TRANSCRIPT: Welspun Enterprises Limited Q3 FY2022 Results Conference Call

3pm IST, 03 February 2022

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Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY2022 Earnings Conference Call of Welspun Enterprises Limited 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. Thank you and over to you Sir!

Mohit Kumar: Thank you, Steven. On behalf of DAM Capital, I welcome you all to the Q3 FY2022 earnings conference call of Welspun Enterprises. We will start with a brief introduction follo/wed by Q&A. To start the proceedings, I am handing over to Mr. Abhinandan Singh, Head Investor Relations, Welspun Group. Over to you, Sir!

Abhinandan Singh: Good afternoon everyone. I hope all of you and your dear ones and team members have been staying safe during the wave of the pandemic. As Mohit said, I am Abhinandan Singh and I have recently joined Welspun Group to head the Group Investor Relations function. Today along with me on this forum are Mr. Sandeep Garg - Managing Director, Mr. Ajay Hans - CEO, Mr. Akhil Jindal - Group CFO & Head Strategy and Mr. Sanjay Sultania - Chief Financial Officer, Welspun Enterprises. You would have already received the results and that is also available in our filings with the BSE and NSE. I just want to point out that a copy of disclosures are available on the "Investors" section of the website of the company as well as in our filings with exchanges. Do note that anything said on this call which reflects the outlook towards the future or which should be construed as a follow-up statement, must be seen in conjunction with the risks that the company faces. Should you have any queries that remain unanswered for this earnings call, you can reach out to us. The email addresses are all available both in our filings as well as on our website. With that, I would like to hand over the forum now to our Managing Director, Mr. Sandeep Garg. Over to you!

Sandeep Garg: Thank you. Good afternoon, ladies and gentlemen. On behalf of Welspun Enterprises, I welcome you all on the Q3 and 9M FY2022 earnings call. I hope everybody is safe and in good health, and you all are taking precautions to deal with the ongoing third wave of COVID.

I will take this opportunity to introduce Mr. Ajay Hans once again, whom I had introduced last time as CEO and now, he is the Managing Director Designate and CEO for Welspun Enterprises. I had also introduced last time, Mr. Sanjay Sultania, the CFO of Welspun Enterprises. I would want to request Ajay and Sanjay to take you through the operational and financial side of our business while Akhil and I are available for questions and answers or any queries you may have. Over to you, Ajay!

Ajay Hans: Thank you Mr. Sandeep and good afternoon, ladies and gentlemen. The financial results and investor presentation of this quarter has been uploaded on the exchanges and, I hope everyone has gone through the same. Recent surge in Global COVID-19 cases on account of rapid spread of Omicron variant have forced countries to reintroduce strict lockdown measures; however, this time the effect on global economy has been rather scattered and limited.

Before sharing with you the project related developments and operational highlights, I will briefly touch upon the Government's thrust on the infrastructure sector as well as our strategy to encash upon this growing opportunity.

Infrastructure development is the key focus area for the government to achieve a GDP target of about USD 5 trillion for 2025. To achieve this, an estimated overall infrastructure capex needs to grow at a CAGR of 11.4% over FY21-26, primarily driven by spending on transport, water sector and urban infrastructure. The government has over the years, allocated strong budgetary support to the infrastructure sector, which has been continued in the recently presented Union Budget 2022-23 on February 1, 2022.

The major announcement was expansion of national highway network by 25,000 Kms in FY 2022-23. According to IBEF, Highway Construction has increased by 17% CAGR between financial year 2016 to 2021 with around 13,298 kilometers of highways being constructed being across India in financial year 2021. The Government of India has allocated Rs 111 Lakhs crores under national infrastructure pipeline for FY 2019-2025. The road sector is expected to account for 18% of capital expenditure for the FY 2019-25. Among the measures announced in the recent Budget is the expansion of the National Highway network by 25,000 Kms in FY22-23.

