



# “Welspun Enterprises Limited Q1 FY-25 Earnings Conference Call”

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**MANAGEMENT:** **MR. SANDEEP GARG – MANAGING DIRECTOR,  
WELSPUN ENTERPRISES LIMITED  
MR. SAURIN PATEL – MANAGING DIRECTOR,  
WELSPUN MICHIGAN ENGINEERS LIMITED  
MR. LALIT JAIN – CHIEF FINANCIAL OFFICER,  
WELSPUN ENTERPRISES LIMITED  
MR. SIDDHARTH BHARDWAJ – HEAD (INVESTOR  
RELATIONS), WELSPUN ENTERPRISES LIMITED  
MR. SALIL BAWA – HEAD (GROUP INVESTOR  
RELATIONS), WELSPUN WORLD**

**MODERATOR:** **MR. VAIBHAV SHAH - JM FINANCIAL.**

**Moderator:** Ladies and gentlemen, good day and welcome to Welspun Enterprises Limited Q1 FY25 Earnings Conference Call hosted by JM Financials.

As a reminder, all participant lines will be in listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need an assistant during the conference call, please signal an operator by pressing “\*” then “0” on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vaibhav Shah from JM Financial. Thank you and over to you Mr. Shah.

**Vaibhav Shah:** Thank you Manav. On behalf of JM Financial, I welcome everybody to Q1 FY25 Earnings Conference Call of Welspun Enterprises Limited. I will now hand over the call to Mr. Salil Bawa - Group Head Investor Relations of Welspun World. Over to you sir.

**Salil Bawa:** Thank you Vaibhav. Good afternoon to all of you. On behalf of Welspun Enterprises Limited, I welcome all of you to the Company's Q1 FY2025 Earnings Call.

Along with me, I have with us today Mr. Sandeep Garg - Managing Director, Welspun Enterprises Limited; Mr. Saurin Patel - Managing Director, Welspun Michigan Engineers Limited; I also have the CFO – Mr. Lalit Jain; and Mr. Siddharth Bhardwaj who Heads Investor Relations for Welspun Enterprises.

We hope you have had a chance to review the Investor Presentation that we filed with the exchanges yesterday. The same is also available on the Company's website. During today's discussion, we may be making references to this presentation.

I request you all to do take a moment to review the Safe Harbor statement in our presentation.

As usual, we will start the forum with the Opening Remarks by our leadership team and then later on we will open the floor for your questions. Once the call gets over, should you have any further queries that remain unanswered post the earnings call please feel free to reach out to anyone of us. With that, I would now like to hand over the floor to Mr. Sandeep Garg.

**Sandeep Garg:** Thank you Salil. And good afternoon, everyone. I welcome you all to the Welspun Enterprises Q1 FY25 Results Conference Call. I thank you all for being present today. I am happy to share that we have made steady progress in the execution across all our projects and our subsidiary Welspun Michigan in the concluding 1st Quarter of Fiscal 2025.

This progress has led to growth of 28% on year-on-year basis in our consolidated income to Rs.960 crore against Rs.750 crore in Q1 of last year. That's the momentum achieved in the 1st Quarter gives me reasonable confidence that we will remain on track to our guided performance for the Full Year 2025 of Rs.4000 crores on consolidated basis. We expect that

EBITDA for the consolidated basis for the year FY25 will be in the ranges of 700 to 750 crores.

Our subsidiary Welspun Michigan Enterprise Limited, WMEL has commenced FY25 on a strong note, with revenue of Rs.144 crores which is a jump of approximately 64% year-on-year. Saurin will share further details in his opening comments.

Our standalone order book right now stands at Rs.11,600 crores which includes Rs.3700 crores of O&M, this healthy order book gives us the visibility for the future revenue. Our subsidiary Welspun Michigan has an opening order book of approximately Rs.1500 crores thus making our consolidated order book to about Rs.13,000 crores. Please note that the order book of 13,000 crores excludes EPC bids of approx. of about 2000 crores across Welspun Enterprises and Welspun Michigan where we have been shortlisted as L1 bidders. These L1 bids have not been included in the order book. We are hopeful that these will get awarded in the current quarter.

