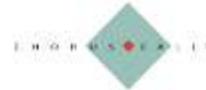




“Welspun Enterprises Q2 FY2020 Earnings Conference Call”

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Moderator: Good day ladies and gentlemen, and a very warm welcome Welspun Enterprises Q2 FY2020 earnings conference call, hosted by Antique Stock Broking. 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. Rohit Natarajan from Antique Stock Broking. Thank you and over to you Sir!

Rohit Natarajan: Thank you Ali. On behalf of Antique Stock Broking, I welcome all participants to Welspun Enterprises 2Q FY2020 earnings conference call. We thank the management for giving us the opportunity to host the call and today from the management we have Mr. Sandeep Garg, Managing Director, Mr. Akhil Jindal, Group CFO & Head – Strategy, Mr. Shrinivasa Kargutkar, Chief Financial Officer, and Mr. Jitendra Jain, President - Finance. First the management will make the opening remarks and after that we will proceed for the Q&A session. Thank you once again and over to you Sir!

Sandeep Garg: Thank you. Good day ladies and gentlemen. On behalf of Welspun Enterprises Limited, I welcome you all for Q2 FY2020 results analyst call. Before we go into the financial details, I would want to start with the key highlights of the quarter. Welspun Enterprise has successfully executed possibly the first HAM refinancing post completion in the country and that too at a very attractive rate of 8.82% per annum. The complete loan outstanding for Delhi-Meerut Expressway package one has been refinanced and post the approval from NHAI we also have rights to top up the loan by Rs.90 Crores. It is the faith that lenders have reposed in the strong balance sheet of the company and the ability of the company to execute our projects that this refinancing has been possible.

I would also want to update you the current status of the projects, which are in our road portfolio. Just to recall our current portfolio stands at seven projects of a total value of approximately Rs.8500 Crores. The current unexecuted order book at the EPC level stands at Rs.4600 Crores. Most of you may be aware this quarter has seen an unexpected extended heavy monsoon period, which has impacted most of the projects, all across the country and we also impacted by this as you would have seen in the financial results.

I would now want to go specifically to each project, Delhi-Meerut Expressway package-1, we have received the second annuity on time from NHAI. As I had earlier mentioned we have been able to refinance this project at a very attractive rate and as soon as NHAI, which is currently actively considering top up loan, the approval is granted by them, we will go ahead and be able to recover the equity, which was about Rs.105 Crores almost Rs.90 Crores and that will be available through a top up loan.

In terms of the other two other projects, which are UP and Uttarakhand, Gagalheri-Saharanpur-Yamunanagar or GSY and Chutmalpur-Ganeshpur & Roorkee-Chutmalpur-Gagalheri CGRG. We have been able to achieve substantial progress on these two projects. The GSY physical progress stands at 82% at the end of Q2 FY2020. The NHAI has also made the payment of fourth milestone, which is achieved at 75%. The money had been received in October 2019. So the project is doing both physically as well as financially, has achieved the substantial completion. The CGRG project the physical progress achieved by the end of Q2 FY2020 stands at 78% even for this project the fourth milestone payment of 75% has been received from NHAI in October 2019.

Aunta-Simaria, which is primarily a Ganga bridge project, since it has been a heavy monsoon, has achieved only a progress of 15% up to Q2 FY2020. The first milestone payment of 10% has been certified by the IE in September 2019 and we expect the payment shortly.

The Chikhali-Tarsod road project in Maharashtra, it has achieved a physical progress of 34% by Q2 FY2020. The payment from NHAI for the first milestone of 30% has been received in July 2019. The physical progress milestone of 20% was achieved 130 days in advance for this project. The PWD project of the Amravati two projects at the end of Q2 FY2020 achieved a physical progress of 15%. We have received the first milestone payment as well as the 10% advance totaling to about 30% for these two projects. The only project which is in the road portfolio of HAM, the Sattanathapuram-Nagapattinam is awaiting the appointed date and we expect the appointed date to be achieved by January 2020 by which time NHAI is expected to get the 80% land in the acquisition. Just to recall, the financial type of tie up for this project has already been achieved by the company.

On the water side, I would want to remind that the commercial operation of the restructured Dewas water project started from April 30, 2019. The revenue to date is 3.8 Crores and EBITDA is 2.1 Crores from this project.

On the oil and gas side, there are four relevant blocks, Kutch, GK-I block. The project is under field development for plan development by ONGC to the operator. The B-9, which is the discovered small field block. We are in the developmental phase of the project. On the Mumbai block for which we are awaiting the approval from DGH for entry into phase 2 of exploration, these are the three blocks under which the progress is being made as we speak. The overall gas initially in place for these blocks is expected to be 0.9 TCF as reviewed by the peer and EUR is expected to be approximately 70%, EUR means the expected ultimate recovery. The Palej block continues to still be under litigation and hence we are not reviewing its resources.