Improving water security is essential for India's development. With the expected increase in water demand for over 70% by 2025, a huge demand supply gap is expected in coming years. In 2019, the Government of India had introduced Jal Jeeva Mission (JJM) to provide Functional Household Tap Connection, i.e., FHTC to every rural household by 2025, i,e., *Har Ghar Nal Se Jal*. The estimated project cost for the mission is Rs.3,60,000 crore through which around 14.6 Crore rural household will be provided with FHTC connection. During the Union Budget 2022-23, Rs.60,000 Crore has been allocated to this scheme to cover 3.8 crore households in financial year 2023.

Now, moving on to the Welspun Enterprise strategy, we have been selective in evaluating and pursuing project opportunities and have been focusing into becoming a strong infrastructure player. With a diversified presence across road and water space, our emphasis is also towards building EPC orders from external client engagements, which is currently about 60% of the total order book. We are focused on road sector and simultaneously looking to grow our exposure towards water space where we anticipate a significant opportunity over the next few years.

The order book as on December 31, 2021, is around Rs 7,680 Crores. Road sector contributes to Rs 5,162 Crores and water contributes Rs.2,525 Crores. I am delighted to share that the company received PCOD of the Package No. AM 2 under PWD, Amravati in the state of Maharashtra on November 11, 2021.

With this completion, of the company's total HAM road portfolio of 7 projects of around Rs 10,000 Crores, 5 projects of around Rs 6,300 Crores have achieved PCOD and COD. We expect to receive PCOD for Mukarba Chowk–Panipat project in Q4 FY2022, post some delays on account of external factors. We are also evaluating asset monetization opportunities of our 5 HAM projects and one BOT project.

With this, now I hand over the call to Mr. Sanjay Sultania, CFO for the financial highlights of the quarter ended December 2021. Over to you, Sanjay!

Sanjay Sultania: Thank you, Mr. Ajay and thank you Mohit. My dear friends, ladies and gentlemen, this is the first opportunity I am interacting with all of you as a Chief Financial Officer of this company, and before I start on the financial highlights, I would like to explain to you how the Q3 results has been derived.

First of all, I would like to apprise you all of how we are moving in terms of execution from the order book that we have currently. We have started our journey with HAM project, and we built the portfolio of 7 HAM projects and one BOT project. Out of which 5 HAM projects have achieved PCOD and for one BOT project, PCOD is likely to be achieved in the quarter four.

Now let us understand how the EPC revenue of the completed project have been accounted for in the previous quarter and previous years. At the moment, EPC order book of water and roads is going to be the revenue drivers in the ensuing quarters, as the site in both the projects have been fully mobilized and we have started accounting minor revenues out of these two projects; the major visibility will be seen in the ensuing quarters.

I would say and I would state upon, this would be the major and primary reasons that Q3 revenue looks stressed in the standalone basis and, further the ongoing farmer agitation and NGT ban in one of large BOT project in Panipat has also got majorly affected due to that, otherwise, I am sure, we would have been in a position to account for the revenue slightly better than the previous quarter.

As you know that at the company, we are into two line of business, one is the developer business and second is the EPC business, where the EPC order book was basically flowing from our developer business, but now the situations are changing. Currently 60% of our order book is flowing from external engagements where we are doing one large project in National Highway Number 2 which is Varanasi-Aurangabad Road project and another is the water project, which is also of a large size that we are doing in the UP, under *Nal Se Jal* scheme. When I say these two are going to be our major drivers in the ensuing quarter, but as we touched upon the business for our EPC and the business to developer, now the EPC, as I explained is going to take the major driver. Therefore, from this quarter, we have also included our consolidated results to the investors, and I would touch up on the developer business results also because at this point of time it becomes relevant, because we have completed 5 projects and consolidated revenue is flowing from the EPC business as well as from the developer business. It will be more relevant to understand our consolidated results also along with the standalone results, which we have been discussing with you in previous quarters.

