



“Welspun Enterprises Limited Q3 FY2020
Earnings Conference Call”

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ANANDRATHI



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Moderator: Ladies and gentlemen, good day and welcome to the Welspun Enterprises Limited Q3 & 9 Months FY2020 earnings conference call hosted by Anand Rathi Shares & Stock Brokers. 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. I now hand the conference over to Mr. Rachit Kamath from Anand Rathi Shares and Stock Brokers. Thank you and over to you Sir!

Rachit Kamath: Thank you Fezzan. Good morning to all the participants for Welspun Enterprises Q3 & 9 Months FY2020 Earnings Conference Call.

Today we will start with an update from the management for the past quarter and then proceed to the Q&A session.

From the management we have Mr. Sandeep Garg, Managing Director, Mr. Akhil Jindal, Group CFO and Head Strategy, and Mr. Jitendra Jain, President (Finance). Thank you and without any further ado I hand over the call to the management.

Sandeep Garg: Thank you. Good day ladies and gentlemen. On behalf of Welspun Enterprises Limited, I welcome you all for Q3 FY2020 results analyst con call. Before we go into financial details, let me start with the key highlights of the quarter.

During the quarter the company focused on execution excellence on various ongoing projects. Significant progress has been made in projects like CGRG, GSY, CTHPL, AM2, and the details of which will be shared with you a bit later on the call.

During the quarter we have availed top up loan on the Delhi-Meerut Expressway project, post in principle approval by NHAI at a very competitive rate of 8.52%.

Despite challenging banking environment, we have managed to down sell debt of many of our projects by introducing new lenders. In a nutshell Q3 FY2020 was another quarter of steady growth for Welspun Enterprises Limited both in terms of operational and financial performance.

Now coming to our project updates on our road portfolio. As you maybe knowing, current portfolio stands at 7 projects of a total value of more than 8500 Crores for the company. The current unexecuted portion of the order book on EPC stands at about 4100 Crores.

As you all are aware this year the country has seen in most of the parts an extended and heavy monsoon, which has affected the progress of our company practically all across.

However post October once the monsoon has subsided the phase of progress has picked up, and more not only on the projects AM2 and CTHPL, which are running ahead of schedule.

Coming to each individual projects Delhi-Meerut Expressway package-1, it has received its third annuity in the month of January 2020 within the stipulated time from NHAI. As I had mentioned earlier the outstanding loan for this project has been refinanced and also a top up loan taken post approval from NHAI.

Gagalheri-Saharanpur-Yamunanagar our (GSY) project at the end of Q3 FY2020 the physical progress stands at 87%, and as of 31st January at about 89.5%. For this project the fourth payment milestone was hit and the payment received for same in October 2019 that is the 75% milestone from NHAI.

The other project Chutmalpur-Ganeshpur & Roorkee-Chutmalpur-Gagalheri, projects or (CGRG) the physical progress at the end of Q3 FY2020 was 84% and at the end of 31st January it is 86.5% approximately. Even for this project, the fourth milestone payment from NHAI of 75% progress was received in the month of October 2019.

Aunta-Simari, the project achieved 18% of physical progress by the end of Q3 FY2020 as on 31st January the progress stands at approximately 20%. For this project, the first milestone payment has been received from NHAI, which is at 10%.

Chikhali-Tarsod, a project in Maharashtra, the physical progress for the project stood at 47% at the end of Q3 FY2020 and at the end of January it stands at about 50.5%. For this project also the payment for the second milestone from NHAI that is at 40% was received in the month of January 2020.

Amravati package of AM2, which is a PWD Maharashtra project at the end of Q3 FY2020 the physical progress stood at 32%, at the end of January the physical progress stood at 36.25%. The payment has been received from the PWD for the first milestone that is 10% completion. The second milestone of 30% the bill has been submitted to the client in the month of January 2020.

Sattanathapuram-Nagapattinam project of NHAI, this project has been awaiting appointed date and as I had spoken in the last con call, we expected the appointed date to be taking place in the month of January 2020; however on the January 8, 2020 Honorable High Court of Madras passed an order to put a hold on the widening of this project, where the hold has been put on our larger portion for the our current project it is a very small portion of that complete order and the order speaks about NHAI to undertake EIA studies or environment

impact study and also obtain environmental clearance and wherever there is an application the approval to be taken from the CRZ or CRZMA as the case maybe.