In the oil and gas, we have taken our write-off for the Kutch-2 block, just to recall, we are in the last phase of this project decided to stand out of the last well, which was done by ONGC and IOC, which were the standing partners in this block. Now ONGC has decided to surrender this block and we have taken a write-off of the investment in this block, which is in the range of Rs.45 Crores, out of which Rs.34 Crores was adjusted against the provisions, which were already provided earlier and about Rs.11.5 Crores that impact has been taken in this quarter. I would also want to inform that we still have Rs.37 Crores worth of provisions in the business for any future write-off if we did.

Talking about the outlook of the business, NHAI has declared that it expects to be about 4500 km of road in the FY2020 out of which 60% are expected to be on hybrid annuity model, which is the space we operate in. We expect the bidding to start in November 2019 and we are selectively targeting to bid these projects while preserving our threshold return expectations.

The company continues to explore opportunities in the state and municipal HAM projects in the road. On the water segment side, the Jal Shakti Ministry, Nal Se Jal Scheme to provide drinking water access to all by 2024 is expected to result in potential opportunity of more than Rs.6 lakh Crores over the next five years. In addition to these central schemes, there are many states and municipal body schemes available, which are going under hybrid annuity model. The company will continue to focus on the sewage treatment plant, desalination and bulk water transmission projects either through EPC or HAM mode. The company is well positioned for an early closure on the new projects won as and when they happen due to which financially healthy balance sheet and strong credit rating.

Our model of continuing to explore inorganic growth opportunities through a measured evaluation of risk return parameters of the available projects in the market will continue. We will continue explore projects available in the market provided they meet our return expectations. We will continue with our clearly explained model of asset like execution and we will continue to focus on operational excellence and prudent risk management. With these opening remarks, I would want to hand over the call to Mr. Akhil Jindal for the financial highlights of the quarter.

Akhil Jindal:

Thank you Sandeep. Good afternoon to everyone. This has been a decent quarter for us with a topline growth of 22% and the EBITDA growth of almost 13% with topline stands at a figure of Rs.4 Crores, the operating EBITDA after adjusting for the Ind-AS and other nonoperational items stand at Rs.36 Crores and this has been as I mentioned to you to 13% growth Y-o-Y the operating margin stands at 12% and the reported EBITDA is up by 7% to Rs.51 Crores. Important thing is the cash PAT, which is something that we track very closely, has gone up by 9% again and for this quarter stands at Rs.43 Crores. So as on this quarter September 30, 2019 ending, our cash balance in the book is around Rs.330 odd

Crores, which is enough to fund our future equity requirement, so clearly all the projects that Sandeep mentioned at the beginning of call are fully funded both for equity as well as for debt and that is the reason why we are achieving significant progress. So we are not dependent on any external outside support other than the lenders support, which of course is available to us given the strong credit rating in the asset light balance sheet. So we anticipate that equity requirements for the next two to three years will be around Rs.300 Crores, HAM project will be around Rs.200 Crores and O&G will be around Rs.110 Crores. This is without any new projects that may come up towards over the next six to eight months to one year, and also is not considering any exit that we might have been in this year including the top up loan, that will be further available to fund the future growth. We have also been in the market for short term loans, which is more in the nature of CC and CPs of around Rs.125 Crores, but these are working capital loans and we were adequately supported by net current assets and we have a long-term loan of Rs.49 Crores at the standalone level, which is again supported by the net fixed assets. These are largely the equipment financing that we have done in the recent months for providing the equipment towards the contractor so that they can work with the most model machinery in the time bound manner. Other than that there are no short-term loans or long-term loans at a standalone basis.

I will also share with you our brief snapshot of our balance sheet and at a consolidated level our net worth is roughly around Rs.1459 Crores, our gross debt at a consolidated level is Rs.579 Crores. We have a cash and cash equivalent of around Rs.349 Crores that makes our net debt at a consolidated level at around Rs.230 Crores. We have a long-term liability of around Rs.33 Crores, total fixed asset of Rs. 747 Crores and we have a long-term investments and current assets of around Rs.629 Crores. So this is the snapshot of the balance sheet that of course we have shared with Clause 41 as well, which is available to all the investors, but these are relevant numbers that we thought as what we think. So I think with this commentary on the income and the balance sheet statement and the fact that our equity requirements were fully met and we have adequate cash in the book. I think it is appropriate to open the floor for any question and answer I mean those if you have any specific requirement for any financial data I would be more than happy to provide for. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Nirav Shah from GeeCee Holdings. Please go ahead.

Nirav Shah: Yes. Good afternoon Sir and thanks for the opportunity. Sir a few questions, firstly on the Delhi-Meerut that we have done, what is the outstanding debt and what was the interest rate pre-refinancing?

