the industry challenges across board, not only for infrastructure in a positive manner because this reduction in bank rate is primarily because of its response to COVID-19 situation and not a natural reduction in bank rate.

Moderator: Thank you. The next question is from the line of Sanjay Parekh from Nippon India Asset Management. Please go ahead.

Sanjay Parekh: We always followed a discipline of asset-light model with least working capital guzzling, has been margin focus and executed on time. So this character is what we have adhered to in all our projects. So the question is the acquisitions that we did for Essel and you did explain, but just a little bit on that. When you do these acquisitions, what sort of return thresholds do you keep in mind? Also what recent bids that you submitted for the UP Nal Se Jal, what sort of returns can we get there? Essentially, the question revolves around the discipline that we have maintained in all our HAM biddings. Also, are they better for the projects that we are bidding in the water and the activation project?

Sandeep Garg: Thanks, Sanjay. Interesting question, why did we acquire Essel project and what is the return that we are expecting? So, the rationale of acquiring the Essel project was that we are seeing a significant change taking place in the way NHAI or the MoRTH is looking at the toll projects. This project had sufficient history of toll collection since it is a 6- to- 8-laning project. And we could rely upon a reliable data point of the toll collection. The other reason was that this was partially completed, and we saw a lot of upside on the project, the returns on the equity level were phenomenally high and it had reasonable amount of equity so as to justify this investment. And it was a quick turnaround project, so to get into a project somewhere in the month of June-July or a year and to be able to achieve a PCOD for the same in that same financial year is a very quick turnaround for the equity. There are prospective buyer and suitors for this project which have been approaching us even prior to our entry. So there was a reasonable surety on our ability to flip it at a reasonable number. And to answer your question, is the return expectation higher than the HAM returns, the answer is yes, it met a higher threshold than the HAM projects. That is the rationale of our getting into the Essel project. In addition to that, it is a marquee project and visibility across to the most important populous, a lot of people get the brand value and there was a lot of suffering that was taking place for the people on that road, which I am sure is going to be recognized by the authority and the people when you give them the release. So these are the few rationales that we applied in addition to our normal return threshold. In terms of the water bid, it is an EPC bid. It is not investment bid for the Nal Se Jal scheme in UP and it is pretty well funded by the central schemes. So we expect same level of return that we would expect on HAM, thanks our equity investment. So we are not an investor here, we are just returning, taking a return on EPC and whatever EPC margins we expect on our HAM project is what we would be making in these projects as well. This is what our target is.

Coming to the question of continuing to the discipline of bidding right and executing it better, I can assure you we will not, these are our principles, these are not token of negotiation. These are the values that we live by. So we will continue to do so. All our decision makings will factor in, two things for sure. 1) Am I going to be able to complete the project in time and will I make the returns that I need to keep for my stakeholders and can I derisk that returns? So these principles will apply all across, Sanjay.

Moderator: Thank you. The next question is from the line of Nirav Shah from GeeCee Holdings. Please go ahead.

Nirav Shah: Sir, few questions. Firstly, in your opening comments, you mentioned that you will selectively look at EPC projects in the road segment, if you can just elaborate on that front how competitive we can be in that space?

Sandeep Garg: Nirav, it is a competitive landscape for sure and in the project, we will have to find ways of being competitive. We believe with the experience of about 10,000 crores worth of orders executed or under execution, we have found the way of doing these because we need to complete the projects before the HAM return start to click in. So we have over the last 3.5-4 years understood the way we can optimize the PC cost in the competitive scenario will we win the projects, the answer is only bids will tell us how competitive we are, but we definitely believe quantum of work around or to be executed in the country, there will be select opportunities and I do not want to grow very big very soon. It will be a gradual buildup as the way we build up our HAM portfolio, similarly we will build up our EPC portfolio if we get our pricing right and if should we not be able to find the right solution for returns, we will look at adjacencies rather than getting into a model which is infavourable in terms of our revenue recognition.

