"Welspun Enterprises Limited
Q3 FY26 Earnings Conference Call"
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MODERATOR **MR. VAIBHAV SHAH – JM FINANCIAL INSTITUTIONAL SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Welspun Enterprises Q3 FY '26 Earnings Conference Call hosted by JM Financial Institutional Securities 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Vaibhav Shah: Thank you. On behalf of JM Financial, I welcome everybody to Q3 FY '26 Earnings Conference Call of Welspun Enterprises Limited. I will now hand over the call to Ms. Sangeeta Tripathi, Lead Investor Relations at Welspun Enterprises Limited. Over to you, ma'am.

Sangeeta Tripathi: Thank you, Vaibhav, and good afternoon to all of you. On behalf of Welspun Enterprises Limited, I welcome you all to the Q3 and the 9 months earnings conference call. Along with me, I have the leadership team of Welspun Enterprise, Mr. Sandeep Garg, Managing Director of Welspun Enterprise Limited; Mr. Saurin Patel, Managing Director of Welspun Michigan Engineers Limited and Head, Integrated Water Vertical.

I also have with me Mr. Abhishek Chaudhary, Chief Executive Officer, Transport Vertical, Welspun Enterprise Limited; Mr. Lalit Jain, CFO of Welspun Enterprise Limited and Mr. Hardik Dhebar, Head, Finance and Investor Relations, Welspun Enterprise Limited and CFO, Welspun Michigan Engineers Limited.

I hope you had an opportunity to review the investor presentation that we filed with the exchanges yesterday. The same is also uploaded on the company's website. During the discussions today, we may be making references to this presentation. I would also request you to take a moment to review the safe harbor statement in our presentation.

As usual, we will start the forum with opening remarks by our leadership team and then we will open the floor for your questions. Once the call gets over, should you have any further questions, please feel free to connect with any of us. With that, I hand over the floor to our Managing Director, Mr. Sandeep Garg. Over to you, sir.

Sandeep Garg: Thank you, Sangeeta. Welcome to the Welspun Enterprises Q3 and 9 Months FY '26 Results Conference Call. And thank you for joining us. This is our first interaction in 2026. I wish you all a happy and healthy new year. We are pleased to share that Welspun Enterprises has been recognized as a Great Place to Work for the second time, underscoring the strength of our culture and our LITE values: learning, innovation, trust & transparency and endurance.

In line with our focus on responsible and sustainable growth, we released our second sustainability report in December, highlighting tangible progress across our ESG priorities. We have been honored with the Sustainable Organization Award 2025 at Sustainability Summit & Awards.

In addition, our subsidiary, Welspun Michigan received three awards at the Indian Society for Trenchless Technologies for Trenchless Excellence, reinforcing our execution excellence and sustainability-led approach. Abhishek will take you through the key sustainability highlights in his address.

On the business front, I'm happy to state that CRISIL has revised our outlook from stable to positive while reaffirming the long-term rating at CRISIL AA minus and the short-term rating at CRISIL A1 plus. This revision in outlook from stable to positive reflects our strong balance sheet, financial resilience and robust business model.

Abhishek and Saurin, the heads of Transport and Water business, respectively, will provide a detailed overview of their portfolios. I would like to highlight that currently; we are executing four marquee water projects and are at advanced stage of completing two road projects. We have received the first annuity for NHAI, I stand corrected, first annuity from NHAI for the Aunta-Simaria Road project as scheduled.

Further enabling and facilitating our asset monetization strategy. We expect the same to be completed by Q1 or Q2 of FY '27. Turning to the financial performance. For the nine-month period, our consolidated EBITDA grew 10% year-on-year to INR573 crores. The EBITDA margins expanded from 19.3% to 23.1%, reflecting operational efficiency.

On the balance sheet front, we remain well capitalized with consolidated cash reserves of INR1,400 crores, providing ample liquidity to fund growth while maintaining financial discipline. Lalit Jain, our CFO, will walk you through the financials in more detail. Coming to the order book. The consolidated order book stands currently at approximately INR15,000 crores.

I would like to clarify that the consolidated order book is derived post adjustment for intercompany orders between the parent, WEL and subsidiary WMEL of INR1,059 crores. The order book is inclusive of O&M contracts of approximately INR5,400 crores, delivering stable long-term cash flows. Further, the current order book does not consider the Pune-Shirur BOT project where we emerged L1.