- Akhil Jindal:** Yes the pre-financing interest rate was north of 9.5% to 10%, but clearly the very fact that the project is complete and we have been able to achieve the AAA rating that means the project was the right candidate for funding from reputed banks in India as refinancing. So the loan that is there in the book is around Rs.359 Crores and there is a further top up possibility of Rs.90 Crores, which is already sanctioned, which Sandeep mentioned is awaiting the necessary regulatory approval so you would say with the top up loan it would be in the range of around Rs.450 Crores.
- Nirav Shah:** And this top up should be coming towards by December?
- Akhil Jindal:** As soon as the approval comes it would be available to us.
- Sandeep Garg:** To add to what Akhil has said, currently because we are the first HAM model players there are no guidelines available in NHAI for top up loan. Our current proposal is right now under consideration at the board level so we expected to surely come with what is happening.
- Akhil Jindal:** I just want to add one thing in the new HAM model unlike the earlier BOOT models the top up loan does not increase or decrease the NHAI liability. The NHAI liability is linked to the future NOT rather than its capital structure and to that extent we have a provision of up to Rs.533 Crores for the total so called money to be paid by NHAI over a period of next 15 years. So clearly as Sandeep mentioned this is a first time that is why it is taking time, otherwise in my opinion NHAI should be very receptive of fresh top up loan because it frees up the equity for the future construction and to that extent the liability does not increase or decrease because of the top up loan that should be a matter of weeks and certainly our endeavor would be to finish it before December 31, 2019.
- Nirav Shah:** Got it Sir. Thanks a lot and congrats for that and so the next question is on the Tamil Nadu project as on date how much land is under possession of NHAI?
- Sandeep Garg:** As of now they have 65% land of 45 meters width.
- Nirav Shah:** On the equity infusion front of around Rs.300 Crores how is the split of infusion between FY2020 and 2021?
- Sandeep Garg:** Most of our projects are likely to be commissioned within one year's time except for the two projects, which is Aunta-Samaria and Tamil Nadu SNRP. So our presumption is that out of the Rs.200 Crores at least Rs.100 Crores will be invested further within one year's time.
- Nirav Shah:** Okay. In these 12 months?

- Sandeep Garg:** Yes.
- Nirav Shah:** That is it from my side Sir. My questions have been answered. Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Thank you. Sir I need a few clarifications. Sir total equity requirement in HAM right now you are saying is Rs.200 Crores so in Q1 FY2020 press release it was Rs.186 Crores so Rs.14 Crores increase is on account of which project?
- Sandeep Garg:** No, basically the equity is a function of the project completion and the escalation that builds up into the project so when I am trying to give you the number I am trying to give you the completed cost basis, so there has been no specific increase in any purchase, but escalations have already getting factored into now because since we are approaching the completion so that Rs.200 Crores is the overall number.
- Shravan Shah:** I understand but to put it in a simple way, what is the total equity requirement in seven HAM projects, shall I take as it given in the presentation which was the same as in the first quarter and now also and what is the total equity that we have invested till now in the seven HAM projects?
- Sandeep Garg:** Yes. The total equity requirement was Rs.1050 Crores and we have invested as equity around Rs.570 Crores plus additional loan we have given to these SPVs, which are due for conversion to equity around Rs.286 Crores so that leaves us in a balance of around Rs.200 Crores as a further equity infusion into these projects.
- Shravan Shah:** Okay because if I total it up as per the presentation the total equity requirement is Rs.1012 Crores and now you are saying it is Rs.1050 Crores.
- Sandeep Garg:** I would ask Harish to sit with you and reconcile project by project.
- Shravan Shah:** Okay. No issues.
- Sandeep Garg:** In the sheet I have is Rs.1050 odd Crores but may be some investments on oil and gas side are getting added up in your sheet if you reconcile separately. Yes of course there is another 40 odd Crores equity investment in Dewas water, which might be getting double counted but let us leave it to the nitty-gritty's and reconciliation with Harish.
- Shravan Shah:** Okay. Secondly in terms of now Tamil Nadu project when we are now expecting appointed date?