To sum up, we have a healthy order book which you all will appreciate, offers clear revenue visibility over medium term. We are working to add around 4000 to 5000 crores of new orders in the current financial year over and above converting the L1 bids into order. These potential new orders will be across all verticals.

We have created water vertical approximately six years back and as on June 30th, 2024 close to 70% of our EPC order book is from water projects. This achievement is a testament to the vision of the Company. The size and scale of our water portfolio as well as the global collaborations and partnerships we are working with give me immense confidence of what the future entails for this vertical. My confidence in the water sector is further enhanced by the honorable Finance Minister's announcement that the central government along with the states and multilateral development banks will jointly promote water supply, sewage treatment plant and solid waste management projects in 100 large cities through bankable projects.

Within our transport vertical, in the road segment, we remain positive on potential opportunities through the new BOT toll structure. I am happy to note that the government is currently considering eight road projects of Rs.50,000 crores on BOOT basis. We will explore these bids, but at an overall level this augurs well for strong balance sheet developers like us. On EPC and HAM, we will continue to be very selective with the projects that we bid for both at NHAI and state government levels.

It is close to one year of our acquisition of majority stakes in WMEL. We have worked out joint strategies to target opportunities in tunneling that combine WEL and WMEL's capabilities to grow in this niche area.

I feel immense pride in sharing that not only Welspun Enterprises has been recognized and certified as a great place to work by GPTW but we have been recognized as the best in

industry for construction and infrastructure. And also we have been ranked at number #37 amongst India's top 100 great mid-sized workplaces.

All the projects namely Dharavi STP, UP JJM under Har Ghar Nal Se Jal scheme, in water vertical, and Aunta-Simari, Sattanathapuram Nagapattinam and Varanasi Aurangabad road projects are running as per currently agreed schedules with the client.

I would like to take a moment to brief that we have recently started Bhandup water treatment project. The project is to be designed and constructed within a period of 48 months from the notice to commence, which took place on 22nd July 2024. I would like to share that this project is unique in many ways. It is one of the largest water treatment plant currently being built around the world with a capacity of 2,000 MLD. This project is spread over footprint of 16 acres approximately which is the most efficient use of land area. I would also like to say that this project is critical for freshwater reliability for Mumbai region. We are happy to be associated with the project of this importance and also to be associated with world's most prominent water treatment Company that is Veolia as technology provider. Happy to share that our preconstruction activities are progressing at a good pace.

During the quarter, we continued with our efforts for development of oil and gas field blocks housed in the joint venture Adani Welspun Exploration Limited and we had few meetings with the regulator for approval of our field development plan. Subject to the approval of the field development plan by government, our endeavor is to commence gas production by FY26-27.

With this, I now hand over the call to Mr. Saurin Patel – MD of Welspun Michigan Enterprise Limited.

**Saurin Patel:**

Thank you, Sandeep and good afternoon, everyone.

I am happy to share that we started FY25 with revenue of Rs.144 crores a year-over-year growth of 64% this is the highest quarterly revenue ever beating the Rs.141 crores of Q4 FY24. I am confident we will continue the momentum into the financial year. This performance has been consistent from a margin perspective. We have achieved a reporting EBITDA of 35 crores, translating to margin of 25%. Both our current projects as well as the potential new wins give me immense confidence of sustaining these margin levels. We have 17 projects, which are spread across micro and segment tunneling, marine, pumping stations, rehabilitation of sewer lines and bridge construction. These combined projects give us an outstanding order book of approximately Indian Rs.1500 crores with another Rs.170 crores of operations and maintenance. This order book is largely executable over the next 36 months. I must add here that I am not including an order of Rs.160 crores from MCGM to rehabilitate underground sewers using glass reinforced polymer liners where Welspun Michigan is L1.

