"Welspun Enterprises Limited
Q4 and Full Year FY2021 Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the Welspun Enterprises Limited Q4 & Full Year FY2021 earnings conference call. Before we begin, I would like to state that some of the statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainties. 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 telephone. Please note that this conference is being recorded. From the management side we have Mr. Sandeep Garg, Managing Director & CEO, and Mr. Akhil Jindal, Group CFO and Head Strategy. I would now like to hand the conference over to Mr. Mohit Kumar from DAM Capital Advisors Limited. Thank you and over to you, Sir!

Mohit Kumar: Thank you Mallika. On behalf of DAM Capital, we welcome all the participants to the Q4 FY2021 & FY2021 earnings call for Welspun Enterprises. From the management side, we have with us Mr. Sandeep Garg, Managing Director and CEO, and Mr. Akhil Jindal, Group CFO and Head Strategy. We will start with a brief update for the quarter and then proceed to the Q&A session. Over to you Sir!

Sandeep Garg: Thank you, Mohit. Good day ladies and gentlemen. On behalf of Welspun Enterprises, I welcome you all for Q4 & Full Year FY2021 results concall. I hope that you and your family are keeping well and taking necessary adequate care. On this call from management side, I have Mr. Akhil Jindal with me.

As we continue to sail through these unprecedented times, we at Welspun are extremely cautious and are following higher standards of hygiene and safety. In order to create awareness and protect our employees we are putting additional efforts and have implemented these across all our locations. I am thankful to all our colleagues for rising to this challenge and ensuring business continuity. I am confident that these times will bring out new learning's and would shape us to emerge stronger and more resilient as an organization.

I will cover the key business highlights and later Akhil will take over for the key financial highlights. Now, let me first begin with quickly recapping the recent developments.

Welspun Enterprises has through the process of Harmonious Substitution agreed to take over a Hybrid Annuity Mode project that is six-laning of existing Kozhikode Bypass Road of NH-66. This is in the State of Kerala and the existing concessionaire is Calicut Expressway Private Limited. The proposal of Harmonious Substitution has been submitted by the existing concessionaire to the lender and lender in turn has recommended the same to NHAI. As you all know the proposed report is subject to the NHAI approval. To recap the details of the project, this project has originally bidded for a 28.4 kilometer length is approximately of Rs. 1700 Crores. The current estimated bid project cost due to the price index escalation stands at about Rs. 1900 Crores and the first-year operation and maintenance is Rs. 6.3 Crores. Our proposal is to take over this project in a wholly owned subsidiary of the company.

Coming to the other development of Varanasi Aurangabad NH2 Project for which the company has entered into agreement with the concessionaire to execute the procurement and construction works the discussions between the concessionaire and NHAI are in final stages for the de-scoping, proposal and terms thereof. You would recall that this project is supposed to have a de-scoping to a certain extent for the land which is not available by NHAI; however, our current proposal is only for 136 kilometers of the road of which RoW is completely available out of the 192 kilometers which is in total length for the project. The contract value for these 136 kilometers of the road stands at Rs. 2366 Crores this is inclusive of GST. We expect the project construction to start somewhere in August 2021 and is likely to be completed in 24 months.

Further, the disclosure that we made in the Q3 FY2021 earnings call, I would want to brief about the water segment which is a joint venture between Welspun Enterprises and Kaveri InfraProjects, the project that we had won in UP the joint venture share standing at 74% for Welspun Enterprises and 24% for Kaveri. The contracts had been entered into between the joint venture and the authority which is the state, water and sanitation machine department and the expected value for EPC phase is 2544 Crores taken as Rs.1 Crores per village for the villages allotted to us. This excludes the O&M space which is for 10 years for this project this estimate of our EPC contract which is over and above this. The project's final value can only be determined once the detailed projects report for these villages are submitted to the authority, and they have approved by the state water and sanitation machine. So, the DPR are supposed to be completed and the project in totality to be completed within 21 months from that award to 28 months from the award, and thereafter the maintenance period will begin for 10 years.