- Sandeep Garg:** We expect the appointed date to be in January 2020 now.
- Shravan Shah:** Okay and so overall total definitely this time because of the monsoon the revenue got affected, last time we were guiding for close to 50%, 60%, which is around Rs.2400 Crores revenue for FY2020 that is from the existing order book so what is the revised guidance for the revenue for FY2020?
- Sandeep Garg:** We expect subject to monsoon receding obviously, monsoon is something which is beyond our control and subject to SNRP getting an appointed date in January 2020. Our guidelines is that we should be in a position to get revenue of about Rs.2200 Crores to Rs.2300 Crores for FY2020.
- Shravan Shah:** Okay and so here how much revenue are we factoring from Tamil Nadu HAM because last time we said around Rs.75 Crores to Rs.80 Crores?
- Sandeep Garg:** Yes we are anticipating that Rs.75 Crores to Rs.80 Crores only from SNRP and we are assuming that the monsoon will not further hinder our projects.
- Shravan Shah:** Okay and now definitely you have mentioned that you are expecting 4500 km awarding by NHAI 60% from HAM and the awarding suit start from next month so this is November onwards, so what is about now in flow target how we are targeting fresh from the NHAI and also from the existing developer who are not able to do the FC, so is there any discussions with any player so that is the one thing and second what I understand is you were L1 in Pune project, which is a sizeable HAM project so what is the outlook when it will be finalized what is the status?
- Sandeep Garg:** So let me break this question in to three. Number one, what are we expecting from the NHAI bid. Our success rate has been about 15% so we expect the success rate to continue to be there around 15% of the bidded projects depending upon how much NHAI is able to get out, will determine the numbers. As far as the opportunity from secondary market is concerned, any given point in time we have three to four options that we explore; however, we have a very clear guideline of the return expectation that we need to achieve if we have to take over any projects or giving any number as to how much of these will come through finally is a very difficult task at this point in time. The third issue as far as the Pune project is concerned, we expect the authority to revert back to us in terms of processes of evaluating the bid once they let us know as to what their plans are, we would be happy to come back to the investors and the stock as to how to proceed, how to take that particular project.
- Shravan Shah:** So why I was asking because assuming that we are getting that project and what I understand is in terms of our equity commitment for that Pune project could be in the range of Rs.400 odd Crores so if that is the case then will we then bidding for NHAI or are we done for this year so just trying to understand in that aspect?

- Sandeep Garg:** So just to put the timeline perspective to you, even if the Pune Municipal Corporation project is warded assuming within this quarter the actual equity investment will be required almost about a year later. So we have enough headroom available and by the time as Akhil said almost Rs.5500 Crores worth of projects we would have completed, which we should be able to drawback our equity through a refinance route of the platform sale. So it will all be determined by the timelines of the projects a lot as to how much appetite we will have for the NHAI projects going forward.
- Shravan Shah:** Okay and lastly are we expecting any new inflow in the next four to five months by March?
- Sandeep Garg:** Next inflow in terms of?
- Shravan Shah:** Order inflow is there any water projects?
- Sandeep Garg:** Yes obviously we are looking for water at least one project coming in the balance of this H2. We are likely to bid for a couple of large projects going forward in the timeframe of November and December, hopefully the clients will take a decision before.
- Shravan Shah:** So there also we are open to go for EPC and HAM also or we would prefer EPC?
- Sandeep Garg:** No. We are open to both. Depending upon the client and the assurance of the payment we are open to both.
- Shravan Shah:** Okay. Thank you and all the best Sir.
- Moderator:** Thank you. The next question is from the line of Jiten Rushi from Bank of Baroda. Please go ahead.
- Jiten Rushi:** Yes. Good afternoon Sir. Thanks for taking my question. Sir just wanted to understand the Tamil Nadu project because Sir we have seen the NHAI has cancelled three project stretches on that particular stretch where we are also present so are we not having any land acquisition issue because NHAI is hinting at Tamil Nadu has seen some land acquisition issue and they have already canceled projects of key competitors so can you just throw some light on this Sir?
- Sandeep Garg:** Two points from my side. Number one, I am not aware at least in any formal manner that these three contracts have been terminated by NHAI. Second as late as a week back there was a team from the headquarter of NHAI, which went to the site along with my team and they have assured us that they will be in a position to acquire the land of 80% by January and will declare the appointed date in January, so I have no official communication other than some media reports on that. I would want to refrain from commenting on the other aspect of the question.

- Jiten Rushi:** So far we have 65% land in 3H stage?
- Sandeep Garg:** Yes.
- Jiten Rushi:** Okay and Sir just about the numbers on your other income and your PBT as Y-o-Y has come down significantly. So can you just throw us some light on the depreciation in the interest cost I think it has gone up assuming and the other income has come down so what has changed in this quarter versus previous quarter of last year?
- Akhil Jindal:** I think depreciation is a function of the additional equipment financing that we have done. So to that extent the depreciation is a direct reflection of the fixed asset addition and as we mentioned earlier in our previous call, we have the equipment that we are holding on behalf of our old contractor, we were not something, which is a part of our strategy to have equipments but providing the EPC contractor with the most latest equipment and then transferring the case to them as and when the project is complete. So to that extent there is some additional depreciation that has come up. The interest income, which is a part of other income, is usually a function of our treasury balances so clearly the previous year treasury balances were higher and to that extent the other income was higher. There might be some one-off income also that was reflected in other income as we had exited from our Dewas-Bhopal road asset, so those are the two big elements of other income has a difference between the previous quarter and this quarter.
- Jiten Rushi:** So basically Sir the asset which we hold in our books on behalf of EPC contractor so we would transfer these assets on achieving the COG, right Sir?
- Sandeep Garg:** Perfect. It is a substitution to the advances that you give to the contractor; we do not give the advances, only the equipments.
- Jiten Rushi:** So the asset would depreciate over a period of three years likely the execution period or how it is like?
- Sandeep Garg:** It is depreciated as per the Companies Act and transferred at the value, which is the residual value.
- Jiten Rushi:** So then you will book profit on that once you transfer?
- Sandeep Garg:** No, that would be very minor but it is significant. It will be almost at the book value.
- Jiten Rushi:** Got it and Sir any L1 projects recently you are talking about large projects you might bid for ring road projects with a JV partner in a major city so what is the status and can you just throw some light on the L1 projects as on date because as you said currently that the existing HAM projects will eat away the existing cash for the equity. So now if at all any

incremental HAM projects or any water projects would require additional cash so how do we think we will manage through internal accruals or through debt or through stake sell of asset like Delhi-Meerut or something like that and can you just throw some light on this?