Now important point from this order are also that the order clearly states that the project expansion of the NH-45A do not be shelved and the concession agreements already agreed into, not to be canceled and the land acquisition proceedings should not be draft.

As I stated in our case the CRZ clearance is required only for 650 meters of the road length out of 63 kilometers and hence it can either be descoped or realigned very easily. The confidence of both the NHAI and us is reflected that we entered into a supplementary agreement with NHAI in this quarter in which NHAI has stated that they will satisfy their CPs and the appointed date for same will be achieved in the March 2020, and this agreement has been signed post this order from Madras High Court, so this agreement takes into account the impact of this order of Madras High Court.

Coming to water infra, one of the projects which is ongoing is Dewas water, the commercial operations for the same started on April 30, 2019. The year-to-date revenue stands at about 5.8 Crores and the EBITDA for the same is Rs.2.8 Crores.

The last operational element of the company is oil and gas which is wherein we participate in the exploration and production of oil and gas alongside with Adani through a JV company wherein we hold 35% and 65% is held by Adani and for us there are four relevant blocks. There is one block in Kutch, which we call GK-1, the operator for same is ONGC and there has been a find in the block and ONGC is preparing the field development plan to be submitted to the Directorate of Hydrocarbon.

The other discovered small field which is a small field that we got called B-9, it is already a discovered field and hence it is only the exploring and exploitation that needs to be done and we are planning to drill the first oil well during the monsoon period. The other block adjoining to this B-9 which is an old block under the PSG regime is Mumbai block or MB-OSN-2005/2, we have got the approval for entry into phase II and the drilling for same will start post the drilling in B-9 because these two blocks are adjacent to each other we are planning a joint exploration cum production wells in these blocks.

The overall in place volumes of gas in these four blocks stands at 0.9 TCS and these are primarily gas bearing blocks and this overall GIIP has been peer reviewed by our respected oil and gas company of India. The expected EUR or Estimated Ultimate Recovery is approximately 70% of the GIIP.

I am not talking in detail about Palej block, which is also a block of interest, because it is still under litigation and we will appraise you once the litigation comes to conclusion.

Talking about the outlook of the industry, NHAI at this point in time is expected to bid out approximately 2500 kilometers of roads amounting to their estimated price of about 45000 Crores during the FY2020 and this number is only for hybrid annuity model which we are focused player of. The momentum of bidding has taken up in the last few weeks and we expect it to continue this way till the end of FY2020.

The government's strong focus towards highway as well as water sector as part of infrastructure development has build excellent business opportunity for us at least for the next few years the visibility is clear, and as a company, we will continue to selectively target the projects to exploit this business opportunity while preserving our threshold returns expectations.

In terms of our preference for road, we prefer HAM projects or projects which are of developmental in nature and where risk and reward is balanced; however our go to market strategy for water includes both developmental projects under HAM model or equivalent models as well as EPC projects. Our focus in water sector will be mainly sewage treatment plant, desalination and bulk water transmission projects.

The company will continue to explore inorganic growth opportunities through acquisition of projects, through measured evaluation of risk and return parameters.

The company will also continue to pursue the asset light model and continue to focus on operational excellence and prudent risk management. We will also be looking for unlocking the value in the investments made in the HAM projects through either divestments or refinancing of the projects so as to maintain the liquidity at the company level for future growth of the company.

With these words I would want to hand over the call to Mr. Akhil Jindal for the financial highlights.

Akhil Jindal:

Thank you Sandeep, good morning to everyone. The numbers were sent to you yesterday so I am sure the hard copy of the press release and other things are available with you. I am just trying to keep it short and focusing on some more information that we could not cover in the release.