We have been an engineering solution provider for urban infrastructure needs, which is a niche area and we wish to operate in the specialized niche areas of tunneling and water rehabilitation projects on a larger scale. Our year old association with Welspun Enterprises Limited has

resulted in the opening of new avenues of EPC projects, and thus, we see vastly larger opportunities ahead. These opportunities are both from new geographies due to Welspun Enterprises wide reach as well as new initiatives that we are evaluating such as working with new technologies. I would like to share that our discussions with Smart Ops on introduction of a new technology partnership in the water space is proceeding well. We will brief you as the relationships mature.

Our order pipeline is healthy and with the rollout of the new technologies that I mentioned we retain our sights on projects worth Indian Rs.50,000 crores in the medium term. These projects will be bid on a selective basis either directly by WMEL or through WEL.

With this, I will close my remarks and hand the call to Lalit Jain – CFO of Welspun Enterprises Limited for updates on the Financial. Thank you, over to you.

**Lalit Jain:**

Good afternoon to everyone and many thanks for being part of this call.

As our MD shared on the consolidated basis we have delivered Rs.960 crores of total income against Rs.750 crores in Q1 FY24, which is a growth of 28% year-over-year. This marked the highest revenue for any fiscal 1st Quarter. Our consolidated EBITDA is Rs.193 crore against Rs.157 crore in Q1 FY24. Thus making 23% growth year-over-year, this EBITDA works to margin of 20.1%. Our consolidated profit after tax for the quarter is Rs.110 crore, against Rs.93 crores in Q1 FY24 which is a growth of 18% year-over-year. On a standalone basis for Q1 FY25 total income is Rs.776 crore and EBITDA is Rs.129 crore. We have a strong balance sheet as demonstrated by our net worth of Rs.2600 crore. Also we have a cash reserve of Rs.763 crores which will allow us to grow the business to the next level.

With this, we can open the forum for question-and-answer. Thank you.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Parth Thakkar from JM Financial. Please go ahead.

**Parth Thakkar:**

So, yes my first question is regarding the CAPEX investment in the oil and gas segment and also when can we start to see the revenue coming from it?

**Management:**

So, Parth thank you. As I mentioned in my opening statement, currently the field development plan is under consideration at the regulators end and the CAPEX involved in the development will be decided once the field development plan is approved and which we will share with you, post the approval of by the regulator. Also hoping that the regulator approves this field development plan within a quarter, we expect the gas production to start in FY26-27. Exact periods will be known depending upon when the field development plan is approved.

**Parth Thakkar:**

Okay, thank you. And also one more question, previous year and in FY24, we saw almost 48% spike in working capital days in debtor days. So, can you guide us, throw some light on that as well?

- Management:** Can you repeat the question once again please?
- Parth Thakkar:** So, can you guide us on the working capital number of days, is it going to be same in that same range or is it going to fluctuate?
- Management:** Yes, our working capital requirements should not change, they will be in the same range.
- Moderator:** Thank you. We have our next question from the line of Amit Shah from Nuvama. Please go ahead.
- Amit Shah:** So, in extension, I also wanted to get some light on the oil and gas section. So, I was just going through the investors presentation where we have mentioned, we are looking for an early monetization. So, I just wanted to know early means, how far early, do we wait properly for the gas to be commercially produced, run it for a reasonable amount of time till the size grows and then look for the monetization or at what stage are we one looking at monetization of the oil and gas thing one. Also, I wanted to know, what is the already investments made from the share of Welspun Exploration, only the Welspun's part and not the Adani part, what is the kind of investment that we have already made?
- Management:** Okay. So, to answer your first question, if I understand correctly your question is whether we are going to monetize it by way of producing the gas or before that, the answer to that question is that we will be in a position to assimilate this information or decide about it once the FDP is approved, so that their reserves are stamped by the regulator and those are not in question and then at that point in time we will see whether any strategic investor would be interested in this, participating with along with us, failing which we will produce the gas and the gas is likely to be produced somewhere in the FY26-27 range. So, we will be open to both the ways of dealing with the business opportunity. However, the actual situation will emerge, only post the FDP approval and the interested strategic players may have in that capacity. Coming to the question of what is our current investment, it is approximately on the books in the range of 450 odd crores.
- Amit Shah:** That is only the Welspun part right and not the total AWEL?
- Management:** That is correct, it is the Welspun Enterprises investment into Adani Welspun.
- Amit Shah:** I get that. And just sir one more question, the Bhandup and the Dharavi projects that we have one from the BMC. Do we see any threat to the upcoming BMC elections, could there be any shake up there possibly, if at all there is any change in the BMC thing?
- Management:** See, I can't predict the election outcomes and their impacts. However, I can only assure you that these projects are well underway right now. And they are critical for the wellbeing of the Mumbai as a city. The sewage treatment plant is being monitored at the Supreme Court level. So, there I don't see any challenges taking place and as I said in my opening statement, the Bhandup plant is critical for a fresh water supply reliability for the Mumbai as a overall city. So, I do not expect any changes to impact any of these projects.

