



“Welspun Enterprises Limited Q1 FY2021 Earnings Conference Call”

July 31, 2020



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Moderator: Ladies and gentlemen, good day, and welcome to the Welspun Enterprises Limited Q1 FY2021 Earnings Conference Call, hosted by IDFC Securities Limited. Before we begin, I would like to state that some of the statements made in today's discussion maybe 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mohit Kumar from IDFC Securities Limited. Thank you and over to you Sir!

Mohit Kumar: Thank you Faizaan. Good morning and thank you for joining to Welspun Enterprises Q1 FY2021 earnings conference call. From the management side, we have Mr. Sandeep Garg, MD and CEO, Mr. Akhil Jindal, Group CFO & Head-Strategy, Mr. Ved Mani Tiwari, Deputy CEO and Mr. Sridhar Narasimhan, Chief Financial Officer. We will start with an update from the management for the past quarter and then proceed to the Q&A session. Thank you and now I hand the conference call over to the management for their opening comments. Over to you Sir!

Sandeep Garg: Thank you Mohit. Thank you IDFC Securities. Good day ladies and gentlemen, on behalf Welspun Enterprises Limited, I welcome you all for Q1 FY2021 results con call. I hope that you, your family and colleagues are well and are taking the necessary safety measures. As have been informed on this call from the management side, we have me, Sandeep Garg, Mr. Akhil Jindal, Group CFO, Mr. Sridhar Narasimhan, CFO Welspun Enterprises and Mr. Ved Mani Tiwari, Deputy CEO, Welspun Enterprises. I believe you would have already gone through the financial results published yesterday. Before we go into the details for this quarter, let me quickly start with key recent developments. Point number one, I would want to draw your attention to the project Mukarba Chowk, Panipat wherein the process of harmonious substitution was completed on June 8, 2020. It is BOT toll road, which is partially completed, and we have taken over through the process of harmonious substitution. I would also want to draw your attention to long awaited project which we won in 2018, which is the SNRP or Sattanathapuram Nagapattinam road project which was stopped by Madras High Court for further proceeding. I am happy to inform that the Honorable Supreme Court with its order dated July 13, 2020 had granted and ordered interim relief stay on the Honorable High Court order, which is a very positive development for the project to see the appointed date. We expect the appointed date to take place in the month of August 2020.

Also, important to note is that the operation and financial results for the Q1 have been muted due to the lockdown. The results for the quarter are therefore not comparable with

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those for the previous quarter. However, we believe that we would be able to make up for the deferred revenue in the subsequent quarters. Therefore, we believe that we would be able to achieve our guidance of 20% year-on-year growth during the financial year.

I would also want to brief you about the precautions that we have taken due to the situation of pandemic. We are extremely cautious and higher standards of hygiene and safety are being practiced by our staff across all our locations and we are trying to create awareness amongst our employee which is leading to additional effort on our part. Happy to inform that currently at all our work site, the work force is approximately 75% and we expect that it will go up to 100% post monsoon.

In brief, I would want also to talk about the operational performance. As I said, it has been a muted quarter on a macro level. Our revenue for Q1 FY2021 stands at 174 Crores, however the good part is that we have been able to improve our EBITDA margin which stands at 15%, 131 bps growth year-on-year basis.

Now I would want to update specifically on our projects. Coming to the road portfolio, as you are aware, our current HAM portfolio of seven projects stands at approximately 10,000 Crores. In addition, the BOT project of Rs.2100 Crores has also been acquired through harmonious substitution. So, the total value of the portfolio stands at over Rs.12000 Crores. The current order book post execution of Q1 stands at approximately Rs.4700 Crores.

Coming to specific projects, Delhi-Meerut Expressway package 1 which is the completed project of the company, we are pleased to inform you that we have received the fourth annuity in July 2020 within the stipulated time from NHAI. You would recall that we financed this project with the top up loan of Rs.65 Crores at an interest rate of 8.17% per annum which will further dropped down to about 8.02% in September. At approximately 8% cost, this is the one of the most cost-effective financing and help us bridge the gap between the NHAI interest rate which is currently payable at 7.25%. Friends, you may recollect that sudden drop in the bank rate due to the intervention by RBI in two subsequent announcements in response to the pandemic has adversely affected the entire industry dynamics. The government is not pleased with the current adverse effect and we believe that some solution will emerge quickly for the industry at large on this account.