So just for a quick summary the revenue was up by 13% and this revenue of 13% up 490 Crores was mainly contributed by the 5 HAM projects. Our EBITDA was up by almost 7%

and operating EBITDA stands at 11.2% on account of that. So these are the two key financial numbers then of course our EBITDA overall was up 33% including the other income and that stands at 69 Crores. Cash PAT which is an important element for us to evaluate the cash generation of the company is also up by 52% and that stands at 47 Crores the last point on the cash balance which is an important element again for the commitment that we have on the HAM side and the oil and gas side. So we have maintained a healthy cash balance all throughout even as on 31st December there is a cash balance of 308 Crores which is absolutely free cash invested into our mutual funds and AAA government securities, government PSC bonds and other things and to that extent the equity commitment is only restricted to 278 Crores so we have further to invest in HAM as 163 Crores and our oil and gas commitment is 115 Crores if I consider the earning potential of this company on the base of the order book that Sandeep just mentioned, this cash balance would be far more higher. We have a short-term loan of almost 196 Crores which adequately supported by net current assets, a long-term loan of 42 Crores are again supported by net fixed assets that the company has. So all in all it is a very healthy balance sheet with significant amount of cash balance and all the commitments that we have made in terms of the HAM or oil and gas are fully, fully funded by virtue of this cash balance I will not dwell further into the income statements and other thing which are available with you I would only say that from a liquidity perspective, clearly the top up loan is one element of liquidity which as we go along the company is generating as Sandeep mentioned we have already done a liquidity top up loan of almost 65 Crores from one of our key project which is completed almost one, one and a half year back, Delhi-Meerut is one project where we got a loan from one of the large Indian banks at a very competitive rate 8.52% and with the further reduction that they have done it could be 8.42% from March onwards plus two of our other projects are getting complete both MBL projects in UP, Uttaranchal area we are also becoming candidate for the refinancing and also for the further securitization and we have started approaching some of the Indian banks to start evaluating so that by the time the project achieve the PCOD and the COD the refinancing can be done again at a very cost effective manner. So all of this will further add to the liquidity plus the exits of some of the assets that we are planning which of course Sandeep also mentioned in the opening remarks will add up to the liquidity. So I think as a company we are in a fairly comfortable position and to that extent we will keep our borrowings at check we do not want to borrow extensively at a Holdco level our borrowings are currently limited to some element of CC and some element of CP so my estimate is that it will not be in excess of more than 300 Crores as we have got our sanction limits and to that extent I think the liquidity position of the company will remain a key element for us to watch and we will be very, very cautious and conservative in terms of deploying it in any future projects.

So with this I hand over the floor to the questions, to the various participants for any question that they may have and as the management team we will try and address it to the best of our abilities. Thank you.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Congratulations on decent set of numbers. Sir firstly in our order book of 41 billion is this Sattanathapuram-Nagapattinam included and if not when do you expect the appointed date for this project now?

Sandeep Garg: To answer your question this order book includes the SNRP projects order book, the order book emanating from SNRP is approximately 1700 Crores and the expectation as I said we signed of a supplementary agreement with NHAI wherein they are representing that they will be able to meet their CPs by March 2020 so we expect the appointed date to take place in March 2020.

Mohit Kumar: Secondly Sir as far as the NHAI pipeline is concerned, you have mentioned that around 2500 kilometer of road projects are expected to be bid out through HAM order and is it possible to share this in terms of value? What is the value and this besides I think there are lot of HAM has already getting order as you speak number how much of the order what we have already put in update and what is the expectation for the full year for order inflow and secondly one more clarity on the order inflow there is one Pune project I believe where we were L1 it has still not come to us is why there is a delay when they expected to be get part of our order book?

Sandeep Garg: To address the last portion of the question first. The Pune project where we were L1 the bidding process has been annulled by the client after we were L1 and hence that project is not expected to come right now. Now coming to the part of the question that yes the HAM activity has started it is true and that is what I said in my opening statement and that is a good sign. We expect almost like about 50-odd Crores projects which are yet to be bided out and the list is in front of me and the total project cost is in excess of about 45000 Crores which are already identified for future bidding between 17th of February to end of March these projects are slated to be bid out.

Mohit Kumar: Okay Sir 45000 Crores worth of order still pending to bid out?

Sandeep Garg: That is correct and that is only on the HAM side of the business and I am not considering the EPC side of that.