Updating you on the recent announcements from the joint venture Adani Welspun wherein Adani owns the 65% shares and the Welspun shares is 35%. The Block B-9, which is in the area of the Tapti-Daman sector of Mumbai offshore. Just to recall this project was Discovered Small Field, which was won by the entity in the Discovered Small Field Round-1. In this block ONGC had built three wells and declared it as a find above these three wells produced approximately 10 million cubic feet of gas per day during testing. I would also want to say that this block is strategically located to the major block that we have which we called Mumbai Block or MB-OSN-2005/2 for which the potential commercial viability has already been declared by the company. In this B-9 block we have done the coring of the gas zone during portion, and this has been subjected to various advance stage studies to ascertain the potential reservoir of the field. The current estimate for this particular block that is gas initially in place or GIIP as we say is expected to be about 85 billion cubic feet. With these two adjoining blocks giving a GIIP of approximately 600 billion cubic feet we plan to do a field development in a synergistic manner, which should include the commercial viability of both the blocks.

I would want to now talk about the order book as on March 31, 2021. Our current completed or under construction HAM portfolio stands at seven projects growth approximately Rs 10,000 Crores out of which three worth Rs. 3400 Crores has achieved COD/PCOD and others are in advanced stage of implementation. Additionally, we have 1 BOT project of Rs. 2122 Crores the same is also in advanced stage of implementation taking the total portfolio of PPP road projects to about Rs. 12,000 Crores as on March 31, 2021. In addition to the HAM and BOT portfolio of roads we have one project on procurement and construction basis worth the contract value of Rs. 2366 Crores including GST. As on March 31, 2021, the EPC order book stands at 8437 Crores which includes Rs. 5893 Crores of road and Rs. 2544 Crores in water segment. This order book excludes the Kerala project which you have proposed to take over as through the route of Harmonious Substitution as the agreements are still not in place. This order book gives us the visibility of revenue for the next two to three years.

Now I would want to cover the specific road and water projects. Delhi-Meerut Expressway Package 1, the project has received its fifth annuity in January 2021 within the stipulated time. We have refinanced the project with the top up loan of Rs. 65 Crores and the present effective rate of that is 7.82% per annum.

The other project Chutmalpur-Ganeshpur & Roorkee-Chutmalpur Gagalheri which we called CGRG, this project has received the PCOD on August 5, 2020, and the first annuity has been received. This project also has been refinanced at a very fine rate of 7.75% per annum with a top up loan of Rs.58 Crores.

Coming to the third completed project Gagalheri-Saharanpur-Yamunanagar or GSY project, this project received its PCOD on October 31, 2020, and has received its first annuity on a timely manner. The project is also refinanced at the rate of 7.75% per annum with a top up loan of Rs. 63 Crores.

Coming to the under-construction projects the Package AM II of Maharashtra Amaravati project from PWD the physical progress for this project is about 79% at the end of Q4 FY2021. Payment from Maharashtra PWD has been received for the third milestone is complete. We have also built for the fourth milestone of the project; however, part payment there against has been received from the client.

Coming to the Chikhali-Tarsod Road project or CTHPL as we say the project is right now 83% complete at the end of Q4 FY2021 and the payment for fourth milestone has been received from the client that is NHAI.

The third road project under construction is the Aunta-Simaria Road Project or ASRP. The physical progress for this project is about 26% at the end of Q4 FY2021 and we have received all payments in a progressive manner under Atmanirbhar Bharat Scheme on a monthly basis.

The last project HAM project under construction Sattanathapuram-Nagapattinam or SNRP as we call it. The project received an appointed date on October 5, 2020. As you would recall that the project authority changed the construction or the configuration of the project. It was changed from a four-lane road and a four-lane structure from the existing or we proposed or the earlier bidded four lane road and six lane structures. We anticipated last time that the negative change order could be in the range of about Rs.100 Crores plus. However happy to inform that the negative change order for this change in configuration as has been estimated and recommended by NHAI is 29 Crores thus the bid project cost which was 2004.5 Crores is now approximately 1976 Crores at the base value. For this project the first installment of mobilization advance has been received and the second mobilization advance payment is under progress.

Coming to the only BOT project that is Mukarba Chowk-Panipat Road project or MCRP as we call it the project is physically complete by 71% by the end of Q4 FY2021.

Talking about water infra I would first want to cover the Dewas water project. The project started its commercial operations at the end of April 2019 in FY2021 the revenue stands at about Rs. 10.3 Crores with EBITDA of Rs.5.3 Crores. In this project both revenue and EBITDA have taken adverse impact due to extremely low take off by industrial clients which are facing lockdown or are stressed due to inactivity due to pandemic.