Sandeep Garg: As far as monetization of the equity is concerned, there are three clear options available to us. Number one is the outright sale, second is the refinancing and third is getting somebody on the platform of a few projects. So these are the three clear options available to us. Depending upon when the projects get awarded where we are L1 or we are going to bid forward and depending upon the cash flow needs because the equity requirements generally in a HAM project are after about eight to nine months after we have declared the L1 so we have a standard headroom available, so we will look at the options available for us at that point in time depending upon our future cash flow forecast and take an appropriate action out of the three available options.

Akhil Jindal: I just to add there is an internal accrual also, that is on the outstanding order book position that we have, we have aspiration of making between 10% to 12% margin, our EBITDA margin has been consistent in and around 12% so that will also add into our liquidity position besides the exit and refinancing option.

Jiten Rushi: So Sir in terms of the guidance of order inflow so do we see any orders coming so can you just highlight what kind of orders we see in the HAM segment and the water segment largely where we are focusing right now, which region is or any particular project we are focusing right now so that that give us confidence like order inflow is visible?

Sandeep Garg: As was discussed in the investor call we have opened our L1 one of the large project. So we are awaiting the final decision by the authority in this respect, which is in Maharashtra.

Jiten Rushi: Okay. So what is the size of the project Sir any value terms?

Sandeep Garg: Our share would be in the ranges of about Rs.3500 to Rs.4000 Crores.

Jiten Rushi: So this is EPC or HAM project Sir?

Sandeep Garg: HAM project.

Jiten Rushi: That is big project I assume. So then EPC work would be done as usual to outsource?

Sandeep Garg: Our modeling remains unchanged in all projects.

Jiten Rushi: And Sir in terms of oil and gas so now what could be the further write-off going forward like obviously we have been taking write-offs consistently, but any pending write-offs now

like you are talking about Rs.34 Crores of provisions, which is still remaining so any further write-offs expected?

Sandeep Garg: We do not expect anything and as I said in my opening remarks that I have given you the resource estimation, which is being peer review so we do not expect any further write-off and as far as the GK-2 is concerned we had already declared last time that we have decided to stand out.

Jiten Rushi: Got it Sir. That is it from my side and all the best Sir. Thank you.

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

Sagar Parekh: Yes. Good afternoon Sir and thank you for taking my question. Sir firstly I wanted to understand on the standalone cash flow level from March 2019 till now so if I look at your cash profit it was about 80 odd Crores for H1, what I wanted to understand was how much did we spend the cash in terms of working capital increase and how much was capex and how much was investments in SPVs?

Sandeep Garg: See this is quite an elaborate question, but if you would not be able to do a justice of answering each and every bit on a call.

Sagar Parekh: Broad basis is also fine.

Shriniwas Kargutkar: Yes basically capex is around Rs.14 Crores. There are a couple of investments we have made in SPV, which is Rs.56 Crores and working capital movement is close to Rs.200 Crores mainly because of the advances that we have given to our subcontractor. So if we just add up to this, I think it is close to Rs.260 odd Crores, Rs.40 Crores is tax payment, so Rs.300 Crores.

Sagar Parekh: Basically this Rs.200 Crores increase in working capital is looking very high.

Shriniwas Kargutkar: Because of the pre-advance that we have given to subcontractor.

Sagar Parekh: So we would have also got some kind of advance from NHAI or someone, I do not know I mean mobilization advance or something right, back to back arrangement or it is nothing like?

Sandeep Garg: As far as our advances are concerned, we draw the advances position in the start of the project itself; however, we fund the subcontractors based on the progress as we can recognize in the Schedule G and the work in progress that they have achieved, which cannot be recognized in the Schedule G so that is how the whole model works with subcontractors,

there are two methods of recognizing the progress as per the concession agreement and the work in progress so you fund the work in progress to maintain our liquidity at the subcontractors hands.

Sagar Parekh: Got it because Rs.200 Crores increase in working capital and Rs.200 Crores increase in sales so basically the entire sales is getting funded, it is going into working capital, so that is an area of concern, just wanted to point that out to you.

Sandeep Garg: I have not understood the question.