Mohit Kumar: Sir one last question on the water segment side. Have you seen any movement of this sewage treatment plant tendering or desalination or bulk water transmission projects, which is expected to be bid out in the next six months?

Sandeep Garg: Yes, so we have bided out some projects on desalination for Gujarat sector, we were not the L1 bidder for those, we had bid out for the sewage treatment plant where the MCGM decided to handle the process there are currently as we speak about two projects which are under bidding stage by MCGM for sewage treatment plant for which we are looking at and if the bids go forward which is expected by the end of February we would bid for those. We are also bidding for some 16000 Crores of projects which have been announced by Madhya Pradesh we are bidding for a few of those projects as well.

Mohit Kumar: What is the size of MCGM project is it sewage treatment plant?

Sandeep Garg: It is a sewage treatment plant which the current two projects which are under bidding stage are very substantial sizes which are 500 MLD and 450 MLD capacity plants. I would refrain from talking about the numbers on this because this is under bidding stage.

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

Nirav Shah: Congrats on a decent set of numbers. Sir I have a few questions, firstly what is the scheduled completion date for GSY and CGRG?

Sandeep Garg: Contractually the schedule completion dates were in the month of January for GSY and February for CGRG for both these two projects the IE has recommended extension of time for 160 days and about 65 days to NHAI because of the defaults on part of NHAI. Force majeure situations like nonavailability of tree cutting approvals or shifting.

Nirav Shah: So CGRG the revised would be April and GSY should be somewhere around June, July?

Sandeep Garg: That is correct, that is the extension of time, however our forecast is that we will hit the PCOD by March for both these two projects.

Nirav Shah: And Sir any particular reason why the execution during the quarter was slow because I see the revenue contribution broad, it is largely coming from the Maharashtra projects and even in Jan I mean we completed 2.5% for CGRG which was the run rate which we achieved in the Q3 on a monthly run rate?

Sandeep Garg: So as I said the reason is very simple that as I said there has been an extended monsoon so in Q3 also it is almost like after end of October there was a heavy monsoon in that area and

secondly if you see that the project is almost close to 90% so whatever funds were available we are already dealt with them. Right now we are dealing with the funds which are were not made available for reasons which we are getting with extension of time so it is a job being done in small portions of work, the continuity of work is not there so we expect the run rate to be low on these two projects going forward as well.

- Nirav Shah:** And Sir on the Tamil Nadu project what is the quantum of land acquired already by NHAI?
- Sandeep Garg:** I think the land acquisition is about 70% for SNRP at this point in time and we need to hit the 80% for us to get the appointed date.
- Nirav Shah:** And there should not be any material reduction from the descoping of the project if at all, I mean, if...
- Sandeep Garg:** No, I do not expect any material reduction at this point in time, so whatever conversation we have had with NHAI there is no reason for us to be apprehensive there may be minor changes but we do not expect any substantial changes.
- Nirav Shah:** And Sir just lastly how much loan have we given to support I mean to the SPVs is it 325 Crores or 196 Crores?
- Sandeep Garg:** 395 Crores I think 196 Crores is what we close a temporary or the funding we have drawn however the loans temporary loans to the SPVs stands at 325 Crores.
- Nirav Shah:** And the top up loan is part of this net in cash balance 65 Crores?
- Akhil Jindal:** Yes, yes that is right 65 Crores that we have received is a part of a cash balance, yes.
- Nirav Shah:** Got it sir. Thank you Sir and all the best.
- Moderator:** Thank you. The next question is from the line of Ateet Bansal from Nippon Mutual Fund. Please go ahead.
- Ateet Bansal:** Just a couple of questions, one on the top up loan for Delhi-Meerut I understand was upwards of 90 Crores, we have availed 65 Crores the balance is yet to be availed?
- Akhil Jindal:** Yes, the total approval of Axis Bank which is one of the lender or rather the lender in this project was 94 Crores as you rightly said but, please understand that we have also got three annuities payment received and all in time, so by virtue of all the things at the beginning of the project it would have been 94 Crores but after the three annuity the eligibility that NHAI

worked out was 76 Crores and out of 76 we have drawn 65 Crores so the 11 we are free to draw at any point of time.