Nirav Shah: But it will remain in asset-light business if at all?

Sandeep Garg: It shall even remain asset light. We do not have the intent of becoming asset heavy at any given point in time.

Nirav Shah: Second question is we are amongst the 15 players who have prequalified for the passenger train operations. So, how are we looking at opportunities in that space per se? What was the thought process behind bidding and what is the outlook over there?

Sandeep Garg: So railway as you know, the worldwide it is known as inroad and passenger train is going to be a stable means of transportation. So the company enlarges views to think about that this is a new business, that is a first-mover advantage to anybody in the railway. So we decided to get into it. We believe that with our kind of balance sheets and our kind of thought process in terms of looking at infra space, this could become a stable business line and hence went into the prequalification of this bid. Now, we do generally believe that there is value to be made there; however, this is the matter of more detailing whether at that price points we will bid, etc., which is too early to predict that and it will also be determined by the stakeholders that come along in this journey of looking at privatization of railways. But I think our journey has begun on the railway side which has started with the stations, now the rails or the means of transportation. I think the journey has begun and we want it to be having a first-mover advantage to try and make this is synergistic to our current portfolio and can we make a dent and create a business line which is we return expectation if we qualified.

Nirav Shah: And just the last question of clarification. You mentioned that the revenue booking from the Tamil Nadu project will start from 4Q onwards?

Sandeep Garg: That is correct.

Nirav Shah: So we will reach the threshold, have we started the work over there?

Sandeep Garg: We were already mobilized on SNRP where we have done some work during the development to sales before the situation of court case happened. So we have fully mobilized on that. So we are taking over the land; however, at this point in time due to COVID and other situations, we expect the extension of time to be granted by the client primarily because of the reason of COVID and the design that is required to recommend the request of changing the structure from 6-lane to 4-lane. So we expect anything between 3 to 6 months of extension being granted by the NHAI and post the monsoon and these minor changes to the project being agreed between the parties, we expect the revenues to start increasing from Q4 of FY21.

Nirav Shah: What is our guidance? It is 15-20% or you can just update that?

Sandeep Garg: The guidance is approximately 15% of revenue growth between FY20 to FY21.

Moderator: Thank you. The next question is from the line of Sagar Parekh from One-Up Finance. Please go ahead.

Sagar Parekh: My question is on the oil & gas business. So till now, how much have we invested in total in the oil & gas segment?

Sandeep Garg: So our book is approximately 250 crores at this point in time towards oil and gas business.

Sagar Parekh: But that is on the book, we would have written off lot of things. So broadly if I have to look at the cash flow, how much cash would have gone into oil & gas business?

Sandeep Garg: In terms of our total investment, it would be standing somewhere around 500 crores. Out of which, about 250 crores are written off already, is possibly where we are.

Sagar Parekh: And another 100 crores is mentioned in the press release that is yet to be invested in oil and gas?

Sandeep Garg: Yes, that is correct.

Sagar Parekh: So basically 600 crores is the total investment that we would have made by the end of this financial year in oil and gas and there is no sign of revenue, forget about profitability, but no sign of revenue. So in terms of capital allocation, this comes out as a concern, it has been almost 4-5 years that we have been investing in oil and gas and there is no sign of return coming our way. So what is our thought process here and how should we look at this business going forward? And when should we expect the first line of revenue to come through?