Sagar Parekh: Yes. So it is basically last year H1 topline was about Rs.600 Crores, H1 FY2020 topline is Rs.820 Crores so that is about Rs.220 Crores increase in topline, which is completely getting eaten away by Rs.200 Crores increase in working capital that is what my point was.

Sandeep Garg: I think from a numeric perspective, it may be something which you may be able to deduce. However as a practice you are going to look at the project completion status, so if you look at my CGRG, GSY project that was close to 85% completion, which means that lot of work in progress is available there, which cannot be converted into the Schedule G and this is going to be a typical situation when you are about to complete the projects. So there shall be certain advances, but these are temporary in the nature of close to five months period for overall completion of the project.

Sagar Parekh: Got it. It might just be timing issue.

Sandeep Garg: Yes, timing issue. It may be showing up as numerically that way, but however it is more bearing out of the progress on the projects and the status of the project rather than saying that the increase is purely on the increase in the working capital equivalent to that. So that is possibly a different way of looking at it.

Sagar Parekh: Fair enough. Sir secondly on the oil and gas side, when can we expect the first flow of revenues to start taking in our numbers?

Sandeep Garg: So we have been maintaining 2021 is the first time that we can look at monetizing our some of the assets on the oil and gas side. We expect to start drilling pre monsoon this year for establishing these results and that we will able to monetize those assets. The Kutch block development plan should be submitted by the ONGC within next five to six months and that is when monetization ability will come for that block.

Sagar Parekh: So we are fairly certain for monetization for next year right at least from the Kutch block?

- Sandeep Garg:** We would attempt, see any monetization attempt will be subject to the market conditions, obviously we are now going to start looking to go for a desperate sale; however, intent is to monetize at the earliest possible opportunities, value when we reasonably ascribed.
- Sagar Parekh:** Okay so just from my clarity, when we talk about monetization of assets revenues from that asset, right not sale of that asset?
- Sandeep Garg:** We would prefer the sale if it is possible; however, if it is necessary we will go for a full field development and production.
- Sagar Parekh:** Okay. Fair enough and how much have we invested on gross basis in oil and gas till now?
- Sandeep Garg:** On the books we have Rs.238 Crores invested in the oil and gas block.
- Sagar Parekh:** So, this is on the net basis right after providing for...
- Sandeep Garg:** That is correct.
- Sagar Parekh:** Okay and another 100, we are saying we will add as investments in oil and gas in the next two years.
- Sandeep Garg:** Yes.
- Sagar Parekh:** Okay. Fair enough and just one more clarity you mentioned about this Pune project, value of that project you said is Rs.3500 to Rs.4000 Crores?
- Sandeep Garg:** Our share.
- Sagar Parekh:** And this is purely HAM?
- Sandeep Garg:** That is correct.
- Sagar Parekh:** Okay and client is the Maharashtra state?
- Sandeep Garg:** It is Pune Municipal Corporation.
- Sagar Parekh:** Pune Municipal Corporation, okay Sir. That is it from my side and all the best.
- Moderator:** Thank you. The next question is from the line of Ritesh Gandhi from Discovery Capital. Please go ahead.
- Ritesh Gandhi:** This is high level question in terms of reading a lot of press on the NHAI and its inabilities and constraints that we have right now, could you share some overview on how you are

seeing the status right now and their ability to actually launch a new project and place them in terms of land acquisition?

Sandeep Garg: I think inability of NHAI is not changed in last three months any difference than what it was three months before so that is short answer to the question. As far as payments are concerned, we are getting paid in time so their ability to meet their current commitments is absolutely intact and in terms of driving the agenda of award of contracts going forward I think the government's position on infrastructure is pretty clear and specific that they would want to build the infrastructure in the easiest route to build the infrastructure at this point in time seems to be road because there are enough DPIs available, there are at least partial road land acquisitions already progressed. So I think the preferred tool for infrastructure development for the government will be roads. Now whether these roads will be through the entity of NHAI or NHIDCL or not, I think we are agnostic to it. However the roads will get awarded and they will get awarded on PPP model or preferred PPP model of HAM, there is something which I think we are reasonably confident on.

Ritesh Gandhi: Clarify you feel that this HAM route will continue because there was a press about how the HAM route is in particularly efficient for the government and then again moving to the BOT route, which again they are finding questions around, you feel that the HAM route give enough comfort that is actually approach in this way going to go ahead?

Sandeep Garg: So we publically addressed the NHAI Chairman he said that 60% of the awarded contracts will continue to be on HAM, so I do not foresee any change. Yes it is true the most preferred option for NHAI or the government will be tolling booth options; however, there is not enough appetite neither in the industry nor in the financial sector to support large scale infrastructure development through that model so I do not see any overnight change in the model to speak.

Ritesh Gandhi: Thanks Sir. That is it all from my side. Thank you. All the best.

Moderator: Thank you. The next question is from the line of Basant Patil from Mentor Capital. Please go ahead.