I would want to brief you for the next project which is Chutmalpur-Ganeshpur and Roorkee-Chutmalpur-Ganeshpur or normally called CGRG. The payment for the last installment that is fifth millstone has been received by the company and as we speak supplementary agreement is likely to be signed between NHAI and the company shortly at which point the PCOD shall be issued which we expect in couple of days from now.

The next project that I want to brief you is about Gagalheri-Saharanpur-Yamunanagar or GSY. The physical progress of the project stands at about 93% and at the end of Q1 FY2021. For this project also we have received the payment of fifth milestone of the last millstone during the construction phase from NHAI in March 2020 and it is our endeavor to achieve the PCOD for this project also in the August itself.

The fourth project I would want to brief you about is Chikhali-Tarsod road project in Maharashtra. The physical progress of this project stands at about 61% at the end of Q1 FY2021 or June 30, 2020. The project has received the payment for third milestone from NHAI and we are likely to achieve the PCOD for this project also during the current calendar year.

The fifth project that I would to brief is about AM2 in Maharashtra, Amravati, the physical progress for this project stands at 63% as of June 30, 2020, we have received part payment against the third milestone from the PWD against this project. We are likely to achieve PCOD for this project also during this calendar year. So just to recap with this, these five projects, we will by the year end have five operational projects out of the total seven, so approximately Rs. 6000 odd Crores value of the portfolio of Rs 10,000 crores would be completed by this calendar year.

Coming to the balance portfolio, the project that I would want to brief is Aunta-Simaria, it is a bridge project over River Ganga with 8.7 km total length. The physical progress for this project stands at about 22% as of June 30, 2020. The first payment milestone at 10% has already been received from NHAI. The last project in the HAM portfolio is Sattanathapuram-Nagapattinam. As informed earlier, happy to share that the Honorable Supreme Court has given relief to the NHAI by granting an add interim stay against the Honorable Madras High Court order and the project is likely to receive appointment date in the month of August subject to internal process completion at NHAI.

Now coming to the recently acquired projects, BOT project which is Mukarba Chowk Panipat toll project. We become the concessionaire for this 2122 Crores project through the process of harmonious substitution. Out of this 2122 Crores, the balance works are relating to 1593 Crores, to complete the project. We could get the substitution done in the early part of June 2020, and now we are fully mobilized at site and the work is going on in full swing. It will be our endeavor to achieve the PCOD for this project in this financial year.

Coming to the water infra, the operational Dewas water project which become operational from April 30, 2019, was operational during the pandemic as well and during Q1 FY2021 the revenues stands at Rs. 2.3 Crores, and an EBITDA of Rs. 1 Crore.

Coming to oil and gas, there are four relevant projects. As you would recall this is a joint venture operation with Adani wherein, we are only 35% partner, the first block is Kutch block, or we normally call GK 1. ONGC is the operator for this block and they are in the process of submitting the field development plan which is expected to be submitted by September 2020 because of the pandemic, there has been an extension granted to them.

The next block that I would want to talk about is the Mumbai block or MBOSN2005 x two block, we have been granted the permission to enter into phase 2 of this project and we are expecting to start drilling the one well program in this block post monsoon. The third block that I would want to talk about is the discovered small field cluster of B9. We are targeting to drill one well in the B9 field of the cluster post the drilling of Mumbai block well. Of these three blocks, the overall GIIP is about 0.9 TCF, Trillion Cubic Feet, and this resource has been ratified by a peer review. We expect the EUR or ultimate economic recovery of about 70% of GIIP.

The last block of interest for this operation is Talej block as you would recall that notice for this block was issued by the ministry, we are making effort to revive the block because it is already our find, it is a discovered field with oil present.