Ateet Bansal: And what would be the net on the Holdco level in terms of working capital and your term loans?

Akhil Jindal: 196 is what the figure was around December number between the CC and CP it was total of 196.

Ateet Bansal: And term?

Akhil Jindal: Term loan was 42 Crores which is well supported by the asset of more than 62 Crores, and these are of course let me just also add, these are also just the asset financing that we have done on behalf of our suppliers so once the project reaches the completion stage we are in a process of transferring this assets back to the supplier and to that extent the long-term loan would also be repaid so practically this is just a asset financing otherwise we have no intention of taking any long-term loan at this juncture.

Ateet Bansal: Thank you.

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

Rohit Natarajan: Sir with this nine month performance what do we expect in revenue to end within FY2020 would we be sticking with our earlier guidance?

Sandeep Garg: I think my current guidance would be approximately 2000 Crores for two reasons, number one there has been an extended monsoon so certain turnover has been lost and another thing is that SNRP which was expected to be reaching its appointed date by January will reach by about March so it is not going to contribute to any turnover so I expect a drop of about 200 Crores because of these two reasons so my guidance would be approximately 2000 Crores.

Rohit Natarajan: So essentially if I understand it will be largely from Aunta-Simari, Chikhali-Tarsod these are the areas where you will actually have a slow execution in comparison to the remaining two projects like GS and CGRG which you are expecting anyway to conclude it before FY2020?

Sandeep Garg: So the way it will be there, is this intense chugging at this point in time to my best of understanding is that we will be getting maximum turnover from Amravati project and the CTHPL project these will be the two engines which are to give the maximum turnover to some extent supported by CGRG, GSY and Aunta-Simari, SNRP will not contribute at all.

- Rohit Natarajan:** And Sir with this existing order backlog when we move onto the next year assuming let us assume SN project comes along through the beginning of the next year's fiscal starting order backlog what will be our execution portion in SN project what is the pipeline ahead for those numbers to clock in?
- Sandeep Garg:** So if the question is how much of next year's turnover will come up from the current projects in hand assuming SNRP will be achieving its appointed date by March 2020, my expectation from the existing projects would be in the ranges of about 1200 to 1300 Crores, from the existing projects and as I said we are expecting CGRG, GSY to achieve their PCOD by March 2020 there will be certain turnovers which will go into the FY2021 as well.
- Rohit Natarajan:** And let us assume even if you win some 2000 to 2500-odd Crores projects what position, what kind of execution do you expect in next year maybe could you want to throw some next year's ballpark guidance something like that?
- Sandeep Garg:** No, obviously it depends upon the order booking status, but I expect the growth to be moderate in the tune of 25% or there around for the year on year growth of the revenue the growth from the existing projects and future projects put together.
- Rohit Natarajan:** Sir if I understand I look at this finance charges that has gone to a large extent so I am trying to figure out what exactly the reason for it?
- Sandeep Garg:** I think I will want Mr. Kevin Daftary who is in it in more detail to respond to this question.
- Kevin Daftary:** So finance charge has increased close to 3 Crores now mainly it is due to two reasons one is increase in borrowing to some extent like around 70-odd Crores as compared to September and second is there are some interest on LCs which we have discounted and sort of recovered it so to that extent you will see that 1.7 odd Crores into finance cost which is also appearing in other income because that is something which we recovered from SPV, so it is a grossing up entry on both sides income and expense.
- Rohit Natarajan:** That is it from my side, should there be any other questions I will get back into the queue.
- Moderator:** Thank you. The next question is from the line of Santosh Hiredesai from SBICAP Securities. Please go ahead.
- Santosh Hiredesai:** Sir you mentioned in your opening remarks about monetization plans for your HAM projects so is there any movement on that any status that you can share with us?

Sandeep Garg: So as we speak we are in very active dialogue for having a platform level understanding with a large player and secondly we are also exchanging term sheet for the completed projects as we speak. Now what interesting thing that I want to add here is if you all must have noticed that in the recent budget the government has announced certain benefits for investment into the infrastructure projects for the sovereign provident funds which make the investments very lucrative for these funds in the India infrastructure because of 0 taxation on interest, dividend and capital gain. So I think the time is right for us to right now target or bargain deal with the prospective investors in Indian infrastructure story.