Basant Patil: Thanks for the opportunity Sir. Sir just one clarification particularly regarding the Pune Municipal Project, Sir a few days back media report has indicated, so Municipal body reassessing the detailed analysis of the project. So any chances, any risk for the delay particularly actually they indicated Rs.1500 Crores would be the land acquisition cost, which PMC has to incur so just wanted your thoughts on this Sir?

Sandeep Garg: See, I cannot comment on what the Pune Municipal Corporation will do about NHAI what the media is saying, as far as I am concerned we are awaiting for the PMC to take the next

steps forwards in the formal manner so as to speak a bit. It will be speculated on my part to say anything about this project at this stage.

Basant Patil: Okay. Sir our share would be around Rs.3500 to Rs.4000 Crores, is that includes the land cost also in that?

Sandeep Garg: No.

Basant Patil: No, okay. That is purely in EPC part?

Sandeep Garg: That is purely a HAM.

Basant Patil: Okay. Sir can you comment anything on the water project, which we are likely to bid any reopening for the Dharavi water project, are we considering options again?

Sandeep Garg: The bid is by end of November, so we will continue extra large value bids in the water treatment, transmission and we shall continue to look at it and hopefully within this clear view should be able to capture a one or two projects going forward.

Basant Patil: Okay. Fine Sir. Thank you. That is all from my side Sir.

Moderator: Thank you. The next question is from the line of ASN Raju, an Individual Investor. Please go ahead.

ASN Raju: I wanted to know the projections of one of our current completing projects and I want to know why promoter is investing in Aunta-Samaria and at the end of the projects that is going to get advantage?

Sandeep Garg: I could not follow the question, Mr. Raju. Could you repeat please?

ASN Raju: Yes definitely. What are the projections of bonus from current completing projects?

Sandeep Garg: Bonus. So as you know we do not account for bonuses until as we get the PCOD, so we have not got any PCOD at this point in time so we are not accounting for any bonuses in the forecast and we will let you know if the bonus opportunity for any of these projects once we get the PCOD.

ASN Raju: In Delhi-Meerut, we got 2% of the gross value of the project Sir?

Sandeep Garg: Yes we got...

ASN Raju: And I hope we will continue that.

- Sandeep Garg:** I thank you for having that confident in us.
- ASN Raju:** Regarding Aunta-Samaria, the promoter is investing in to this project at the end of the projects if the promoter is getting is any more advantage from the Welspun Enterprises?
- Sandeep Garg:** The promoters are not investing in any project directly. Promoters are not investing anything, so I think the question that you have is regarding the structures that we have vis-à-vis the pre-qualification. The pre-qualification for this project was residing in another company we did not prequalify at that point in time as a standalone entity of Welspun Enterprises. There is no investment per se by the promoter and that entity, which is now investing is now declared as a subsidiary of the project going forward. So the moment the investment opportunity has come in we have converted that entity into our subsidiary. There is no involvement of any promoters in that any longer.
- ASN Raju:** As B. K. Goenka is the Chairman, is he helping us regarding the land acquisition as we can address to the central government regarding land acquisition litigation still going on?
- Sandeep Garg:** Yes. As early as yesterday, Mr. Goenka addressed that issue as a chairman with the Minister of State. They were sharing a platform. Yes there is an issue of land acquisition and he is doing whatever within his powers to give the ideas to the government about how to deal with these land acquisition issues and make the projects viable.
- ASN Raju:** Okay. Coming to the water division, Dewas water, which is of 23 mL day inflow, but we are not utilizing the water fully, is the project physically completed fully Sir?
- Sandeep Garg:** In the Dewas water yes.
- ASN Raju:** And project is physically completed fully, but what we are getting very few revenue, very less revenue compared to 23 mL a day revenue?
- Sandeep Garg:** That is correct, because we, if you recall the Dewas water project was not able to supply the water for almost a long six to seven years there are alternate needs and the industries have suffered because of it so there is going to be a time period before the industries start to consume the water from this facility and this is in accordance to the plant that yes we will take time to get back clientele and also the ramp up of the bottom. The project as you see it was completed just at the time of the monsoon and the heavy extended monsoons have not helped our cause because the water availability has been abundant in the area and there has been a little need for them to draw from us. So these are the two factors; however, these are very temporary in nature, we expect the drawal of water, water is a scarce commodity, it will increase as the project becomes stable.