Coming to the outlook, outlook in the road project seems to be healthy. The HAM projects of NHAI are about 27 to be bidded at this point in time with an approximate value of Rs. 31,000 Crores. We will continue to selectively bid for these projects while preserving our threshold return expectations. Apart from NHAI Welspun Enterprises is also evaluating road HAM projects of state and municipal agencies provided those are healthy states or municipal corporations. We are also selectively bidding for EPC and BOOT toll projects and when I say selectively it has to meet our return threshold requirements and should be value accretive for the business line that we have. On the water segment the Jal Shakti Ministry's "Har Ghar Nal se Jal" scheme of providing drinking water access to all by 2024, is expected to result in an opportunity of 60000 Crores over the next four years, as a company we will continue to actively focus these projects. Company is also looking at adjacency in railways to diversify its offerings. We will continue to explore inorganic growth opportunities through a majored risk return parameters to valuation.

As a company Welspun Enterprises wealth position for early financial closures of new projects one, given its healthy balance sheet and cash position.

The company will continue to pursue the asset light model while focusing on operational excellence and prudent risk management.

With this I would hand over the call to Mr. Akhil Jindal for financial highlights. Thank you.

Akhil Jindal: Thank you Sandeep. This was a very elaborate commentary on each and every point. So good morning everyone clearly the numbers which has come through late last night I do not know how many people got a chance to go through it, but just with a quick summary.

The revenue in the last quarter which is Q4 FY2021 was around Rs. 505 Crores this was go up by 24% on a Q-o-Q basis and a 12% on a Y-o-Y basis, but clearly as Sandeep mentioned we got severely handicapped due to various reasons so this numbers could have been much better, and FY2021 revenue is of course Rs. 1410 Crores we expect that going forward all of this revenue which had been deferred to the next quarters in the next years to be able to make good for that, and clearly because of the agitation, Kisan Rally and NGT ban in the Northern India Delhi region there has been a setback on the order execution.

Also, we had been developing a healthy order book position which would mean that lot of visibility on the future revenues are something that we can probably say are now available to the company and in that sense going forward the revenue numbers would be expected to be far more better.

The operating EBITDA in the Q4 was 70 Crores which is up 15% on a Y-o-Y basis and good thing is that at Margin side we have been moving around our guided number of 12% to 13% on the EBITDA side and this quarter we had done a little better at 13.9%, but again 12% to 13% EBITDA Margin is something that we have been focused on so it is a profitable growth that the company is promising and trying to deliver and in that sense though there has been a setback on an execution front, but clearly the EBITDA was not compromised and this will be the trend continue going forward.

Cash PAT is 43 Crores for the Q4 and 130 Crores for the entire year. Now of course all of this cash gets really deferred in the business so this is one number that we very, very carefully tracked and as I mentioned as the revenue line becomes higher and higher the cash PAT will also become higher and higher going forward.

I just want to take a pause and tell you a little bit about the investment and what we have done on the balance sheet side. So, till March 31, 2021 the company has invested substantial amount of money in our businesses so almost Rs. 2000 Crores (Rs 1940 Crores to be precise) is something that we invested into the businesses. The breakup is Rs. 1030 Crores in HAM projects, Rs. 444 Crores in the BOOT assets Rs. 93 Crores in the water BOOT project and Rs 320 Crores in the Oil and Gas sector and Rs. 54 Crores in other assets.

What it means is that these are all investments into the future and all of this roads project as Sandeep mentioned are either getting complete or about to get complete so these are something which has been very, very productive assets and of course the silver lining has been the Oil and Gas sector where up till now we had not been able to give clear guidance but now with the recent discoveries and the technical reports that are available with us, we feel very confident about this investment that we have made.

Significant amount of the company is invested and you would see almost Rs. 2000 odd Crores that also means that our future investment requirement based on the current order book based on the current projects is also significantly down, our existing projects need only Rs 220 Crores for the HAM and the BOT and Rs. 40 Crores for the Oil and Gas. So total of around Rs. 260 Crores is what we further need to invest and against that our cash balance at March 31, stood at Rs. 375 Crores.

So, one possibility of some liquidity events into some of these assets that we are holding number two the profit generations in this coming year and of course a better efficiency and a better collection at the client end all of this could mean that there is no challenge as far as the cash flows are concerned. So going forward we would believe that the company will remain substantially invested into this asset and as we liquidate some of them, we will also be looking at new avenues at the same time the financial position of the company is quite well established.