Coming to the outlook post June, NHAI bidding has started and we have selectively participating in the bidding process while maintaining our threshold returns. As we speak there are about 26 HAM projects of NHAI, the total value of Rs.27000 Crores for which the bids have been announced. Apart from NHAI, we are selectively looking at evaluating HAM projects of frontline state and municipal agencies. The company will continue to explore inorganic growth opportunities through measured evaluation of risk-return parameters. In the water segment, we are mainly focused on sewage treatment plant, desalination and bulk water transmission either through EPC route or through HAM mode. WEL is well-positioned for early financial closure of new project wins, as and when it happens, given its healthy cash situation. You may recollect that we raised Rs.375 Crores by way of NCDs in Q1 which add to our cash balance. The company will continue to pursue an asset-light model while focusing on operational excellence and prudent risk management. Now I hand over this call to Mr. Sridhar Narasimhan for the financial highlights. Over to you Narasimhan.

Sridhar Narasimhan: Thank you Sandeep. Good morning ladies and gentlemen. As Sandeep said this has been muted quarter with revenue has been affected due to the pandemic situation; however, as our guidance goes, we will scale up to our guiding level during the subsequent quarters. So, revenue for Q1 stood at Rs.174 Crores, our operating EBITDA at Rs.19 Crores and the margin was at 15% which is a healthy 130 bps over the corresponding quarter. Cash profit considering the tax effective rate of around 19%, stands at around Rs.17 Crores. As

Sandeep said we have adequate cash to take care of subsequent equity requirements and for growth capital. We have got the cash balance of around Rs.515 Crores end of quarter ended June 2020.

The additional equity requirement for our existing projects is around Rs.350 Crores broadly into existing operational HAM projects of around Rs.130 Crores, oil and gas Rs.110 Crores and the recently acquired BOT project of Rs.115 Crores and we also have undrawn cash limits which actually add to our cash kitty which is good enough for any immediate equity requirements for our growth prospects. The short-term loans of Rs.74 Crores which is represented by commercial papers and equipment loan and the long-term loan of around Rs.375 Crores is adequately supported by the current assets and fixed assets and we had adequate security cover there. Sandeep back to you.

Sandeep Garg: With this our initial communication or presentation is over and I would request IDFC to seek any questions that the investors may have.

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

Rohit Natarajan: Good morning. Thank you for this opportunity. Sir, my first question is more to do with the Santhanathapuram project, now that we have got already relief from the Supreme Court, what do we make out of this relief, can you quantify what amount of work could be descoped or what quantum of work could be lost from the potential backlog from that particular project?

Sandeep Garg: As I said we do not know the answer as of now, as I said it is a recent relief, however, the NHAI internal process are yet not complete, so as soon as they are complete we would know if there is a descoping that is taking place and to what extent, I do not expect any large amount of descoping, but it could be anything between 15% to 20% of the contract value.

Rohit Natarajan: I appreciate that Sir. My second question is more on the PCOD status for the four projects in this year, what we are targeting, CGRG, GSY, AM and CTHPL now that we are already done good progress in CGRG and SGY and even AM and CTHPL should probably be ramped up, would you be initiating conversation with prospect investors to monetize this particular bunch that is these four plus one Delhi that you already have operational?

Sandeep Garg: That is the intent Mr. Natarajan for sure that we bring a size to this portfolio so that we can attract right investors into that portfolio.

Rohit Natarajan: I appreciate that Sir, also you earlier said that there were some water projects available for bidding close to some Rs.300 billion odd was the conversation that we had last time especially from MP, AP and Marathwada, now that the states are not clearly in a good position to the finance all these projects, do you think this kind of prospect ordering inflow lies in water space?

Sandeep Garg: I surely believe water is not an option, it is the necessity and I do believe that the resources will be found for the water irrespective of anything, so we are strongly committed to the water sector and we believe that these agencies which are behind these projects like MCGM they are pretty liquid entities, so they can take onto these projects for sure.