Sandeep Garg: Sagar, as you know, oil & gas is long gestation period, E&P and I have not seen any company achieved from the exploration phase to revenue in less than 7-8 years. So that is a normal business cycle that you look at because to just to tell you how the oil and gas works is that you first bid out for the project and you do the assessment studies for the project and you interpret those studies and find whether there is insufficient trust that there is a likelihood of finding the oil and gas. And based on that, then you plan for a drilling plan which gets approved by the DGH and Ministry level, then you plan for those wells. These are long-term planning. And then you go ahead and execute, you establish the resources. Once the resources are established, then you go ahead and take those reserves certified. And then you do a field development plan and then that is when you start to get the revenue. So this is a normal cycle of oil and gas. So we are following the cycle that has happened. However, to answer your question in a short manner, our intent is to prove the reserves because we have invested substantial cash into the business, is to prove the resources and once the reserves are proven, track and monetize those resources by way of exiting from a PI and make our returns of investment quickly enough so that we do not see us becoming a large enough player in the business house that we are. We want to stay in a situation in a particular field if we can be a large enough player on that particular share. So our modus operandi for this business would be that we will exit the business by selling it to players who have a long-term view on it rather than going full on or the developing the fields ourselves. So that is where we are. We will know a better position on these projects, both these two fields, that is the Mumbai block and B9 somewhere around, we should complete the drilling by March and should have reasonable clarity on the resources available by June 2021.

Sagar Parekh: So basically FY22 also would we be seeing some incremental investments in oil and gas or like this 100 crores would be the peak and let us say this 600 crores which that we have invested would be the peak investment that we would make in the oil and gas business?

Sandeep Garg: So this is the peak investment that we expect to make in this oil and gas and then we expect the larger sales to take over because there are substantial resources in the block is our belief.

Sagar Parekh: So FY22, would we see any kind of monetization of any of the blocks, the two blocks that you mentioned?

Sandeep Garg: So Sagar, it would be premature on my part to say that FY22, we will be exiting the business, but it is fair for me to say that 22, we will have the clarity as to how many resources we have in these 2 blocks and we will start our attempt to engage with the players to see how best we can exit from those businesses.

Sagar Parekh: Fair enough, but at least we can hope that these 600 crores, there would not be any further capital going from our balance sheet to the oil and gas business?

Sandeep Garg: We have no intention to invest more at this point in time. This business as I said, our intention is to exit and not to get deeper into it.

Moderator: Thank you. The next question is from the line of Rachit Kamath from Anand Rathi Shares & Stock Brokers. Please go ahead.

Rachit Kamath: So sir, one of my first question is pertaining to the revenue guidance. Even a 15% kind of revenue guidance implies that in H2, we look at revenues of almost around 1500 odd crores. So just wanted to understand which all projects are we targeting for this 1500 crores kind of revenues, if you can give me some kind of because given the fact that we are seeing that Sattanathapuram will only contribute from Q4 and not from Q3 like we could have expected. So just some color on that?

Sandeep Garg: As I said, the balance projects that are 5 projects, we will achieve the PCOD or have achieved the PCOD, so 5 projects, so those projects will be almost complete or nearing completion in terms of their revenue and there is substantial revenue to be earned from Amravati, substantial revenue to be earned from Chikhali-Tarsod. And then we have a huge run rate, as I said to you recently that from the Panipat-Mukarba Chowk, which is in full swing right now. So these projects are going to be the drivers for the Q3 and Q4, I think the SNRP will start chugging in whilst Amravati will start falling off.

Rachit Kamath: So sir, I think this quarter we have done almost around 120 odd crores from Mukarba Chowk, so can we expect around 300-400 crores from next quarter onwards?

Sandeep Garg: We definitely expect that.

Rachit Kamath: Sir, one question was again on regarding the cash reserves that we have. Our cash reserves have fallen down from 267 crores this quarter, so just wanted to understand what was the exact outlay towards this? Is this mostly towards equity infusion and if so, what would have been the amount like which project?

Sridhar Narasimhan: Rachit, Sridhar here. Yes, you are right. It is for the planned equity infusion into the project and predominantly, it has been to the Mukarba project.

Rachit Kamath: Mukarba-Chowk, so I think that would be around 114 crores to Mukarba-Chowk?

Sandeep Garg: That is correct.

Rachit Kamath: And the 50 crores would have been towards your HAM project because you guys gave the quarter-on-quarter estimate additional requirements when we do that. So I just wanted to understand is Mukarba-Chowk and this together comes from 160 crores. So what would have been the other 100 crores sir?