The debt on the books is hardly anything if I count the total debt that is Rs 602 Crores which is Rs. 500 odd Crores in the long-term actually Rs 475 crores is the précised number and the balance is interest accrued as on March 31, and short-term debt of Rs. 97 which is more of a working capital so clearly the against the networth of close to Rs. 1800 Crores and the debt of Rs. 500 odd Crores on a long-term basis is hardly let us say debt to equity of 0.3 times.

Clearly all of this money has been judiciously used to make further investments into these projects and which are now almost reaching to the completion stage, many of them are reaching to the completion stage, some of them will be significantly covered in this financial year also.

With this I take a pause and invite questions from anyone and in that sense I can only want to give an assurance that both from the rating side as well as on the fund raising side the company has seen superfine in its cost of fund 7.25 is what we have got from for our AM II project, 7.5 around about for our GSYC Gagalheri project, naturally some of the COD letters are still to be received. Once we get that it will be 7.5, 7.6 levels currently being 7.75% and as we go forwarded our endeavor would be to refinance all of these projects not just refinance but also be able to get a much higher loan which can further improve the liquidity of the company. With this we open the floor for the questions and answers anyone have any questions you please feel free to reach to the operator and they will guide you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rohit from Antique Stock Broking. Please go ahead.

Rohit: Thank you for the opportunity. Sir very strong order backlog and a strong outlook I suppose is on the cards. Just to elaborate on that particular point the Calicut Expressway HAM project that you have under negotiation. What is the timeline you expect this particular project to be a part of your order backlog. Also my second question will be given the current scenario backlog that we have in fact if you have that Calicut orders we could be starting at order backlog of 10000 Crores and the execution period of three years has also been considered which is the stretched by all needs we should be standing at a revenue run rate of 3300 odd Crores kind of number is it something that as company is thinking on this line, could you just elaborate on this line?

Sandeep Garg: Taking from the first question, Kerala project we expected finalization should take place in next 60 odd days so that is what our expectation is at this point in time, and we would want to start the work post monsoon so that synergizes practically with the timeline as well. Coming to your question of the order backlog stands that it is a healthy order backlog and we will expect it to be liquidate it in three years however your estimate with this right but I would want to avoid giving any guidance at this point in time because of the uncertain situations of pandemic which can upset the any forecast given that if the situation does not get worse and the pandemic situation improves and we do not try into the challenges that recently and we are run into I think we should be able to target the numbers positive liquidating this order backlog in over three years.

Rohit: Now just to follow-up on the earlier part, what is the labour availability and other execution level of efficiency that you see on the ground as of now?

Sandeep Garg: It has slightly improved but it is still now at the level that it was prior to the pandemic there is still a challenge and there is a productivity challenge as well because of the COVID appropriate behavior does put some pressure on the productivity as well. People are learning to live with this challenge, and this is I think over few months or some period this will become a normal way of working and we should be want to see the productivity rise. The other issue is that obviously in a team if few people fall sick, the teams itself becomes unproductive to a large extent so those challenges continue; however, I think the situation is that by and large people have expected that this is the way to work and hence are coming back to work.

Rohit: I understand the point, but if we have to quantify a number because say 80%, we are back to pre-COVID levels or 70% we are back, some number is there any number that you want to talk about?

Sandeep Garg: It is also a geographically spread issue but at a macro level at a company level we would say about 75% to 80% the workforce becomes available we still are studying to get the balance back to work.

Rohit: Sir I have one more question it is more to do with your strategic composition of your order backlog. We have done exceptionally well. We have walk the talk about stilting our order backlog exposure to EPC in fact as I see right now 30% you have water exposure of EPC and you have 25% coming from road EPC so 55% of the order backlog is EPC. Is this EPC exposure going to be external EPC exposure I meant going to be the major driver ahead is there a number that you can quantify and how the order backlog composition would come from an EPC project?

Sandeep Garg: We would deliberately want a healthy combination of various offerings that we make. As you know these are large orders that are booked so any guidance on that the EPC target mix is difficult thing to do; however, I would want to be at least a business which is stable at least on three models of three offerings to make into the market so that it becomes sustainable situation. It does not change with the value of competitive intensity as well as the change in the government procurement processes. So, this is my intent so if you see I am also targeting the private players to make sure that to certain extent the projects or my reliability of revenue is just not dependent upon the government procurement processes.