Rohit Natarajan: I appreciate that answer. Just finally Sir, on the labour availability part, you touch that already you have some 75% labour available and post monsoon this will shoot up all the way to 100%. Sir, would you want to quantify some number that you have in mind by Q2 you will have may be at 90% or something at close 100% is that the way we should be seeing it and will be normalized by Q3?

Sandeep Garg: Mr. Natarajan, you would appreciate this is a forward-looking statement, the answer is, this is based on a situation that we believe that the pandemic will be dealt the way the current trend is, it will be too difficult for us to say that what it will be at the end of Q2, but it is reasonably fair to expect that post monsoon there is definitely a push from the government as well as from the need from the workforce to come back to the work site, so we expected to be high post monsoon.

Rohit Natarajan: Thank for all the answers. If there are any questions I will be back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Manoj Kumar from IDFC Securities Limited. Please go ahead.

Manoj Kumar: I have three broad questions. One, in terms of the outlook that you have provided may be if you could touch upon on how we are working out internally to achieve that 20% growth that we talk about that is first question and I will take the next question after Sir.

Sandeep Garg: As you noticed that our current order backlog unexecuted stands at about Rs. 4700 Crores level, now for us to have 20% growth, we need a turnover of about Rs.2100 Crores which is less than 50% of our current unexecuted order book in hand, so we are reasonably confident that we will be able to execute with this much of projects.

Manoj Kumar: Okay. If I may ask more on this, what is the trend that you are seeing like in Q2, Q3 and Q4, how you are seeing labour force availability?

- Sandeep Garg:** If you were to ask me that question, this is forward-looking so I would put that caveat into it; however, the Q1 is known now, Q2 we expect to be almost par with the past performances, it will be Q3 and Q4 which will be the real drivers when the full workforce to be present in your fully mobilized on all our sites, so that is when we expect the revenue to really jump up.
- Manoj Kumar:** Okay, got it Sir. Second question is, what is the upcoming BOT opportunities which you are seeing or any other opportunities that you could see in terms of acquiring another stress assets and generally also on the same side, what is the general threshold level that you see for that?
- Sandeep Garg:** As we speak there are couple of options, we get the options practically every month, a few options we get because of our financial capability, so we keep on looking at them, but we have threshold returns and as I said which are definitely in the mid teens and above.
- Manoj Kumar:** Okay, got it Sir and in terms of the state and municipal projects, are you seeing any big project, what is the size of the project that you will be willing to look for?
- Sandeep Garg:** We are looking at projects of in the ranges of Rs.1000 Crores to some Rs.6000 Crores that the kind of numbers that are panning out within the stock canvas.
- Manoj Kumar:** If possible, could you provide us any opportunities that are in the pipeline now?
- Sandeep Garg:** If you could get in touch with my team separately, they may be able to give you an idea of what are the projects we are looking and obviously we would appreciate that this would not be fair for us to tell you exact project that we would be bidding for, that will give the competitors a competitive advantage against us.
- Manoj Kumar:** Thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Rachit Kamath from Anand Rathi. Please go ahead.
- Anand Rathi:** Thank you for taking my question. My first question pertains to some of our projects are still at around 60%, 70% kind of for level and CGRC are at around 93%, and your clients are getting a CKD right now, so is it that the land is not available, or this is the final land that was there?
- Sandeep Garg:** I am not very clear the question, but I will answer the question that I have understood. The question is, is there a land issue relating to the projects, the answer is that there are land

issues however NHAI has taken a decision that they go ahead and issue the PCOD if they are not in a position to get the land transferred for execution, so all land issues are descope or delinked as the case may be.

Anand Rathi: Are we really willing to go for PCOD at this stage, because there is a uncertainty on the interest rate issue right now and given the fact that if we are able to delay the projects in terms of attaining PCOD we can push our payments to that extent, just wanted your thoughts on this front?

Sandeep Garg: I do not think pushing PCOD is in the best interest of the company, because you are already running the interest on the debt as well as your equity's investor for much longer, the swing of bank rate, does not compensate for these items.