Sandeep Garg: Mukarba and the HAM put together itself covers for the entire cash and also on the cash, we also have a debt of around 75 crores which was repaid. The CP has been repaid. From the net cash position, we are the same, but these 75 crores were used for repayment of CP also.

Rachit Kamath: Sir, second thing is that our consolidated gross debt, can you just give us the number for consolidated gross debt as such because I think we could have short up to almost 1600 crores on account of acquisition of this asset?

Sandeep Garg: That is correct. On a holding ratio, yes, 1600 crores are gross debt.

Rachit Kamath: Consolidated gross debt, right? And I think you would have already started booking revenues from the tolling, we do the partial tolling because this is a 6-lane to 8-lane project. So I think what would have been the revenue for the quarter, BOT collections?

Sandeep Garg: So the current collections are only Haryana section. It is approximately 50-55 lakhs per day. We do not have an authentic information, but that is the information that we have available. However, since we will be adding Delhi section, that particular section will also get added for our tolling purposes.

Rachit Kamath: So this will get added from March 21 onwards like when we get the PCOD or how it…

Sandeep Garg: We are entitled to collect the toll on the proportionate basis for the length of road that we have completed from the PCOD date.

Rachit Kamath: Sure. And sir one last question will be on the water project that we say 2000 crores, so we are the sole bidders for this project because I think bids are now open on this, so we have bid for this project?

Sandeep Garg: We have just bid for this project and only today, technical bids are open. Most of the projects that we have bidded, there are 5 to 6 bidders that is there, but the work is substantial, and the other reason is that it is not an L1 bid concept. It is also a concept which an L1 bidder gets a particular portion of it and you can match the price of the L1 bidder and take the balance work despite not being L1 bidder. So this concept of the way it is structured, it still allows you to take up the bids, it is not 0-1 game, it is a shifting of game that plays in. The price is fixed at the L1 price level.

Rachit Kamath: So let us say if you bid, you are willing to match the L1 price or how would they differentiate the person who has come L1 and now that you are coming to meet the L1s price?

Sandeep Garg: So each person has a bid capacity and they have bidded for the number of villages that they want in a particular revenues division and there is a pre-declared method how these villages will get allocated, how much maximum the L1 bidder will get and the balance villages will still be available to L2 players.

Rachit Kamath: And this will be like somewhat similar to our road margin like on our business we do somewhere around 11-12% kind of EPC margins, these projects will be 11-12%?

Sandeep Garg: Yes, for sure.

Rachit Kamath: And so on the road EPC projects that we are looking at, we are looking at somewhere around 12% or we have to go a bit slightly lower because given the fact that **(Inaudible) 1.0.0** tend to give out our entire work on subcontracting, we will have to afford some margins to the subcontractor?

Sandeep Garg: I think we do not lower our return expectation. We change our business models to make those returns. We do not change our return expectation, to us return in the business is of critical importance.

Rachit Kamath: I think the last question I am looking at for you, what kind of order inflows are we expecting this year sir?

Sandeep Garg: As I have been maintaining between water and road, split between the two of them, I would want to win at least 3000 crores plus orders in this financial year.

Rachit Kamath: This will be split of equal split or like some no split like just between water and roads...

Sandeep Garg: I am agnostic to the split as long as my returns are maintained.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for your closing comments.

Sandeep Garg: Thank you, everyone. So it has been a very interesting quarter for the country and for the company. Welspun Enterprises continues on its journey of operational excellence on a portfolio of approximately 12,000 crores at this point in time. We, the company, shall remain focused on value unlocking through recycling of capital and I thank you all for joining me on this investor call and should you have further questions or queries, please get in touch with our investors relations team which will be very happy to address any questions that you may have. Thank you and good day.

Moderator: Thank you. Ladies and gentlemen, on behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.