Further, the current order book does not consider the Pune-Shirur Road BOT project where we have emerged L1. I'm sorry, I repeated the statement. Coming to the oil and gas update. Adani Welspun Enterprises Limited has taken a write-off of Kutch Block GKOSN-2009/1, following its offering under the government's DSF-IV bid.

The operator, ONGC for this block had requested for extension of time, which was not finally granted. This has resulted in an AWEL level write-off of INR140 crores with Welspun Enterprises Limited's 35% share amounting to INR49 crores, which has been recognized in our books as an exceptional loss from the associate. This was, in any case, never considered in our business plan for oil and gas.

On the operating front, AWEL currently holds three adjacent offshore oil and gas blocks, namely Mumbai, B-9, and C37, which with a combined gas initially in place GIIP of approximately 1.1

Tcf. In line with our stated strategy, we are leveraging existing NOC infrastructure through shared facilities rather than investing in new offshore assets or pipelines.

We are actively engaging with ONGC to utilize their infrastructure, enabling capital efficiency and faster developmental timelines. Coming to the guidance. At the start of the financial year, we had guided that approximately 90% of the FY '26 revenues would be driven by the existing secured order book and around 10% from new orders.

The delay in award for new projects, delay of certain statutory clearances for the existing orders, along with the extended monsoon have impacted our Q3 and nine-month FY '26 revenues. Accordingly, we now expect consolidated revenues for FY '26 to be in the range of INR3,600 crores to INR3,700 crores. However, we remain on track to achieve our full year EBITDA targets.

The Union Budget 2026 provides strong structural support to infrastructure players backed by a sustained public investment cycle and a capital expenditure outlay of INR12.2 lakh crores, representing 9% approximately year-on-year growth. We operate across nearly 40% of the focus areas covered in this outlay, including transport, Jal Jeevan Mission and urban development, translating into an addressable opportunity of approximately INR4.5 lakh crores.

Additionally, the proposed Infrastructure Risk Guarantee Fund is a positive structural reform, expected to mitigate development and construction phase risks and enhance private sector participation in large infrastructure projects. The continued emphasis on connectivity, urban infrastructure and climate resilient assets ensures a healthy and diversified project pipeline across roads, railways, metros, water and energy infrastructure.

This reinforces a healthy pipeline and supports sustained order inflow, cash flow stability and scalable growth for the sector. We at Welspun Enterprises are well positioned to capitalize on these opportunities by leveraging our expertise in water, both in treatment and transmission space, as well as exploring possibilities of collaboration in the product and technology play from a long-term strategy standpoint and complex infrastructure projects.

Anchored in our 3G strategy, growth, governance and green, we will continue to remain focused on disciplined execution and delivering long-term sustainable value. With this, I would like to conclude my opening address and call upon Mr. Saurin Patel, Head Integrated Water vertical, to take you through our Water and Welspun Michigan updates. Over to you, Mr. Saurin.

Saurin Patel: Thank you, Sandeep, and good afternoon, everyone. It is good to reconnect. I will briefly update you on our water business, a segment where we are deploying scale and technology with a clear sense of purpose. Our current water order book stands approximately at INR11,000 crores, of which around INR5,400 crores relates to operations and maintenance. This provides us a strong visibility of stable and recurring cash flows over the coming years.

Before I take you through the progress on our key projects, let me briefly reiterate what Sandeep has already highlighted. Welspun Michigan Engineers Limited is proud to have received three awards at the Indian Society for Trenchless Technology Excellence Awards. They were the best tunnel of the year for the Mithi River project, the best professionally managed company and last but not the least, best project execution.

A proud moment indeed. Let me now take you through the progress on our key projects. The Dharavi project, which is 418 MLD sewage treatment plant. Civil works for the SBR & Blower Building are complete. Mechanical erection has commenced. Major equipment deliveries are largely done, and overall progress stands at 60% as of December 31, 2025. This project remains on track for completion by July 2027.

The Bhandup project, a 2,000 MLD water treatment plant. Engineering and excavation are progressing well. The civil contractor has been finalized and deployed. Batching plant setup has been completed, and completion of this project is expected by April 2029.