Now coming to the financial highlights, I would like to say that we have reported revenue of Rs 225 Crores on a standalone basis as against Rs 288 Crores in Q3. EBITDA was at Rs 22 Crores as compared to Rs 34 Crores in Q2 FY2022. EBITDA margin in Q3 FY2022 was 9.9% as against 11.7% reported in Q2 FY2022. I am comparing this from the last quarter to this quarter rather than comparing from this Q3 to the last Q3 because in the last Q3 the pandemic impact was major and as explained to you that our developer business order has got executed mostly and now the two new projects, which is our Varanasi-Aurangabad and UP Water is taking the driving seat.

Now coming to the 9 months standalone results, we reported standalone revenue of Rs 867 Crores as against Rs.933 Crores, if you see on the 9-month, the Q3 impact is more vigilant here in 9 months as well, and the reason has already been explained in my earlier remarks and, if you see the EBITDA, EBITDA is Rs 97 Crores as compared to Rs 127 Crores in 9 months FY2021. If you are tracking the results of Welspun Enterprises you will be knowing that in full year financial year 2021 and this quarter we have major projects from which we are driving the revenue was Mukarba–Panipat Chowk, was CTHPL, was Amravati projects which is a PWD project in the state of Maharashtra and I say these two projects we achieved the PCOD and third project BOT Panipat we are likely to get PCOD in this quarter. So, the order book is getting depleted. Now this new order book which is close to around Rs 5,000 Crores is coming on the driver seat, which will drive ongoing quarters.

Now coming to the consolidated revenue, during the Q3, we reported consolidated revenue of Rs 284 Crores, out of which revenue from EPC is Rs 240 Crores and from HAM business is Rs 37 Crores as against Rs 343 Crores in the previous quarter, and the previous quarter revenue from EPC Rs 300 Crores and revenue from HAM business Rs 37 Crores. Absolute EBITDA was at Rs 57 Crores as compared to Rs 68 Crores in Q2 EBITDA. EBITDA margin is Q3 FY2022 is at 19.9% similar to last Q2 FY2022.

If you see the absolute EBITDA, in this consolidated business it is going to be increasing from here onwards and which will bring a business sense of a developer business when we report to the consolidated results so everybody will have in mind that how absolute EBITDA looks as far as when we refer to the consolidated books.

Moving to the 9 months FY2022, we reported a consolidated revenue of Rs 1040 Crores, which is coming from EPC business Rs 917 Crores and HAM Rs 109 Crores as against Rs 1,071 Crores revenue for EPC is Rs 960 Crores, revenue from HAM is Rs 71 Crores as compared to 9 months FY2021. The absolute EBITDA was at Rs 197 Crores as compared to Rs 206 Crores in 9 months period of the last financial year.

On the balance sheet side, our gross debt is at Rs 475 Crores on a standalone basis and we have our ongoing HAM projects where the executions are happening and we are getting to the PCOD, so, we will have some equity commitments in my ongoing projects also, which has been estimated at 227 Crores at this point of time.

With this, I open to floor for the questions and answers and thank you very much for patient hearing. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first quarter is from the line of Nirav Shah from GeeCee Holdings. Please go ahead.

Nirav Shah: Good afternoon, Sir and thanks for the opportunity. I have 3 questions; firstly, if you can just separately give the total project cost, and what is our equity in the 5 HAM projects, and where the PCODs have been achieved and also for Mukarba Chowk project because these 6 projects will be up for monetization right, so if you can just give the breakup of the total number, the total project cost as well as the equity component?

Sanjay Sultania: The equity component if you are able to monetize these 5 HAM projects in one BOT projects, we are expecting the unlocking of equity to the extent of Rs 1400 Crores with potential upside, we cannot know today where we progress in, when we will come to know then we will share with you, and the estimated project cost would be close to Rs 10,000 Crores.

Nirav Shah: How much, Rs 10,000 Crores is the estimated project cost? And you are looking at Rs 1400 Crores?

Sanjay Sultania: Rs 1400 Crores.