Akhil Jindal: I think just to add clearly in the last five years of the operation of the company effectively the company has developed few skill sets which can be replicated in other businesses also so when we started this whole business we were focused on HAM road assets and slowly we move to water now we are also had been invested in oil and gas and the same model can be replicated in some other areas now of course we are playing a much larger role in the water with the UP villages and other things so the model is same basically so wherever it is profitable and the same skill sets can be used and the developers role can be played along with EPC is something we would like to balance it out.

Rohit: Finally, Sir my last question we were targeting close to 6 HAM projects which will achieve this year and we will get them into a monetization phase that was the target in FY2021. I understand FY2021 was a challenging year. We have achieved the three projects. We have COD on two projects, one is already operational, are we targeting another three more I think projects maybe the moderation drive can be kick start that process this year FY2022 do you see such possibility?

Sandeep Garg: This question has two parts. Let me talk about the first part of that when do we expect the PCOD rate for the balance project, so we expect in the next quarter within the next quarter the Chikhali-Tarsod, Amaravati, AM II, and the Mukarba Chowk-Panipat Road projects to achieve PCOD. So, the expectation is within next 30 to 90 days these projects will achieve the PCOD so the bouquet of offering will become substantive for us to approach the market.

Akhil Jindal: We also think there is a process to this I mean this is not something which can be done overnight. We have seen the projects achieving PCOD then the revenue line gets established on the PCOD date the further assurance comes in the mind of people both lender as well as investor when the annuity gets received and the balance whatever are the punch list gets complete. So, I would say we would be ready in not before six months time to be able to offer the entire completed project portfolio as Sandeep mentioned the aim is to get liquidity in this financial year, but clearly we want to do many things before we start offering. For example, the refinancing is something that we believe that we are able to do it at a very fine effective rate, which ultimately benefits the incoming investor. Second is completion of the project completely and establishing the track record of annuities and other things so these are the few things that you will continue to do so and once all those three, four checkbox which are important for the investor and important for us gets did then it is a time for the effective monetization.

Rohit: That is, it from my side. I thank you for those detailed explanation and for further questions I will get back in the queue.

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

Riddhesh Gandhi: Just wanted to understand on your oil and gas how should we think about potential MPV of that business, the dilution of the business and how should we be going back to that?

Sandeep Garg: Riddhesh the only thing that we can talk about right now is water resources are in the block so which is about 600 billion cubic feet and I can give an idea of what it will serve in terms of revenue means; however, what it will take to develop this field water what the IRRs will be, what the NPVs will be determined by the field development plan that will get developed over the next six to eight months so to give you an idea and this is something which is just to give an idea rather than anything else at a gas price level of about $7 per MMBTU and a commensurate price of about $55 per barrel this resource what we can produce approximately values at around $4 billion so that is the revenue potential that we are talking about. As the field development plans are just gets firmed up and the actual commercials can be worked out we will reverse back to you all with what we see in this sector.

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

Nirav Shah: Thank you for the opportunity. I have few questions. Sir firstly in the UP water project we own 74% while we have accounted for 100% of the orders now so what is the nature of our agreement with our partner Kaveri Infra Projects for this particular project?

Sandeep Garg: To answer your question Nirav it is the construction per se is 100% belonging to the Welspun Enterprises so 100% construction EPC work is to be done by the Welspun Enterprises. The partner in the business is looking at building up the books for the project.

Nirav Shah: So, is there any share in terms of any amount that we have to keep in annually or some part of your profit to your partner?

Sandeep Garg: Nothing significant.

Nirav Shah: Sir second question is now on the media reports we were L1 in the one of the Mumbai entity projects what is the status of that? Any update that you can share?

Sandeep Garg: So MCGM projects are because of the COVID came to kind of slow movement; however, I think the movement will begin now so the authority has started interacting on those projects and I think the clarity shall emerge in next 60 odd days as to what is likely to happen on those bids that are already in.

Nirav Shah: Akhil Sir if you can just repeat the breakup of our investments of Rs. 1940 Crores that we just mentioned can you just please repeat the numbers?

Akhil Jindal: Nirav I will do that, so total of Rs 1940 Crores, so the HAM project comprise of Rs 1030 Crores, it is HAM road projects, the BOT road project is Rs 444 Crores, water BOT Rs 93 Crores, ONG Rs 320 Crores, and Rs 54 Crores in other assets. So, this is the breakup of Rs 1940 crores that we have invested as of March 31.