Sridhar Narasimhan: In any event if the bank rate connects what we are resuming that it would be applicable to that annuity, so there will be no point in pushing the PCOD out. As Sandeep said the cost of PCOD pushing is far higher than the advantage we have get out of it.

Anand Rathi: Is there any kind of funding loss or something that we have done for the annuity asset in this quarter?

Sridhar Narasimhan: These annuities are well, they are covering all of our cost and everything, so there have been a loss funding in the previous quarter as well, there might be a timing mismatch in terms of the cash flows and other thing, but to that extent I think the annuity principle are based on that.

Anand Rathi: I realized that the timing of the cash flow is better given the fact that we are receiving interest at around 7.25%, but then we are paying at around 8.17% interest rate, so on that account was there any short fall?

Sridhar Narasimhan: There is also the interest paid on our own equity position and annuity which covers our own annuity, if you had both of these they more than account for the difference between the NHAI rate and the bank rate or the loan rate.

Anand Rathi: One more question I had is pertaining to the order book. I think in the press release that you have given shows that you have almost Rs.43 Crores kind of work during the quarter Q1 FY2021, so is my understanding correct?

Sandeep Garg: That is correct, we have executed, since we were planning for this project to be awarded soon, this was a half on substitution, we went ahead and started the work much earlier in view of the impending monsoon season.

- Anand Rathi:** We have had a good case because we were only there for operational for almost 20 days odd, we have done almost Rs.43 Crores?
- Sandeep Garg:** Yes.
- Anand Rathi:** In the water side there are lot of opportunities coming out recently, these are pertaining to well for the supply whether there are kind of pressure to bidding, so were your participants bidding for these projects?
- Sandeep Garg:** As I said we are looking for projects where we are reasonably secure in our payments, so we first evaluate the payment history of state and then decide to plunge into it.
- Anand Rathi:** What kind of geography would you be interest in, Maharashtra is the state that we are looking at?
- Sandeep Garg:** Maharashtra, Gujarat, MP are few of the states, we are looking some state in the north and south as well. UP is on radar as we speak.
- Anand Rathi:** Any kind of opportunity pipeline that you would have for water segment Sir?
- Sandeep Garg:** We would want to get at least one project of about Rs.1000 Crores in the financial year.
- Anand Rathi:** Rs.1000 Crores in water project and on the roadside, how much are you targeting in terms of input?
- Sandeep Garg:** Sorry.
- Anand Rathi:** On the roadside, how much are you targeting in terms of input?
- Sandeep Garg:** We do not believe that we need too many orders now, our target would be to get one or two projects.
- Rachit Kamath:** Of around Rs.1000 Crores each?
- Sandeep Garg:** We would want to increase the size of the projects, so somewhere between Rs.1200 Crores to Rs.1500 Crores each.
- Rachit Kamath:** Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Nirav Shah from GeeCee Holding. Please go ahead.

Nirav Shah: Good afternoon Sir. Thanks for the opportunity. You have partly answered my question just now, so just wanted to understand the strategy for inflows because if I look at our current order book of around Rs.4700 Crores and assuming some small descope of Rs.250 Crores which is on the lower end of 15% of Tamil Nadu project EPC value our residual order book by end of year just assuming hypothetically inflow is somewhere around Rs.2400 Crores which just suffices the next year or group targeting assuming again it is 15%, 20% run rate, so if you can further elaborate on our strategy for inflows this year and next year because that will give some visibility to beyond FY2022 execution, how do we look at that phase because now our order book is remaining three quarters will be largely from our acquired project in terms of execution and last two quarters have been largely from Amaravati Project if I had just look at the broad execution numbers, so if you could just share some thoughts on this?

Sandeep Garg: If I understand your question correctly, your question is about visibility of order book. We currently have a clear visibility of 18 months, our endeavor will be to have a clear visibility of 24 months by the end of this year, so that is what our target is, so that is what we are working towards.

Nirav Shah: And the remaining three quarters of this financial year, it will be largely from the Mukarba Chowk project, because if you want to achieve the PCOD by year end?