Nirav Shah: The second is there has been some news reports about which we are at the advanced stage of negotiations, can you just give some views at what stage are we, any colour on that?

Sanjay Sultania: My dear friend, as I explained in my opening remarks that 5 HAM project and one BOT project, we are in a position to monetize, and that is available for sale yes, a lot of investors are coming and talking to us, but when it gets fructified or crystallized maybe we would the first person to come back and share with you.

Nirav Shah: Second question is our total spending equity commitment as of September was Rs 180 Crores, it seems that you have infused another Rs 59 Crores in this particular quarter, so since the orders are pending, equity commitment should have been Rs 120 Crores, but instead of that we are seeing Rs 227 Crores number from the presentation so if you can just shed some light on which project are you seeing a higher equity commitment from us, what here changed in this quarter?

Sanjay Sultania: See, what is happening, as we are progressing in the project, and as I said our last equity investment in the BOT project, and we have currently 3 ongoing large projects in HAM and BOT, which is Aunta-Simaria, and SNRP and you know these last two projects are slightly delayed in terms of completion and the prices are soaring up in the market for speed and everything, so, there could be some escalations on this account and for the escalation as you know that the 40% maybe, will come NHAI and the 60% we have to account from the equity for the time being, which may crystallize as we get the annuity or toll going forward, so for that we have estimated conservatively we have estimated that Rs 227 Crores that we may plan to infuse in the equity and another is the oil and gas business for the next 1 to 2 years horizon as the project goes on we have just budgeted for that also.

Nirav Shah: Broadly we are budgeting for Rs 100 Crores increase in equity commitment and because last quarter does go through the road projects itself, so you are saying that the project cost escalation on this thing is close to Rs 800 Crores odd?

Sanjay Sultania: No, it is not Rs 800 Crores. See as I said that even we are having the escalation, then 40% in the HAM projects will come from NHAI and 60% we need to invest, it is not a debt equity ratio when it comes forward because this is an escalation which will come in the project let us say Rs 100 Crores, so Rs 100 Crores is to fund maybe 40% upfront, if they come for NHAI as they progress in the project and 60% will come along with the annuity and toll, so it is not vis-à-vis cost overrun or something like that in this point of time but when we do the revised CTC on a monthly basis, on the basis CTC when the price escalations on price are in the right trend WPI, index, we keep on budgeting.

Nirav Shah: This is very clear that Rs 100 Crores increase part of it will be funded by NHAI, so not everything will come to us?

Akhil Jindal: I think we have to clarify this with them. This was about the funding basically any cost increase either it is being funded through equity or debt, now we have not accounted for any debt increase, we only accounted for what we may see from NHAI and other than NHAI we have presumed that everything would be funded out of our own contribution unless we tie up the debt or get a lender's approval for the higher debt- equity ratio.

Nirav Shah: So this is conservative number?

Akhil Jindal: Yes. So your calculation of 100 versus 800 debt is true., you are right, traditionally our equity component is 12%, so you have done that math, I understood the logic, but the fact is that today we are not doing any cost escalation from additional debt.

Nirav Shah: Got it and just last question, Brent is close to $90 just any update, are we trying to accelerate monetization of oil, still the thesis remains the same that is upon production only then we will look for new buyers if you can just share some thoughts because $90 there should be a lot of interest for our fees in asset so if you can just share your thoughts on this particular thing? Thanks.

Sandeep Garg: Oil and gas, you are right, it is the commodity cycle that we speak unfortunately or fortunately, most of these are gas bearing and gas is something which is a sustainable pricing thing because of the LNG, etc., so in terms of monetization the initial exercise was to try and get the reserves certified and we are likely to get the certification from the accredited in the DNM within this quarter post which we will be in a position to show how to monetize these assets going forward.

Nirav Shah: Thanks.

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

Rohit: Thank you for this opportunity. I am not too sure if I missed the opening remarks but what could be the outlook on this Panipat BOT project. Earlier this farmer agitation was impacting the execution, what is the situation now, I think that it should come back to the execution mode, so how much of execution can be expecting and how much do we anticipate that number to translate in FY20223?