Panjarapur project, a 910 MLD water treatment plant. Enabling works and basic engineering have commenced. Mobilization advance has been received with revenue expected to start from FY '27 onwards. The EPC value is INR1,685 crores with an O&M component of INR980 crores over 15 years. The UP Jal Jeevan Mission. We have accrued revenues of up to 70% of the contracted value, along with O&M commenced for 33 out of 1,068 schemes. On completion, this will benefit over 2,500 villages.

Dharavi-Ghatkopar Tunnel. As updated by Sandeep, for the Dharavi-Ghatkopar Tunnel, the project clearances have been delayed, resulting in a delayed takeoff for the main execution. Post receiving all pre-project clearances, shaft work for the 150-meter shaft at Ghatkopar is expected to commence shortly.

For Smart Ops. Within two years of launch, five projects are live across India, including Varanasi, Guwahati and Pandharpur. Around five new projects are expected over the next six to eight months.

Coming to Welspun Michigan performance. For the 9 months FY '26, revenues grew by over 30% year-on-year to INR522 crores, and EBITDA grew by approximately 20% to INR111 crores.

Welspun Michigan's order book stands at INR2,540 crores, led by tunnelling, pumping stations and rehabilitation works. To conclude, our strategic focus on wastewater treatment, large-scale water supply systems and tunnelling, positions us well to create sustainable long-term value in a sector that is both critical and most importantly, fast growing. With that, I will now hand over to Abhishek, who will take you through the Transport segment performance in greater detail.

Abhishek Chaudhary: Thank you, Saurin. Good afternoon, and a very happy New Year to everyone. I will take you through the project progress and key milestones in our transport vertical, followed by a brief update on our digital transformation and sustainability initiatives. Starting with Aunta-Simaria Road project in Bihar.

As highlighted by our Managing Director, we have received the first annuity payment from NHAI for this project as scheduled. This milestone enables us to move forward with asset monetization, which we expect to complete in Q1 or Q2 of FY '27. Post monetization, approximately INR800 crores of debt, is expected to move off our balance sheet, significantly strengthening our financial position.

Moving to SNRP project. The project is nearly 80% complete. We expect to achieve Provisional Commercial Operation Date one or PCOD -1 by Q4 FY '26 with full completion targeted for Q2 FY '27. On the Varanasi-Aurangabad road project, progress remains steady with completion targeted for Q4 FY '26. While there have been some front availability issues, we are working closely with the client to resolve these challenges and accelerate execution.

Coming to the Pune-Shirur Road project. The project continues to remain under L1 status. The letter of award was delayed due to elections, and we now expect to receive the LOA shortly, likely within this quarter. This is a marquee project for Welspun Enterprises, involving an estimated capital outlay of approximately INR7,300 crores for a 54-kilometer 6-lane highway, including around 36 kilometers of elevated corridor.

Now moving to digital transformation initiatives. Let me now briefly touch upon these initiatives, which continue to drive digitalization across our operations. We are leveraging building information modelling to improve quantity estimation, reduce rework and track both physical and financial progress through our Welspun One portal, our business intelligence platform.

In parallel, we have implemented SAP S/4HANA RISE as our enterprise ERP solution. The digitalization of our project management dashboard has enabled process optimization and real-time analytics across various projects. During this quarter, we are also commencing the digitization of our supply chain management function, aligned with a three-year road map to significantly enhance its maturity and performance.

We have also initiated the development of an e-governance solution with a pilot to be launched within this quarter to further strengthen our governance framework. From a technology backbone perspective, we are in the process of migrating towards a unified application framework, which will enhance data security, strengthen controls and accelerate end-to-end process digitization.

Let me now take a few moments to speak about our sustainability initiatives. At Welspun Enterprises, sustainability is integral to the way we operate. We recently released our second sustainability report titled Sustainability Connection, the Unstoppable Journey, and our efforts have been positively rated by CRISIL and Sustainalytics.

Our decarbonization strategy is anchored on three pillars: circularity, resource efficiency and nature conservation. Our ambition is clear to lead the transition through a low-carbon, circular and inclusive infrastructure ecosystem. With that, I would now like to hand over to Mr. Lalit Jain, our CFO, who will take you through the detailed financial performance for the quarter and the nine-month period ending 31st December FY '26. Over to you, Lalit.