- Moderator:** Thank you. We have our next question from the line of Pawan Katariya from Bullseye Investment. Please go ahead.
- Pawan Katariya:** My question was, in the opening note you guided a revenue of 4000 crores for FY25. And the EBITDA guidance of Rs.750 crores, that puts up to the operating margin of 18.5%. Is this right?
- Management:** So, let me reiterate. First of all, you are right on the numbers, but those are on a consolidated basis is all that I will clarify. And this is the reported EBITDA margin at a console level.
- Moderator:** Thank you. We have our next question from the line of Neerav Shah from GC Holdings. Please go ahead.
- Neerav Shah:** So, just one question in early June. So, there was a media article regarding we settled our claim with IOC of close to 23 crores to 24 crores. So, some reversals which we already provided for so, any update on that event, whether the booking has been done or the cash flow impact of that, if you can just share on that please?
- Management:** So, yes, that has been accounted for as of now and the revenue has also come in and the cash flow has also come in, the money has been paid by IOC already to the Company.
- Neerav Shah:** Okay. So, the 747 crore of top line includes this amount or this 24 crore is part of the 30 crore other income?
- Management:** So, part of it is the other income and the original value is part of the revenue. Let Lalit explain it.
- Lalit Jain:** So, 15 crore is in the operating revenue and Rs.8 crore is the other income. So, total we have received Rs.23.67 crore from IOC.
- Neerav Shah:** I just missed that number, so you said how much in the revenue?
- Lalit Jain:** Revenue is 15.95 crore in revenue and 7.72 crore in the other income. Put together is 23.67 crore.
- Neerav Shah:** Got it, great sir. And on Michigan front we maintain revenue growth guidance of in excess of 30%?
- Management:** Yes, indeed. We can confirm that.
- Moderator:** Thank you. We have our next question from line of Vishal Periwal from Antique Stock Broking. Please go ahead.
- Vishal Periwal:** So, MSRDC orders wherein we are L1, can you share some status on it in terms of when exactly the LOA could be received?

- Management:** So, we expect to convert this L1 status to our order within this quarter. We will keep you posted as soon as this get converts into an order.
- Vishal Periwal:** Okay. So, probably like just before the election, we are expecting the firm order will be there in our kitty, that what the guidance or probably then what you are hearing from even the ministry that fair to understand?
- Management:** That is what we are sharing on the present update, but the intention is to award it within this quarter.
- Vishal Periwal:** Okay. And second on the oil and gas investment, is there any internal policy or threshold that we have that this is what we are looking at a maximum investment in this particular field and sector for us?
- Management:** The guidance that we have for capital allocation is at least at a project level mid-teen returns. And this is what any capital allocation guideline is, and which will equally apply to the oil and gas, possibly a bit harsher than that. So, this is what is the guideline. In terms of capital allocation, it's a board's prerogative so at this point in time, till the time we can finalize the numbers per se as to what the investments will be. Can't be specified right now.
- Vishal Periwal:** Okay. And maybe just continuation, earlier the last quarter slide mentioned revenue recognition from 25-26 for oil and gas. In the slide we are seeing there's a slight change. So, will it be possible to share what exactly has moved this revenue recognition in the next year?
- Management:** So, the critical step in monetizing this is the approval of the field development plan. Since it has not been done till now, it is prudent for us to move it. As I said specific numbers, specific timelines can be specified once the field development plan has been approved. And we know exactly what we will need to do to produce it.
- Moderator:** Thank you. We have our next question from the line of Pratik Bhandari from Art Ventures. Please go ahead.
- Pratik Bhandari:** Just a couple of questions from my end. What would be the order inflow for FY25?
- Management:** So, as I stated in my opening statement, we expect to convert these orders of 2000 crores, where we are declared L1 between Welspun Enterprises and WMEL. Within this quarter, in addition to this, we expect that the orders to be booked across all verticals between 4000 to 5000 crores.
- Pratik Bhandari:** Alright. And, as we have been inching higher margins in the Michigan. So, where do we see the sustainable margins to be because we are already quite progressive in Michigan in terms of margins. And what would be the top line by year end in Michigan and the margins?
- Management:** Thanks. So, we have given guidance where there will be a 30% top line growth already on an earlier question and answer. So, considering that we expect our top line to end up anywhere