Sandeep Garg: All the projects if you see we are targeting PCOD of Amaravati as well as Chikhali Tarsod as well, so these were the three major projects which we will contribute to the turnover.

Nirav Shah: Fair point Sir. Thanks a lot Sir.

Moderator: Thank you. The next question is from the line of Ajay Gupta from JM Financial. Please go ahead.

Ajay Gupta: Good morning. Just the recent Supreme Court order that you have got and hopefully the appointment date will be in August, how much of this order do you expect to execute in the current financial year?

Sandeep Garg: First, this order has been obtained by NHAI and not by us, the SLP was from NHAI. Secondly, we expect approximately 10% of the progress to come from the SNRP project in this financial year.

Ajay Gupta: That means most of this order will be executed by you in FY2021-2022?

Sandeep Garg: That is correct.

Ajay Gupta: Which means your order book will virtually be over except for this order by the end of this financial year most of your other orders?

Sandeep Garg: We still have the order of Aunta-Simaria which will continue into 2022.

Ajay Gupta: And in the last 12 or 15 months that has not been a single order that the company seems to have won from NHAI bidding which has happened, how optimistic is the company now with the bid that they have put in because the past 12 to 18 months, the order inflows has virtually dried up for whatever reason I am not getting into that, but just want to understand because if no new orders come in and if this appointment day gets delayed then 2021-2022 can be a wash out.

Sandeep Garg: I want to answer that question on two-pronged approach. Number one that we have already acquired Rs.2000 odd Crores project recently, so there are enough projects available of similar kind in the country, so we do not need to necessarily win a project, we are equally comfortable through acquisition of project route to keep our turnover, so that number one that you may want to consider. Secondly there are a lot of opportunities in NHAI and I think there is only one bid which has opened recently out of the seven bidders we were L4, so we are in the bunch, we are right there, if you want to we will get few of the projects, we have no doubt about it. The third thing that I would want you to consider it that NHAI is not the only client that we are targeting, we are targeting other clients as well. We are very well placed to get the contracts.

Ajay Gupta: What would be the company's guidance for next year 2021-2022?

Sandeep Garg: Our target would be to have a growth of about 20% this year's financial.

Ajay Gupta: Thank you.

Moderator: Thank you. The next question is from the line of Keshav Garg from Counter Cyclical Investments. Please go ahead.

Keshav Garg: Sir, I wanted to understand to mention that you are targeting 20% growth for FY2021 in topline, so in EBITDA last year we did Rs.260 Crores, so we will expect Rs.300 Crores this financial year?

Sandeep Garg: That shall be our endeavor.

Keshav Garg: Sir and also I wanted to understand please pardon me for asking a basic question, but like I said you are in PNP business only basically you are bidding and then you are becoming L1

and then you are outsourcing the project to a contractor, so the contractor must also be making his margin, how does it add up, why does not your contractor directly bid with NHAI and why should he take it on sub-contracts from you?

Sandeep Garg: It is a very simple question. The differential lies between our ability to bid for the project and do the financial closures which the subcontractors that we use do not have the where with on, secondly not everybody want to be a developer, there are different players who want to be pure EPC players and for them this is a good win-win situation to tie up along with that.

Sridhar Narasimhan: I think also important point is that how many people are able to achieve financial closure, because it is a very critical element of the project, winning project I think is the easiest part, but able to achieve the financial closure at the most cost effective manner and then complete the project is a different ball game altogether, so while some of these EPC players that we have dealt with may also become our competitor going forward, but clearly the financial strength of the developer is the most important element in this bidding and which I think is not very ready to replicate, so from that angle there would be some I would say usual suspect which are bidding, but new entrant may come up with funny bids which may not get financially closed, we have to view the entire industry in that holistic view.

Keshav Garg: And, our oil and gas company, our JV is making losses, so when do you hope to either exit it or at least for the JV to stop making losses?