Lalit Jain: Good afternoon, everyone, and thank you, Abhishek. Thank you all for joining us today. I will briefly walk you through our Q3 and nine-month FY '26 financial performance. Key developments during the period and our outlook going forward. Let me begin with the consolidated financial performance for nine-month period. Consolidated income was INR2,480 crores, down 9% year-on-year.

For Q3 FY '26, income stood at INR806 crores, representing a 12% year-on-year decline. This decline was largely timing related. First, we saw delay in statutory clearances from the Dharavi-Ghatkopar Tunnel. This shifted execution from Q3 into Q4. Second, there was extended monsoon. This has impacted both WEL and Welspun Michigan.

Further, there were delay in project awards, including Pune-Shirur Project, where we have been L1 for the past four months and now expect the award by the end of this quarter. Similarly, the Panjrapur project, which was originally planned for Q3 is now expected to commence in Q4 FY '26. Despite the lower revenue, our operational performance remained resilient.

For the nine-month period, EBITDA grew 10% year-on-year to INR573 crores with margin expanding to 23.1%, an increase of 3.9%. This is a reflection of strong operational efficiency helping us to maintain margin despite decline in revenue. EBITDA for Q3 FY '26 stood at INR174 crores, marginally lower on a year-on-year basis.

However, EBITDA margin improved meaningfully to 21.6%, an expansion of 2%, driven by operational efficiency and cost discipline. Now moving to profitability. On a nine-month basis, PBT before exceptional items increased by 4% year-on-year basis to INR389 crores. PBT before exceptional item for Q3 FY '26 stood at INR109 crores, reflecting a 6% year-on-year decline.

During the quarter, we recorded an exceptional loss of INR49 crores related to the write-off of the GKOSN-2009/1 in the Kutch basin. This represents our 35% share of the total write-off at ONG JV level. As a result, reported PAT for Q3 FY '26 stood at INR31 crores. Excluding this onetime exceptional item, PAT would have been INR80 crores, reflecting 4% year-on-year growth.

For nine months FY '26, reported PAT was INR230 crores, while PAT excluding the write-off stood at INR279 crores, representing 12% year-on-year growth. I will now touch upon the stand-alone performance. Stand-alone revenue for nine-month period stood at INR1,866 crores and INR612 crores for the Q3 FY '26, reflecting approximately 14% year-on-year decline.

For nine months FY '26, EBITDA remained broadly flat at INR331 crores, while margin improved to 17.7%, an expansion of 2.44%. Q3 EBITDA on a stand-alone basis was INR91 crores with margin remaining stable at 14.8%. Stand-alone PBT for nine-month period stood at INR285 crores and for Q3 FY '26 is INR73 crores.

Now turning to the balance sheet. Our financial position remains strong and well capitalized. On a stand-alone basis, net worth stands at INR3,113 crores with a healthy cash balance of INR1,273 crores. On a consolidated basis, net worth is INR3,148 crores with a net debt of INR466 crores.

During the quarter, we issued INR1.9 crores warrants at an issue price of INR525 per share aggregating to INR1,000 crores. We have received INR250 crores upfront during the quarter, which has been invested in mutual fund. The balance will be converted over the next 18 months.

Let me now briefly cover the segmental performance for the nine-month period. Transport contributed INR1,065 crores, which is 44% of total revenue. Water contributes INR764 crores, which is 32% of total revenue. Tunnelling and rehabilitation contributed INR587 crores, which is 24% of the total revenue.

The tunnelling and rehabilitation segment delivered 39% year-on-year growth. The Water declined 15%, mainly due to the UP JJM slow progress. The Transport segment declined 19%, impacted by the project completion and award of delay of Pune-Shirur project.

Finally coming to the outlook. Our current order book stands at around INR 15,000 crores.

With the Pune-Shirur project expected to be added shortly, we expect the FY '26 order book to cross INR20,000 crores. This gives us strong visibility and position us well for revenue recovery and sustained long-term growth. With that, I will now hand over the conference to the host.

Moderator: Thank you very much. We will now begin the question and answer session. We take our first question from the line of Vaibhav Shah from JM Financial.

Vaibhav Shah: Sir, on the stand-alone front, if you look at the EBITDA margins ex of other income, so we have seen some softness in the third quarter. So what do you attribute this to? And how do you see the margins going forward at standalone level?