Nirav Shah: Coming on the Oil and Gas front pending equity is just about Rs 40 Crores so can we expect any revenue contribution to start in say second half of both quarter is it possible to see something in this particular year?

Sandeep Garg: No Nirav not a possibility. This year we have been only develop the field development plan and get it approved by DGH.

Nirav Shah: So next year should we start any sales?

Sandeep Garg: No see once the field development plan is approved somebody will have to execute that field development plan it takes about two years and then the revenue starts.

Nirav Shah: Against the book investment of Rs 320 Crores in oil and gas what is the actual investment that we have done?

Sandeep Garg: That will be around Rs 500 Crores plus is the actual investment in terms of cash inputs.

Akhil Jindal: We have taken some write-offs in the previous year so you are right this is the net off figure so total being 500 Crores as a company plus minus so a few Crores here and there is what we have done.

Nirav Shah: Thanks a lot Sir and all the best.

Moderator: Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.

Prem Khurana: Thank you for taking my question. There are two question, so one was on the liquidity even that you have spoken about in your opening remarks so basically two questions here one was given the fact that when I look at the portfolio I mean we have already have three operational assets and Chikhali-Tarsod what at in PCOD very shortly even the aim would be able to get the COD in place soon so from PCOD standpoint and we would have everything in place but then basically on returns the bank rates at 300 basis points and even after the refinancing number that you spoke about 7.5% still seems to be some kind of gap so the idea would be even have wait for disconnect to kind of correct and then approach the market or we do not mind compromising little in terms of valuation but go ahead with the transaction because the idea is to kind of show and cash flow then look for more growth opportunities if you could share your thoughts on this please.

Sandeep Garg: Let me try and give that answer though it is not a straight answer so clearly all of the segments will have been at your right value let me make that as a first statement. There is no pressure of any kind because we are well funded in the company and to that extent the debt equity ratios are well under control net debt to EBITDA is very, very healthy so there is no I would say liquidity issue because of which we have to exit these assets at any distress value. You are right the interest rate regime during COVID had been unfavorable to us where the interest rates reduced by the RBI which is bank rate which is the revenue line for us has been around 120 BPS while the reduction in the cost of raising has been around 70 BPS. So there has been a difference of 50 BPS roughly which has got created as a negative carry in our books which used to be positive earlier; however, having said so this is not the I mean we will not like to just wait on this basis. Clearly the cycle will correct itself. This is anomaly due to external factors and we believe that this will get corrected pretty soon. As I mentioned, we are waiting for the asset to be ready once the assets are ready more in the second half of the year where five or six assets will be COD the revenue line established, annuity collected all the pre-work and all done that is the time when it would start aggressively in the market. I think I tried to answer to your question so at a right valuation we will be certainly keen to exit this asset.

Prem Khurana: Sir just wanted to understand how do you see NHAI's decision to kind of either go to TOTs or private InvIT now is what they are talking about do we see NHAI if they are able to come up with these kind of things on a regular basis on a very frequent basis I mean could come to crowd out market because when you look at the buyers especially in the private market get to feel, I mean there are two three more buyers and there too many sellers in the market today and decide there are number of private players also there in the market if we try and outflow their portfolio. So how do you see NHAI's decision to go ahead with private InvIT to kind of impact monetization process in general?

Sandeep Garg: I think the market is big enough for all of this to be observed in a right manner. Let me tell you all this institutional players in this country are far and few and to that extent the NHAI TOTs are well received and going forward whenever the NHAI private InvIT comes into play it will only widen the market and it will attract more global players than what currently India has so while you may say that it may compete with some of our plants but at the same time it will attract more growth capital from the international giants who are waiting for the right assets for the right size and it would be very conducive for the industry in a medium to long run.

Prem Khurana: Second question was on our strategy because I think when we started the business and we are looking at as ownership business wherein the idea was to kind of outsource the construction part and manage the design and the financing part whichever you generally get to create more value for the shareholders gradually we have been able to kind of size up our third-party EPC now including this Varanasi project that you have today would that make you kind of go and build your own capacities in terms of construction activity and in terms of the Varanasi project I mean would you be require a kind of support this project in terms of working capital cycle because somehow we hear from the market is not doing great in terms of liquidity at this point in time?