Sandeep Garg: To answer your question, you are right. The farmer agitation has been called off and it has been a big respite both in terms of execution and the PCOD of the projects. It is also true that the project is now in a situation that it can be pushed for completion, however, as you are aware NGT has put a ban for the execution between December-January, which is becoming an annual affair right now in our NCR, which is impacting our ability to progress the project, however, it is in the end of January, we have appeared excess to the site as well as the clearance of NGT, so, in next 2 months we expect the progress to take place and the PCOD will be achieved within this quarter.

Rohit: Sure, Sir, my second question is more to do with the other projects earlier we had sand impacting issues with the SNRP project, then rain impacting, we have Aunta-Simaria, what happened to these projects, are they like back to mobilization, what exactly was it about?

Ajay Hans: I think you are referring to our Aunta-Simaria project and SNRP project?

Rohit: Correct.

Ajay Hans: So, these 2 projects have been streamlined and we have mobilized in full swing. Works have started, so you may see the turnover coming right from next month onwards on these projects. As far as SNRP project is there, it is a running project and we have achieved a milestone of 30% progress in that and going forward we are targeting to continue a good progress on these projects, these are fully mobilized and work is going on in full swing.

Rohit: If I have to say that earlier we were talking about an order backlog that you already have of Rs 75 billion plus would be Rs 76 billion, with that kind of amount we could be in a position to do Rs 30 billion executions by FY 2023, what is the situation right now?

Sanjay Sultania: This is Sanjay Sultania here. We did talk about the order book that we have a Rs 76 billion odd or Rs 7,600 Crores, you must understand when this order was bagged, you see out of Rs 7,600 Crores roughly about Rs 5,000 Crores is getting mobilized in this quarter. This you can say this would be the first quarter and the second quarter when it comes then we can see the visibility of execution because you can see this is the first financial year they have started mobilizing on this order book and the balance order book is coming from our developer business which is ongoing where we have already discussed that SNRP is slightly has been a challenging project which just now Mr. Ajay Hans said that now this project is also coming on track, when we talk about 5000 Crores then in FY2022-23 maybe from the next quarter onwards we will have a more visibility because the project is just mobilizing and in the next financial year as I said in my opening remarks also is going to be the revenue driver for this 2 projects which is UP JJM water project and this road which is National Highway 2. These 2 projects is going to the revenue driver for the current financial year or I would say current quarter also.

Rohit: Sure, if I fairly understand, earlier you were talking about an L1 of Rs 35 billion MCGM project Municipal water body project, what is exactly the situation there?

Sanjay Sultania: I would request Mr. Sandeep Garg to put some highlights on this, please.

Sandeep Garg: The situation is that, a couple of days back the projects have been, the tender process has been annulled and the process of rebid has started, so we have opened L1, and that process will no more carried forward we will have to be bid for the projects.

Rohit: Sir, in terms of order inflow in that case what exactly is the strategy like, will we be focusing only on EPC projects or there will be a mix of HAM plus EPC, how it that strategy looking like?

Ajay Hans: I would say it will be a mix of the projects both HAM as well as EPC, like we are trying to unlock some equity so the moment we have some unlocking on this, we will continue to win new HAM projects as well as EPC will be the focus simultaneously.

Rohit: Sir, if I have to look in terms of the order backlog, how you want to strategically position us, do you want to have the 50% EPC, 40% HAM, 10% water project, how do you know initially look at this strategic, from a strategic point of view how you see that number?

Ajay Hans: Going forward it is very difficult to say right now, but on a very approximate basis it might be 50:50.

Rohit: So, 50% HAM and 50% will be EPC?

Ajay Hans: Yes, that is correct.

Rohit: Earlier I was also given to understand that you are looking at some railway projects too, for case in point that Lucknow Railway Station DBFOT of 14 project, but what happened over there?