Sandeep Garg: So the way to look at this, I would say, is to look at the nine-month average. There is a decline in the Q3 slightly softness because of the revenue recognition has been lesser than what is anticipated. And it is also dependent upon the phase of the project that we are executing. So I think at an overall level, I would recommend we look at a larger period rather than purely at quarter-to-quarter.

And we have also not recognized profits on UP JJM project, which is also as a prudent practice, we have decided that we are not going to recognize on profits on this project till the time we see a traction at the government level. I hope I've answered the question.

Vaibhav Shah: Yes. Sir, so, a connected question. So, what would be our outstanding order book in JJM? It is largely from UP, right?

Sandeep Garg: Yes. We are only associated at UP. Our approximate order book is about INR600 crores at this point in time.

Vaibhav Shah: And the outstanding receivables?

Sandeep Garg: Receivables stand at about INR300 crores.

Vaibhav Shah: So once we see some traction, then we will start recognizing the profit and do the execution as well?

Sandeep Garg: We are continuing with the execution, what is required for overall completion of the schemes. However, we will recognize the profits once we see that there is a clarity in the cash flows from the client.

Vaibhav Shah: Okay. And sir, secondly, what would be our bid pipeline across the verticals? And which are the key segments that we are targeting in the next couple of years? And any diversification that we are looking for in the medium term?

Sandeep Garg: So, in terms of our water vertical, we are focused on treatment and transmission projects. We are not going in for distribution projects, which is not what we want to do. In terms of the pipeline, just to give you an idea, we do see approximately about within these three spaces in water, something like about INR3 lakh crores worth of order in the medium term. So, we expect substantial orders in the sector in the FY '27. Now the other part of the question that you had was, can you repeat the question?

Vaibhav Shah: Any diversification that we are targeting in the medium term beyond water and highways?

Sandeep Garg: I think we will continue with these three segments that we are currently involved in, that is the Water, the Tunnelling and in the Transport vertical. So these are the three segments that we will be continuing with. We don't see in the immediate future, anything added at this point in time.

Moderator: We take our next question from the line of Sanjay Shah from KSA Securities.

Sanjay Shah: Sir, my question was regarding in FY '26, which specific approvals or milestone caused the maximum execution delay? And how those issues has now been largely resolved more comes from after this BMC election. My second question, should I complete my question? Three questions for you?

Sandeep Garg: I suggest we put short questions, so it will be easier for us to answer. So the first question that you have is what contributed to the maximum impact? The quantification may be a bit difficult for us, but we can definitely say that the ex monsoon has impacted us in a big way, both across Welspun Enterprises as well as across Welspun Michigan, so which is what I would first call out.

In terms of our other thing is obviously that Pune-Shirur getting delayed, wherein we had planned for certain activities during the initial phases is impacting us. To a certain extent, some, I would want to qualify that not only the statutory delays, but local disturbances on certain projects, which we had planned that we will start have contributed to the recognition in Q3 being below what we would have anticipated is my answer to your question. I hope I've answered your question.

Sanjay Shah: Yes. So continuing that, sir, order book is strong, but revenue has been soft due to timing, I understand. But from a normalized execution perspective, what should investors assume as a steady state of annual execution run rate over the next two, three years?

Sandeep Garg: I think the current situation is an aberration because a few of our projects, as Abhishek mentioned, are nearing or completed in transport. So this is an aberration in the overall growth of the company. However, in a steady state, we do believe that we, as we had earlier also guided that we will grow at about 15%. Now that FY '26 is not expected to meet its target and there is a spillover of the revenue, the lower base as well as accumulation of these orders, I think that the FY '27 may grow upward or close to about 20%.

Sanjay Shah: Sir, my second question was to Mr. Saurin sir. Sir, do you see WMEL becoming a strategic moat that helps WMEL in larger integrated Water plus Tunnelling contracts?

Sandeep Garg: If you would, I will take this question from Saurin. Yes, we do see Welspun Michigan becoming a strategic part of tunnelling growth. That is for sure. Water also, as he is heading you integrated water, the synergies should pan out as we move forward.

Sanjay Shah: Sir, I'll squeeze one more. I have many, but I'll complete it one more. Sir, at OEM order book is now at INR5,400 crores. Can you help us to understand the annual revenue and EBITDA contribution expected from O&M over the next three, five years?