Sandeep Garg: So you have two questions part this questions as two. Number one that in terms of our business model we are now capturing most of the value chain other than the construction so we believe that we will have construction partners to some extent and that is the model going forward we shall follow. We will continue to try and increase our share and the value chain in terms of engineering and procurement. The second part of the question that you raised is about the liquidity of the project that we have taken was because of the challenge is Soma per se is looking at so as we understand this the project currently has enough money in escrow because of the past collections and rest assured that they do not need to put in any equity from Soma or any other player of any substance so there is we would not have taken this project and it has not been that it is already liquid to the extent that the contract has been entered into.

Prem Khurana: Just last from my end Sir, I mean, if you could share your thoughts on your margin profile that you envisage for the water supply project side, and would these be comparable to the number that we have seen in the past or because there is bought out component as well in these projects?

Sandeep Garg: To answer the question we are extremely aware, and we are very mindful of the bottomline when we talk about topline. Our return expectations of water are equal or slightly higher than road and they are not lower than the road I can assure you, so we do not expect the margins to go south what we expect the water to contribute for the margins to go in outwards.

Prem Khurana: Thank you that is it from my end. Thanks a lot for answering my questions.

Moderator: Thank you. The next question is from the line of Meet Vora from DAM Capital. Please go ahead.

Meet Vora: Thank you for the opportunity. My question was regarding this stressed asset segment so now basically in these segment we are acquiring few projects from the vendors so does it mean that the return expectations are better in this segment and the follow-up question on this is that the order book of 84 billion does this new HAM project is also consider in this calculation?

Sandeep Garg: So to answer the second part we are not accounted for the new HAM projects in the order book until those exhibits are in place we will not be accounting for it. Now coming to the return expectations we get opportunities to look at secondary acquisition almost every month a few of them come through to us and we only look at the projects which meet our return threshold expectations so we take almost 1 out of 20, 25 opportunities that we look at.

Akhil Jindal: Also when you use the word stressed I want to just clarify that the project that we have taken tantamount to any haircut by any lenders if at all by us coming into the picture the viability of the project has only improved with a better equity commitment in a more timely execution so we are not looking at stressed in that technical word. For us the projects are early stages where the projects has not probably started the work or maybe some small work has been done and we come up for the large part which is as such we are bidding for this project ourselves. So it is a choice between a buy versus bid model and in that sense as Sandeep has rightly said whatever fits into our internal criteria are important for us I mean otherwise taking these projects are so easy we could have promised about three time to book them that what we are currently telling you but that would mean that we would have compromise on our return expectations.

Meet Vora: We can turn that as harmonized substitution that we are getting?

Sandeep Garg: These are favorable to us and nothing acrimonious about it NHAI is supporting it. The lenders are not against that. They are not aggravated they are not having any haircuts so it is all in about a split.

Meet Vora: I had one more question from my side regarding so I just wanted to know the order inflow guidance for FY2022 and specifically I also wanted to know the pipeline for order inflow in water segment?

Sandeep Garg: I think we have a very healthy order book at this point in time. We are availing the water segment the large project which is yet not decided whether which way it is going are about 2500 odd Crores EPC value. In terms of this order pipeline there are enough orders in the market as to how much we would want to pick will depend upon what happens to this major order that we are awaiting a decision on, we do not want to grow at a rate which we cannot sustain in operational excellence and deliver the project in timely manner so we would be very prudent in our decision making as to what to pick and what not to pick.

Meet Vora: So can we give any number on that?

Sandeep Garg: We can only say that we will want to definitely have this order which we are L1 and if that is the case we are not going to in this year at least the initial six, seven, eight months we are not going to be targeting any major project thereafter but at the end of the year or early next year we would want to target a few parts. We want to phase that out.

Meet Vora: Thank you so much. That is all from my side.

Moderator: Thank you. Ladies and gentlemen this was the last question for today. I would now like to hand the conference over to the management for closing comments.

Sandeep Garg: Thank you everyone. I really appreciate your participating in this investor call. From my side, I can assure that Welspun Enterprises will continue its journey of operational excellence on an approximately 12000 Crores road portfolio and additional about 2500 Crores of water portfolio. We remain focused on value unlocking through recycling of the capital. I thank you all for the questions. If there are any further queries you may please get in touch with the Investors Relationship Team who would be very happy to respond to your questions. Thank you, good day and be safe. Thank you.

Moderator: Thank you. On behalf of DAM Capital Advisors Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.