between 550 and 650. And the EBITDA margins will be retained at a healthy level of between 21% and 23%.

**Pratik Bhandari:** Alright. And one more question. So, I wanted to understand as to what is the project size of this Bhandup project?

**Management:** In terms of design and build it is somewhere close to 2250 crores. And if we add the O&M, it is another 1800 crores.

**Pratik Bhandari:** So, approximately 4200 crores?

**Management:** Approximately, yes.

**Moderator:** Thank you. We have another question from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

**Sarvesh Gupta:** Most of the questions have been answered. But just one bit, recently there has been this tax change for buyback and some of the companies are expediting to meet the timelines. So, given that we also carry a significant amount of cash in our balance sheet are we thinking on those lines as well?

**Management:** Not at this point in time, I can assure you and we have a very good use for this capital so we would want to grow the business, we do not think that we have come to a stage or whether we need to return the capital and as to clarify the point further, you would notice that we have already returned in last seven years odd something like about Rs.55 per share in by way of buyback and dividend. So, we have been respectful to the needs of the investors already, but there is a very good use of the capital that we have on our balance sheet.

**Sarvesh Gupta:** Okay. And you also mentioned some 50,000 crore if I am not wrong in BOT and for WMEL, some 15,000 crore or 50,000 crore, what was the pipeline numbers I missed it?

**Management:** So, you got it right that currently today, if you were to see today's newspaper article you would see that the center is considering today at the cabinet level eight projects of 50,000 crores value for BOT toll and the number that we said between, as a synergistic play that is available for us to play between us and Welspun Michigan is in the range of 50,000 crores, the standalone play as well as a collective play is what is the pipeline is. We will and I would want to add to this clarity that we are not going to bid for all of them we will selectively bid, this is just the addressable market.

**Sarvesh Gupta:** And what was that number for WMEL, they also mentioned a pipeline number?

**Management:** So, on a standalone basis if the synergies are not to be considered.

**Management:** Yes, it will be closer to the 20,000 crore mark, 15 to 20,000 crores as an addressable market.

- Management:** Standalone on Welspun Michigan it will be about 15 to 20,000 crores collectively it will be around 50,000 crores.
- Sarvesh Gupta:** And apart from these two segments, so, on the core segment of water are we seeing any order bookings to happen or potential for this year order booking, because there we were getting very large sort of ticket sizes in the last two deals that we have won. So, are we seeing something there?
- Management:** Yes, we surely are seeing, as I said in my opening statement, I see a lot of traction on water and water the guidance or the order pipeline is humongous big, but I see in a medium term anything between addressable market to be close to 60,000 crores and we will chase large ticket item projects in the water segment. And we are very confident that we should be able to win a few of them.
- Sarvesh Gupta:** Understood sir. And just for clarification this 750 crore EBITDA guidance for FY25 that would be including around 100 crores of other income?
- Management:** Yes, everything included.
- Moderator:** Thank you. We have our next question from line of Vaibhav Shah from JM Financial. Please go ahead.
- Vaibhav Shah:** Sir I had a couple of questions. Sir you mentioned the pipeline for BOT project. And you mentioned that we are looking selectively for HAM and EPC as well. So, what would be the current pipeline for those two for HAM and EPC?
- Management:** If the public domain information is correct, it's approximately about a lakh crores for the medium term. The guidance of the ministry is more than two lakh crores.
- Vaibhav Shah:** So, this should be over and above the BOT pipeline you mentioned of 50,000 crores?
- Management:** That is correct.
- Vaibhav Shah:** Okay. And sir when do you expect the awarding to begin?
- Management:** I would think that it will start awarding, the NHAI would start awarding within this quarter or latest in the Q3.
- Vaibhav Shah:** Okay. And sir we were hearing that they are going to launch a new program, under vision 2047 and they might scrap the Bharat Mala Yojana program. So, any update on that if you heard something on that front?
- Management:** Only from public domain which is available to you as well as to me.