Sandeep Garg: Okay. So see, the INR5,400 crores is constituting about INR2,300 crores from the Dharavi, which should get on stream, as Saurin said in 2027, O&M is over a period of 15 years. So should contribute something like about INR200-odd crores a year with an EBITDA margins similar as our main business.

Now I would want to clarify very clearly that O&M as a vertical, we have not operated for a long-term at a large scale. So this is an anticipation at this point in time. As we get into the O&M over a year or two, we would have much more clarity as to how the O&M piece should be positioned for investors to understand.

What it definitely brings out clearly to us is that it gives a revenue and a profitability visibility over a long-term rather than short-term, which is on design and build portion. So that's something which to us creates a lot of visibility of sustained EBITDA margins and sustained profits. I hope I have answered your question.

Sanjay Shah: Yes, sir. I have a few questions I'll come in queue for more.

Moderator: We'll take our next question from the line of Sailesh Raja from B&K Securities.

Sailesh Raja: Sir, you have reduced the revenue guidance from INR4,000 crores to INR3,600 crores, INR3,700 crores. So the ask rate for this fourth quarter, that comes to roughly around INR1,200 crores, so which is around 50% jump over 3Q. So what gives us confidence that to achieve this sharp revenue growth in 4Q FY '26? And also, you mentioned about some disturbance happened in continuing the project. So can you please address this when this happened? And if the issue is fully resolved. So how do you see this 4Q achieving INR1,200 crores?

Sandeep Garg: So first question, we would have been, when we were revising downwards, we were very careful about what is achievable. So the question is, are we reasonably confident about the INR1,200 crores? We do believe that we are very confident about it. And as Abhishek also referenced in his opening statement, a few of the projects are getting completed. So the complete recognition of revenue should take place. So there is a finality to that level.

Now coming to the disturbance, the disturbance were primarily, we had the approval for starting our DGT project at Dharavi, which we had said that we will start. But because of local disturbances, we could not do it, and there was a sensitivity because there were local elections, etcetera, at that point in time.

So it became a question of what we could do in the given set of circumstances and hence, the deferment of some of the activities on that DGT took place. Now we do have the clearance on the starting of the work in Ghatkopar on DGT in from the CRZ, there is a formal approval or a process-related approval pending. However, we are reasonably confident that we can start the work on DGT in this quarter on both the ends. So we are reasonably confident that there is nothing residual in starting the DGT work going forward. I hope I've answered all the questions that you have.

Sailesh Raja: Yes, yes. Yes, it is clear, sir. But sir, in this INR1,200 crores, can you give a breakup of Water and Tunnelling and Transportation business?

Sandeep Garg: I would request if it were not a problem to connect with my team or our CFO to take that.

Sailesh Raja: Yes, sure, sir. Sir, my second question is specific to WMEL. The press release mentioned that there was a delay in statutory clearances of DGT project. To best of my knowledge, if you see in last 1 year, there was no mention of the pending statutory clearances in DGT projects. So, this announcement was a complete surprise for me?

So, can you please give us clarity? And also now you are saying about the local disturbances and we met in the investor conference in November month. So, there was no discussion. Is it happened after that? So, can you please give more clarity on this? And also, is there any more approvals pending to start this project, DGT?

Sandeep Garg: So, I'll take this question for, on behalf of Saurin. So, we had started our work at, on the DGT at Dharavi end, which is, as you know, it's from our own site location, which is for the Dharavi Sewage Treatment Plant. We anticipated no issues. However, because we have to dig to about 150 meters deep, the locals had certain observations, which due to the elections, the authorities decided not to intervene at that stage, but I think the intervention is now taking place. So that front is now.

Sailesh Raja: So, when the disturbance has happened, sir?

Sandeep Garg: So it was about middle or end of November when we started the work.

Sailesh Raja: Okay.

Sandeep Garg: So that's something which we couldn't have anticipated that because it is our own site, and we are working there for Sewage treatment plant, there was no expected challenge from locals, but there was an unexpected move. And due to the situation in the state, the state chose not to intervene at that point in time.

Sailesh Raja: Okay. I remember even in last year in FY '25, there is a revenue recognition from DGT project. So now we are seeing now only we got the statutory approval. So I just wanted to know the breakup of the INR695 crores revenue that we have booked last year. So this is one of the major projects?