Ajay Hans: We have submitted our prequalification bid for these projects but there are uncertainties and planning at the government side, so we are waiting for it. The moment these things are cleared, we will go ahead with it, but we are exploring the real feasibility on these projects.

Rohit: So, help me understand on the strategic part like once you said you have an EPC and now you also want to take up the DBFOT model of railway project too, so that is like, as such any business model, it may be very different from what you are doing right?

Ajay Hans: The main focus is on HAM and EPC where we have the clear visibility, these are the new areas which we are exploring and we might be exploring some other areas, which we will be bringing it to you in this quarter onwards.

Rohit: So, strategically earlier that we wanted only road or maybe mix of road and water is now going to foray into railway and other sectors too?

Sandeep Garg: Let me address this that the strategy is clearly derived out of one simple thing, what is the competitive intensity and what is the ability to have profitable business. As you are aware roads have right now highly competitive environment and that management, it has been decided to be cautious in that area till the time the pricing gets stabilized and commodity prices also stabilize, as a prudent business house, we want to continue to do de-risk the business so we look at the adjacencies, the adjacencies for the road are also being looked at, so we are looking at railways and the risk and reward is something that we are willing to take a position on, we will go ahead with those options otherwise it will be an exercise of exploration.

Rohit: Sure, Sir. That is it from my side, thank you. Thank you for answering all my questions.

Moderator: Thank you. The next question is from the line of Giriraj Daga from K M Visaria Family Trust. Please go ahead.

Giriraj Daga: Sir, my first question you mentioned that the mobilization has come in this quarter, but if you can give some number, the ballpark number for FY2023 execution so what kind of EPC revenue we are building for FY2023?

Ajay Hans: As we have told our EPC order book is around Rs 5500 crores approximately as of now and generally these projects goes in the range of 2 years to 3 years depending upon when you get notice to pick these and clearance to go ahead on that, so looking into these figures, I feel it should be improving, the turnovers must be improving you can see those numbers started including from the first quarter of the next financial year.

Giriraj Daga: That looks possible because in this quarter, absolutely, the number is very low, but ballpark number, will it be Rs 400 Crores to Rs 500 Crores, quarterly run rate now going forward or this is still a tall task from here?

Sanjay Sultania: This is Sanjay Sultania the CFO of the company, see it is very difficult to quantify at this point of time, but as I said earlier also, maybe I am sure you must have been on the call that this EPC project which is water project and the Varanasi-Aurangabad project is taking the driving seat as far as the revenue gross is concerned and also said that in Q3 the site has been completely mobilized and in Q4 we will start recording the revenue out of this 2 projects and so FY2022 and FY2023 from that perspective looks very bright, but at this point of time quantification is difficult, but any hindrances or any other kind of sort of challenges we are not perceiving at this point of time.

Giriraj Daga: My second question is on order inflow guidance; would you be able to have some thoughts there like what is the kind of order inflow we are getting let us say in FY2023 and in fourth quarter also?

Ajay Hans: We will be bidding very cautiously on the roads side, for the time being looking into the hard competition and simultaneously we will exploring contracts from other new areas, which we are exploring and water is going to be another main focus sector, so we're looking forward for high value contracts in all of these 3 areas, so there should be defect order book which should increase time better.

Giriraj Daga: Thank you.

Moderator: Thank you. The next question is from the line of Riddhesh Gandhi from Discovery Capital. Please go ahead.

Riddhesh Gandhi: Sir, you know we have been tracking this company, I am a sort of small investor in the long time, just had a couple of questions, with regards to that, the initial I think aspirations that we were expanding into infrastructure was to effectively focus on HAM given the competitive intensity was low and looking at 18% plus equity IRR from what it is appearing some commentary from assets case, which we will do in HAM obviously those equity are rather looking a bit of a stretch so you know as a starting point just wanted to understand what actually went wrong with what we initially thought of in terms of pieces and if you could also explain to us the plan with regards to the region why this time around we keep seeing it differently?