Sandeep Garg: First, let me clarify there are no losses being made, this is practically where we are spending for capital asset. There are minor operational costs for the business. Secondly as we have said, the intent is to monetize these assets once the project comes to a situation where we can convert this resource into reserves which happens post these two wells being drilled post monsoon.

Keshav Garg: Thank you very much Sir. Best of luck.

Moderator: Thank you. The next question is from the line of Manoj Kumar from IDFC Securities Limited. Please go ahead.

Manoj Kumar: Thank you for taking my question once again. I have one broad question on the monetization of HAM asset. I believe now MoRTH has come up with new way of linking this annuity payment interest to your SBI MCLR, are we hearing anything solid on the trend and I believe would it be any beneficial for our HAM asset?

- Sandeep Garg:** If NHAI comes up with SBI MCLR plus percentage spread over it, that will be a welcome change yes, we are very much impacted by this decision and it will be beneficial for the industry at large.
- Manoj Kumar:** Do you have anything in mind on what would be formulation that MoRTH might take up that might be beneficial in the prolonged future also?
- Sandeep Garg:** I could not get follow the question, could you repeat please?
- Manoj Kumar:** Anything that you have in your mind on how this concession would be in terms of this annuity payment, any suggestions that you had for anything like you are pushed towards NHAI for this matter?
- Sandeep Garg:** We through the NHPF have put a couple of suggestions to the NHAI and MoRTH, I am reasonably confident that those are currently under the discussion at the government level, so the options could be SBI MCLR 15 year or 10 year GSEC etc., so there could be certain indices which are better reflecting the cost of money than the bank rate specified by RBI so that is our suggestion.
- Manoj Kumar:** Okay, got it Sir and the second question on the execution trajectory that you have for this BOT project that you have acquired recently?
- Sandeep Garg:** You must repeat your question please.
- Manoj Kumar:** For the recent acquired BOT, what is the execution trajectory that you are having in mind right now and what are the equity commitments that you are going to make and annual payment of that?
- Sandeep Garg:** In terms of execution strategy I would want to take this question saying that we are really pushing very hard as you would see that we have already in Q1 itself, we have done our revenue of about Rs.40 Crores plus, so the intent is to do a project at least if nothing more to about 75% which will allow as the PCOD in this financial year that will be our endeavor.
- Manoj Kumar:** And what about equity commitments on this Sir, anything that you...
- Sandeep Garg:** The equity commitment for the project is totally Rs.200 Crores odd out of which I think we have already spent about Rs.85 Crores, the balance commitment is yet to be fulfilled in the coming year.

Manoj Kumar: Okay, got it and final question I have when you are speaking about financial disclosures I just wanted to understand how is the broad environment right now in terms of how has it changed considerably or do you see or if we see a new resistance in the recent time after COVID-19?

Sandeep Garg: We are right now fully funded on all our projects, so we do not know how the others are feeling, we are very comfortable with our financial closure then we are not seeing any resistance per se from the bankers.

Manoj Kumar: Okay, got it and the last question if I may, are we L1 on any big projects right now?

Sandeep Garg: Not as of now.

Manoj Kumar: Got it and are we seeing any interest about the company, we are more likely to defer molre upcoming BOT project from NHAI?

Sandeep Garg: BOT and EPC are adjacencies to us from the HAM, so we keep on looking at them if the BOT which is currently being modified where the NHAI/marked and if the risk and rewards are balanced surely we would look at it. We are not also averse to look at EPC, but we have a threshold return, now that we have a pipeline of subcontractors which are in line to work with us, so both these two adjacencies are open to us as we speak.

Manoj Kumar: Thank you so much Sir.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Sandeep Garg: Friends, thanks for coming on this call. On our closing comment, I would want to say that Welspun Enterprises will continue its journey of operational excellence on our portfolio of more than Rs.12000 Crores. We thank all our stakeholders for showing confidence in our especially as we equip ourselves for the new normal. The company remains focused on value unlocking through recycling of capital. Thank you and for any further questions and queries you may have please gotten in touch with our investor relationship team. Thank you and good day.

Moderator: Thank you. On behalf of IDFC Securities Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.