- Vaibhav Shah:** Sir, secondly on the MSRDC award, so we received a order of around 1930 odd crores. So, did we do any re-negotiations with the MSRDC or they approached us for anything?
- Management:** They did approach us and I would want to correct that the original information was 1864 crores but I have reduced it to 1850 crores because of the negotiations that we have had with MSRDC.
- Vaibhav Shah:** So, our bid now standards at 1850 crores?
- Management:** That is correct.
- Vaibhav Shah:** Okay, and since we have lowered the price. So, does it impact the margins, or some scope also has changed or scope remains the same?
- Management:** So, I do not think that it will impact our margins at all.
- Vaibhav Shah:** Okay. And what kind of margins we are targeting for this project?
- Management:** As we have always maintained we work on the mid-teen return so this project is also expected to return the similar numbers.
- Vaibhav Shah:** Okay. And lastly sir so they have accepted our, so they are fine with this number 1850 crores and the LOA should come now?
- Management:** We expect yes, as I said, we expect this to convert this into an order within this quarter. So, we are working towards that.
- Moderator:** Thank you. We have our next question from the line of Amit Shah from Nuvama. Please go ahead.
- Amit Shah:** So, just wanted to check as we have a net cash on the books and the size, especially on the water segment continues to remain robust. If we have multiple wins say for example, are we ready to take large amount of debts maybe to grow several folds maybe a few years from now, what are we targeting at, are we looking something like 30, 40,000, 50,000 crores of the size of order books, are we even geared for that. What is the outlook for a little longer term?
- Management:** So, on a longer term, as I said we are not in a haste for anything. So, once we will be open to opportunities, we would want to maintain a healthy balance sheet rather than a stretched balance sheet. So, our decision making on the order book will depend upon our ability to grow the organization, we want to be ready to deal with the opportunities in-house rather than just put the orders. Secondly, make sure that our balance sheet stays healthy, and that the growth is sustainable. So, these three principles, we will apply before we decide how much to grow.
- Amit Shah:** So, are we saying that we would look to grow only through the available cash and not take much of debt even if there are opportunities is that the way forward?

- Management:** So, we are not averse to debt totally. But yes, we want to see that it is, there is no mismatch between the timings of the debt maturity versus the realization of revenue. So, this is a more of a strategic question, it will depend upon opportunity-to-opportunity that how we will deal with it. Difficult to answer at this point in time.
- Moderator:** Thank you. Ladies and gentlemen, that would be the last question for today. And, I would now like to hand the conference over to Mr. Vaibhav Shah for closing comments.
- Vaibhav Shah:** Thank you, sir for giving us the opportunity to host the call. Sir, any closing remarks from your end?
- Management:** Thank you Vaibhav. I want to thank all participants for joining us on this call today. And, I hope we have been able to address all your queries. We remain committed to creating value for our shareholders and our focus is on delivering improved returns on equity and return on capital employed. I look forward to speaking to you once again in near future meanwhile, please feel free to reach out to our CFO or investor relations team for any questions or feedback. Thank you and good day.
- Moderator:** Thank you. On behalf of JM Financial that concludes this conference. Thank you for joining us and you may now disconnect your lines.