Santosh Hiredesai: So right now there is nothing concrete which can be shared but you are saying it is under process as such?

Sandeep Garg: So we would hope we as a listed entity we would not want to declare anything which is not declared already to the stock exchange and we will come back to you once we are ready to think in the term sheet but all I can say that we are in advanced stages of that, for these processes.

Santosh Hiredesai: So secondly in terms of some of the recent HAM projects bids that are opened I understand that you also had put in bids how do you see the competitive intensity and I understand there is a huge pipeline as well so how are you looking at that bid right now?

Sandeep Garg: So two questions in one question that you have asked number one how do we see the competitive intensity, the competitive intensity swings at the value of the project. If the projects values are somewhere in the ranges of 500 to about a 1000 Crores the competitive intensity is the different level it could be anything between 10 to 7, 6 competitive bids as soon as it will move to a level of 1200 Crores and plus the competitive intensity becomes between 3 to 5 so there is a inflection point that comes in, and secondly that also depending upon geography the competitive intensity varies so it is not something that I can give a general remark about. Now in terms of the responses from the competitors if these are small players we will see those all playing happening now from a perspective that the HAM model has been waited for almost one and a half years so there is a knee jerk reaction on the picking of whatever comes however I think the appetites of people will get it and very soon and we will believe that the competitive intensities will ease off as we move forward.

Santosh Hiredesai: Sure Sir that is it from my side thank you an all the very best.

Moderator: Thank you. The next question is from the line of Sagar Parekh from Deep Finance. Please go ahead.

- Sagar Parekh:** Sir just one question, you mentioned for next year you are targeting 25% top line growth did I hear it right?
- Sandeep Garg:** That is depending upon the acquisition of the projects, I would expect the top line to grow at somewhere around 25%.
- Sagar Parekh:** So basically on 2000 Crores 25% means another addition of 500-odd Crores?
- Sandeep Garg:** That is right and that includes the target water project that we are looking at as well.
- Sagar Parekh:** So from the existing order book we are targeting about 1200 to 1300 Crores so the remaining 1100, 1200 Crores would come from either acquired projects or projects which have won in the next 15, 20 days or 30 days?
- Sandeep Garg:** Not, necessarily if we are acquiring the projects of water projects which are on EPC basis we could even acquire them in the first quarter and still get a turnover of 500, 600 Crores.
- Sagar Parekh:** So when we say we are acquiring this EPC projects means that we are winning I mean these are the new orders that we will be...
- Sandeep Garg:** That is correct, so the go to market strategy in water is both developmental and the EPC projects so this is what the model is.
- Sagar Parekh:** So but in case if the order wins are let us say lower than what we estimate then we will again have to revise the revenue guidance on a lower side so I would just request if you can just give like a reasonable revenue guidance to the street so that going forward...
- Sandeep Garg:** See I can give you whatever is the best understanding of the business at this point in time. I am being transparent as to what portion of my guidance is covered from the existing order book rest is something which we would, you can take a prudent discussion about as to how you want to bet it.
- Sagar Parekh:** That is it from my side. Thanks.
- Moderator:** Thank you. The next question is from the line of Nimit Chirag Singhal from First Quarter Funds. Please go ahead.
- Nimit Chirag Singhal:** Sir firstly congratulations on a good set numbers, I had a couple of questions first how much investment was made in SPVs during the YTD period like the total investment?