Sandeep Garg: So, there are two things that we do in a project. So, there are preparatory expenses and engineering expenses, there are a lot of machines that we kind of mobilize, et cetera, et cetera. So, there are pre-project execution expenses that get incurred in most of the projects. So, the question is when you start, the majority of the work starts once you are able to actually unlock the major work, and the unlocking of major work is to create a shaft and then go ahead with the tunnelling and lining of the tunnelling. And that is the phase that we got hit at.

Sailesh Raja: Okay. Sir, just one last question, sir. You mentioned that next year, we are expecting around 20% growth. So that is around incrementally, we are expecting around INR800 crores revenue, right, sir? And if I go segment-wise, for example, if you take road project, Aunta-Simaria next year, there will not be any revenue contribution?

And SNRP and Varanasi, we are expecting, I think the pending revenue would be around, say, INR350 crores, INR400 crores next year. Then how much we are expecting from this Pune-Shirur project? And when we expect the commissioning of this Pune-Shirur project, that is one?

And second is that, so the WMEL, how much revenue that we are expecting next year and also Water. Water also, if you see DGT is roughly around INR400 crores. So, balance INR2,000 crores, INR2,500 crores, I'm not able to connect the dots actually. Could you please help in understanding so?

Sandeep Garg: These are very detailed question. Can I request you, Mr. Raja, to intervene and come and have a discussion with the operating team so that they can do justice to your question.

Sailesh Raja: Yes, sure sir. Okay sir.

Moderator: We'll take our next question from the line of Sarvesh Gupta from Maximal Capital. Sarvesh your line is unmuted please go ahead with your question.

Sarvesh Gupta: Yes. So, good afternoon sir and thank you for giving the opportunity. So sir, first question is on the overall EBITDA margins. I think this year, despite getting lower revenues, we have gotten better EBITDA margins. So here, some of the projects in the road, as you mentioned, were in the later stages also?

But let's say, going forward, in a steady state, how should we look at the overall EBITDA margins? And also considering that the mix of the business has changed a lot in favor of Water and Tunnelling. So if you can help us with steady-state margins in all the 3 segments and hence, at the company overall, that would be very helpful?

Sandeep Garg: Thank you. I think as we say, I have maintained that earlier also, and I will repeat myself, the way the company operates and its accounting is a conservative accounting. We maintain certain contingencies on the project and depending upon the phase of the project and the de-risking of those issues for which we provide for the contingencies, we release those contingencies at an appropriate time.

And that is because projects are getting closer to the completion of the 2 of the road projects. those contingencies are getting released or the project if there is something which is a specific risk that we see that risk is mitigated, we release those contingencies. So, you will see certain changes as the project evolves from the base profitability that we guide depending upon how the contingencies are consumed or released.

So that is something which is normal. As I have always maintained, we would want to definitely stay with the macro level guideline of about 18% or 19% EBITDA on a long-term basis. Currently, we are chugging at about 23% or there around at a consolidated level. And we foresee that this to continue in the same bracket for at least this year, somewhere close to that.

However, long-term guidance because that's something which is very difficult given the product mix and the project mix that we will have, we would maintain with 18%, 19% EBITDA. Talking about segmental profitability, obviously, tunnelling based on the phase of the tunnelling that it goes, it should, it gives us a very good and so does the water and specialized transport projects. It is the run-of-the-mill transfer projects, which may not be able to give better EBITDA over what we have guided.

Sarvesh Gupta: Okay. And sir, on this new Pune-Shirur project, how much of execution can we do in FY '27?

Sandeep Garg: So we would definitely come back to you once this is awarded. But given that we are anticipating this award this year, I would definitely believe that anything between INR500 crores to INR600 crores, we should be able to execute in the next financial year, depending upon if this is awarded in this financial year in an appropriate time. And there are, as we say, no surprises when we hit the ground.

Moderator: We'll take our next question from the line of Apeksha Bajaj from AV Fincorp.

Apeksha Bajaj: All my questions have been answered.

Moderator: Thank you. The next question is from Riddhesh Gandhi. Please go ahead.

Riddhesh Gandhi: Sir, the economics was talking about INR3.2 lakh crores opportunity in treating of water over the 20 years or so. How do you guys look at this opportunity? And how are we placed who are we competing with and how do we like sort of value?

Sandeep Garg: So the treatment business will be spread over the large volume as well as the distributed treatment facilities. In the large play, we are associating ourselves with the big players like Xylem and Veolia to address that large-scale market. On the distributed network, as we have talked about, we have a technology, which we have taken rights for the complete India as Smart Ops, which should help us address this distributed treatment space.