Sandeep Garg: I think there are two parts of the questions, number one where did the pieces go wrong in terms of our revenue, our returns on equity. I think the equity returns have to be seen in light of the EPC profit margins as well as the margins that we are able to execute it, so the EPC margins have come through; however, because of the substantive changes in the policy of the government which is because of the COVID, the bank rates were artificially lower and as you recall that the bank rate, the regime and we did for HAM projects with bank rates were 3%, the overall returns have gone down, also the implementation of GST and the position that the NHAI has taken to the GST, 40% of the GST will be paid and the balance 60% with the annuity payments has eroded certain returns on the equity invested, but in terms of the returns what we are trying to say the expected, it could be in the ranges of in anything between close to the number that were invested of the amount. I do not think that the hypothesis went wrong because of the buyers. The other thing that has changed is that it has become more of a buyer's market because along with us, TOT, the completed projects of other developers are also into the market and since we are not a stressed company we are not selling at a discount. The overall market itself has evolved differently than what it was supposed to, is my take. In terms of the future business that is what you have. What you were also talking about is the relaxation the government has been brought in for the bidding parameters that there is no bank guarantees requirement for the bids to be put in, the qualification criteria have been relaxed and that is something that we are cognizant off and then we are trying to evolve a business strategy to make sure that we do not get into a trap of winning, winner’s curse.

Riddhesh Gandhi: Sir, got it, obviously stock which we had not expected which is why the initial Welspun into 1.0 has not unfortunately delivered returns on the project but in a 2.0 exactly as you are saying given effect to be speaking the kind of increase in competitive intensity and especially earlier you have highlighted how EPC especially highly commoditized if you will and obviously everything is L1, so what is the strategy of being able to sort of to earn attractive return? I mean how do we differentiate us to be able to do that?

Sandeep Garg: There are two things, one is fortunately for us we have already have given the kind of turnovers that we have, and I do not think this kind of competition intensity is sustainable, as it may be seen that EPC contracts right now are going anything between minus 25 to minus 35 and the HAM projects are going at minus 5 to minus 15, so it is not a sustainable model. This kind of an acceptable vacuum cannot sustain for more than a few projects and balance will get established, so we have the ability to break it out, we are not starving for order book right now, we have enough on our plate to be able to keep the projects going and when we are coming in, the current focus for us is more to concentrate on delivery of the project that we have, there is enough on the plate. By the time I am sure the business realities wear down upon everybody on the bidding will come into the reasonable shape for us to start winning projects.

Riddhesh Gandhi: It is a catch-22 where if the projects are going smoothly and there is no problem with the government and the payment then the competitive intensity continues to be high where it is hard to actually make a high degree of return and in the event the problems arise and people are stretched in terms of the balance sheets or order books or whatever maybe that is where it becomes attractive so this it is sort of either the industry is going well in which case compared with the high and possibly low or there are other issues in the industry in which case is not there now?

Sandeep Garg: As I said we have added the water business and there is competitive intensity, it could be lower. As well as this you will know that there is a clear BOT bidding that is happening and we are mindful of this BOT biddings where the competitive intensity is pretty low if we will structure our risk reward model around that and see bigger projects in hand.

Riddhesh Gandhi: Got it, understood, Sir. Thank you and that is all from me.

Moderator: Thank you. As there are no further questions I now hand the conference over Mr. Ajay Hans, CEO at Welspun Enterprises Limited for closing comments. Over to you, Sir!

Ajay Hans: Thank you, Mohit. I would like to once again thank all of you for joining us today. Your questions were insightful and I appreciate your interest in our business. As I mentioned earlier we have a robust portfolio and a strong order book with a couple of large projects having been mobilized now and starting to generate incremental revenue. We remain committed to uphold our operational excellence and deliver progress and performance. I look forward to speak to you all once again next quarter. Meanwhile, please feel free to reach out to me, Sanjay or Abhinandan for any clarification or feedback. Thank you.

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