- Akhil Jindal:** If you see the long-term investments in assets between the September and December it has moved from 1247 to 1267 so you can say around 20 Crores was the further investment into the long-term investments and assets into these SPVs.
- Nimit Chirag Singhal:** Sir like you just explained to a previous participant that out of the 6 Crores 1.7 Crores increase in the finance cost was just LC discounting and reverse entry was there in the other income so basically the net increase is 4.3 Crores. So going forward what should we take as an interest cost like will it be at the same level or will it be higher than this?
- Kevin Daftary:** The total debt as on 31st December it stands at around 238 Crores including the short-term CPs and working capital which is close to 197 and about 42-odd Crores for the long-term equipment. So this is the number on which on an average we can say 9.5.
- Akhil Jindal:** I think going forward if you are asking this question in terms of the future projection in my opinion as a company we would in and around 250 to 300 Crores on the debt side with the CCs and CPs and some long-terms and other things. So I think the prudent number for you to calculate the interest obligation of the company going forward will be in the range of I would say may be on annualized basis 30 Crores which would include the short-term and the long-term and all kind of lease, financing and other things.
- Nimit Chirag Singhal:** Right so I assume when you are saying 250 to 300 Crores so this debt will pick out by FY2021 excluding SNRP?
- Akhil Jindal:** Yes, because these are more like a working capital in nature and because these are working capital in nature obviously someday the debt will be 0 someday the debt will be 300 so I would say the average would be around 200, 250 I mean 250 plus so I presume around 10% could be 25% but 30% would be a safe number.
- Nimit Chirag Singhal:** Sir next question is how much investment has been already made in SNRP project have we made any?
- Akhil Jindal:** There is an investment as of 31st of in the SNRP of about 21 Crores.
- Nimit Chirag Singhal:** 21 Crores that we made. So this is till date.
- Akhil Jindal:** Yes that is the investment that we have made.
- Nimit Chirag Singhal:** Sir you mentioned that we have applied for extension for CGRG and GSY because of force majeure and some falls, which were there on the side of NHAI. So how do you see this going forward because as far as we have known CGRG and GSY were the projects which

were going on time just like the other projects and if they are seeing an extension in this project so will that extension be approved by NHAI?

Sandeep Garg: So as I said in my opening statement on the other query it is clearly the extension has been approved already by IE, IE is the final recommending authority for this which has accepted our claim neither and it has also been accepted by the local NHAI authorities which includes the PDMD HRL and is now under consideration at CHA level it is only a process and so. So I am almost close to 100% surety at this extension should be granted shortly.

Nimit Chirag Singhal: Sir you have mentioned that this 345 Crores advance has been given to SPVs for some debt servicing so I just wanted to know that is this just to service the gap till SPVs receive their mobilization advance and then they will paid it back in the like next three to four months as soon as they received the mobilization advance from NHAI?

Sandeep Garg: Yes so these are our own effective way of treasury management because clearly if you keep it in a treasury at a Holdco level given where the guidelines are and given where our safety parameters are we would not earn more than 5.5%, 6% on the liquid fund instead if we draw less at the SPV level to that extent there are cost savings and cost advantages. So I want to assure that all the loans and SPVs are fully funded, all the loans and the SPVs are fully drawn wherever the project is going on except for SNRP where the appointed date has not come and to that extent it is not like a I would say any short way of funding it is more about a treasury management which is resulting into the cost saving at the SPV levels.

Nimit Chirag Singhal: I just wanted to know that this 345 Crores the advances which you are saying that this is more of a treasury management so basically the 48% amount the fund which the SPVs get it in the form of debt from the bank so basically to the extent holding company parent company is funding the SPVs that amount will not be borrowed from the banks?

Sandeep Garg: Precisely for the temporary period and of course as an element we need the fund in the treasury we will borrow directly at the SPV level.

Nimit Chirag Singhal: Alright Sir that is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Vikas Jain from Financial Quotient. Please go ahead.

Vikas Jain: I have three very basic questions. So the first one is what is the free cash flow amount that we have for the nine month ending December 31, 2019?

Sandeep Garg: Sorry I did not get the question.