In past also, I have addressed that we are looking at not only the contracting or EPC projects, but we are also looking from a technology point of view, and that's something which we believe we are currently very aggressively looking at the Smart Ops and then an associated technologies so that it gives us an edge on the treatment space that we believe will get unlocked in India in a large way.

Riddhesh Gandhi: And just to understand from a technology angle, who are the other players who you think could ultimately play in this? Are there a lot of international players? And how are we positioning ourselves? And has this tendering for all of this already started? Or it's still early days for this opportunity?

Sandeep Garg: Obviously, the traction on the treatment has started coming in. The big boys, as I said, Veolia, Xylem, local level VA Tech, etc etc. So, there are a number of players in terms of technology that have the capability of depending upon what is the size. And because this is a very detailed question and also involves strategic placement that the company would want to make, I would request that this question be taken separately.

Riddhesh Gandhi: And just last question is with regards to this quarter, we should just be like looking at it as an aberration where some amount of deferred revenue recognition is actually deferred as opposed to anything really actually structural in any way?

Sandeep Garg: Yes. It's just an aberration at this point in time. It's just purely and purely look, three things coming and hitting us simultaneously. So that's something which is not a normal business scenario. You can cater for one or two things going up or down, but three things simultaneously is an aberration in any case.

Moderator: We'll take our next question from the line of Radha Agarwalla from B&K Securities.

Radha Agarwalla: Sir in the Aunta-Simaria project, I wanted to understand how much annuity was received and what are the payment schedules? And consequently, is this asset getting bigger? If yes, then is it at or above the past valuations of 1.5 price to book?

Lalit Jain: We have received INR72 crores as annuity. With respect to valuation, we are in process, and we'll come back to you on right valuation.

Sandeep Garg: So let me add to what's been stated by Lalit. To answer your question, do we anticipate our equity returns to be 1.5x the equity invested? The answer is we expect better results. However, if the process is on, once the process gets completed, we will definitely share the specific details.

Radha Agarwalla: Secondly, regarding the oil and gas blocks. Earlier, there were two blocks in Palej and other in Assam that have been written off for INR200 crores from the books of SUV as there was no oil and gas finding. So in FY '25, after considering these write-offs, the book value was INR300 crores of oil and gas. How much further write-off are you expecting in this segment?

Sandeep Garg: Interesting one. Let me assure you rather the only three blocks that we have been talking about in the past have been the Mumbai block, the B-9 block and now C37. For at least the last nine months, I have not talked about this GK block. This was never being considered in our business plan, what we were speaking to you, and we continue to speak. This block was not being run by us. We were not the leaders.

ONGC were the operators. So operators have certain responsibilities and authorities. So we have decided not to consider it into our business plan. So whatever business plans that I've shared with you to the extent shared, remain unchanged. Now we are in aggressive, as I said in my opening statement, we are in active discussions with ONGC or other agencies at the state, at the center level to optimize the infrastructure available so that the production can take place at the earliest at the lowest cost.

Those things should get crystallized in a month or so or two months. So where and then we will be in a position to share more details because then the field development plans can be finalized and the economics be worked out. So I think I will request you to wait for a couple of months more before we can start sharing certain details on oil and gas. And I can assure you, there are no further write-offs that we anticipate in any of these three blocks, which are the business blocks for us.

Radha Agarwalla: Sir, this INR48 crores write-off is covered in the INR300 crores that we have recorded in the books?

Sandeep Garg: Sorry. Can you repeat?

Radha Agarwalla: The INR48 crores write-off in this quarter, was this amount considered in the INR300 crores that was there in the assets?

Lalit Jain: No. Basically, we have considered it in this years' financials. So fair value, we will do in the March '26 quarter that will reflect in our March 26 balance sheet .

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

Sandeep Garg: Thank you. I thank all of you for joining us today. To sum up, I would like to reiterate that we remain committed to creating long-term value for our stakeholders with a continued focus on improving return on equity and return on capital employed. We hope we have addressed all your queries. Should you have any further questions or feedback, please feel free to reach out to our CFO or the Investor Relations team. Thank you, and good day.

Moderator: Thank you. On behalf of JM Financial Institutional Securities Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.