- Vikas Jain:** The free cash flow that we have generated for the first nine months of the financial year?
- Sandeep Garg:** Yes, look this has been a very intensive period for all the construction activity so I will give the exact figure, but whatever earnings we have got in the first nine months they are more or less deployed into the long-term working capital and our endeavor is to end this year with the free cash flow even after providing for the working capital we will try and give you exact number also while our team is pulling out that.
- Vikas Jain:** Sure, the second one I just wanted your insights of the 8500 Crores portfolio that we have what were the order wins in Q3?
- Sandeep Garg:** In the Q3 there has been no order win in the Q3.
- Vikas Jain:** So if I recall this right and forgive me for my ignorance if any, I remember of an update shared on the last con call suggesting that there is 4500 kilometers of NHAI bidding which this to open in November 2019 so has any part of that particular order book been made available by NHAI during this period?
- Sandeep Garg:** So Q3 they were practically on a hand side almost close to 0 bidding there maybe a couple of projects that may have been bided out. However Q4 the bidding has started now and we are now targeting those projects. So there is a delay at the end of NHAI to start the bidding process so to that extent yes the forecast is delayed by almost a quarter.
- Vikas Jain:** I appreciate that so does that mean that currently there are no bidding pipeline per se for Welspun Enterprises?
- Sandeep Garg:** No, all I am saying is there is a huge bidding pipeline ahead of us for Welspun Enterprises.
- Vikas Jain:** But for the time being there is not anything, which is in the bidding process which we are expecting to materialize?
- Sandeep Garg:** Yes, so we are bidding as we speak there are projects, which have been bid out but not open.
- Vikas Jain:** Fair enough. Another and the last question is the, by what time or a timeline when we expect our oil and gas and the water business to become cash positive?
- Sandeep Garg:** So see the water business per se is a startup business right now so as soon as we come to the size and scale that we are aspiring for so we are targeting 1000 Crores plus projects as soon as we win couple of them we would be positive on it. As far as oil and gas is concerned is the high gestation period business however from a current position that we are in we have

all the projects which have been explored the exploration phases are practically over for most of our fields the situation is of an appraisal situation on a couple of projects and developmental phase on couple of fields so I expect the monetization efforts to start by at least the resources to convert to the 2, 3 level by the end of this year and then the monetization effort to start on our part from the Q1 of coming year.

Vikas Jain: Great and thanks for those insights I do follow some other water treatment companies like VA Tech and I was appraised of the fact that, that is a difficult business but my good wishes to the entire management team and congratulations for posting a decent set of numbers, can I wait for the cash flow numbers are they are handy now?

Sandeep Garg: I do not think that would be possible to put in this call, if you could connect with the team subsequent to this call I would appreciate and those numbers will be shared by my team with you.

Vikas Jain: Sure, no problem I will be in touch. Thank you so much. Have a good day.

Moderator: Thank you. The next question is from the line of Ankit Gupta from IndiaNivesh. Please go ahead.

Ankit Gupta: Sir regarding water projects can you give us some flavor about these will be funded by state governments or central governments what will be the approximate size and one more thing in the EPC I think it will be working capital have though till the EBITDA margins will be a bit higher than the HAM project?

Sandeep Garg: Let me respond. So the sizes that we are targeting are all upwards of 500 Crores so whether it is EPC or developmental even in the water space the preferred zone being anything between 1000 Crores to 4000 Crores which is the sweet spot for us and now we are not targeting very small projects, number one which gives us level playing field for ourselves. The clients as you know the water segment other than when it is at the center level under certain schemes is primarily in the state or the municipality. None of these projects are either JICA, or ADB funded. If we are going for the developmental projects the discussion at the company level is that there has to be a state support agreement and visibility of the cash flows and if we are going for EPC projects we need to know that the financial closures to the projects has been done or we are going to with cash rich municipalities or bodies like LCGM which are cash rich the other thing is that to give you an idea what projects which we are chasing, as I said we are chasing projects MCGM which are large value sewage treatment plant starting with about 2000 Crores of each a piece and because of that we are targeting projects at Maharashtra grid which are in the range of 3000 plus Crores and we

can also targeting projects of 1000 Crores plus range in the Madhya Pradesh area and the other state that we may be looking at is Karnataka.

Ankit Gupta: Understood Sir. Thank you.

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

Rachit Kamath: We thank the management for having given us this opportunity to host the Q3 & 9 Months F2020 earnings conference call and wish them the best of luck for the coming quarters. Thank you.

Sandeep Garg: Thank you.

Moderator: Thank you. On behalf of Anand Rathi Shares & Stock Brokers that concludes this conference. Thank you for joining us and you may now disconnect your lines.