- Moderator:** Raju, I am sorry to interrupt. You may be requested to come back in queue for any followup questions.
- Sandeep Garg:** Mr. Raju, you could talk it offline.
- Moderator:** Thank you. We have the next question from the line of Vikas Jain, an Individual Investor. Please go ahead.
- Vikas Jain:** Hi, good afternoon Mr. Sandeep and Mr. Akhil. As investor, I have been following Welspun for quite some time, but I would need your assistance to have some more insights about the write off and GK-2 blocks which a clear is done this quarterly result. If you can throw some more light on the issue and when the earlier write offs have happened?
- Sandeep Garg:** So GK-2 after the appraisal well that we did in the pick and drive we decided to stand out, ONGC decided to proceed in the exclusive manner and now the last approval was also try and ONGC has surrendered the block. So we have taken the write off. All these provisions that you see they were done long time back 2012-2013 onwards, so we as a prudent business decided that this is something, which we should have available with us and provisions are carry forward, but any shock that may be seen; however, I can assure you that given the current peer review of the resources, there is no reason for us to expect any further write off; however, there is availability of a buffer in the business.
- Vikas Jain:** Okay. The buffer is to the extent of 34 Crores that is still available with us?
- Sandeep Garg:** 37.
- Vikas Jain:** What is our share in the JV with Adani for this oil trading business?
- Sandeep Garg:** The Adani Welspun where we have a joint venture with Adani, we are 35% partner and Adani is 65% partner.
- Vikas Jain:** Alright. Thank you. My next question is about that trade receivables, which has gone up quite substantially so any specific reason because of which the trade receivables went up because the projects being in the last mile or there is something else to it?
- Sandeep Garg:** So trade receivable and unbilled work you need to see it together and it will always fluctuate with the space of the project where the completion phases are, so I think it is a very detailed question that we need to do it, if you do not mind the team can do it?
- Vikas Jain:** Sure. So who is the contact person for this clarification, if I can contact them offline, should I contact Akhil?

- Sandeep Garg:** Harish.
- Vikas Jain:** Harish. Alright. Also Mr. Akhil if you if you can throw some more light on the unallocated, does the water revenue is attributed to the unallocated headline?
- Akhil Jindal:** No. This is a subsidiary of Welspun Enterprises so the direction of this will be in a consolidated account not in the standalone account.
- Vikas Jain:** Alright and the last question I have is though I think I have got answer somewhere during the call but my apologies that I could not follow that pretty much, so when do we expect the oil and gas segments to contribute to the topline and what is the breakage that the management thinks about this business?
- Sandeep Garg:** So we do not envisage this to be a business or future. So we will try and monetize the current asset that we have. The preferred option of asset monetization will be the selling of our interest in the blocks; however, failing which we will have to develop the blocks and go forward for revenue model. However the preferred option is selling of the PI.
- Vikas Jain:** Great Sir and what is the order book that we have currently which has not yet been executed?
- Sandeep Garg:** It is about Rs.4600 Crores at the road project line.
- Vikas Jain:** Okay and we expect the similar kind of EBITDA margin guidance for this Rs.4600 Crores business?
- Sandeep Garg:** We expect 12% plus EBITDA.
- Vikas Jain:** Okay Sir. Thank you so much for answering my questions patiently and wish you all the best for the upcoming quarter.
- Sandeep Garg:** Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Krishna Kumar Agarwal, an Individual Investor. Please go ahead.
- K K Agarwal:** Hi good afternoon Sir. My name is K K Agarwal and I am just a simple investor. I had about 400,000 shares, but I see that the share prices are going down. I do not know whether I should keep holding or should dispose it off, may be the progress of the company as you said in the last quarter the speed was slow in completing the projects or meeting the milestones because of the heavy rain are we going to cover up in the next quarter?

- Sandeep Garg:** Yes for sure the order book remains healthy. The orders are there as are part and parcel of the business. So we expect to recover these lost revenues in the quarters to come and since you are investor and I hopefully understand long term-investor, I think a long-term investor is most reliable partner in the business so that is what I would suggest to you.
- Moderator:** Thank you. We will take the last question from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Thank you Sir. Two questions. One is this refinancing in Delhi-Meerut 90 Crores so once whenever it will be done in next one month, two months so is there a possibility that we take back that money from SPV to our parent company.
- Sandeep Garg:** Yes. That is the plan.
- Shravan Shah:** Okay. And second thing is this CGRG and GSY will it be 100% completed by March 2020?
- Sandeep Garg:** We expect the PCODs for both the projects before that, 100% completion is a function of the land acquisitions and lot of obligations and part of NHAI. However we expect the PCODs for both these two projects to get before that.
- Akhil Jindal:** And it is the PCOD as a milestone at which our entitlement for the annuity starts so that is a more critical milestone for us to achieve.
- Shravan Shah:** So it is at 90% or how the PCOD at what stage it will be given?
- Sandeep Garg:** So normally NHAI follows a principle of a main carriage varying through and 90% in a safe manner and 90% progress that we have achieved. They have given PCODs are at 80% but we are expecting the driving factor to not be 90% progress, 90% progress will be achieved much ahead; however, the main carriage has to be through for safe operating environment, which is what will drive the things clearly.
- Shravan Shah:** So for full 100% it will be by April, May, it would be done and if that is the case then how much early are we there in terms of the schedule completion date if it is by April?
- Sandeep Garg:** As I said it is very difficult for me to say when the 100% completion will take because a lot of issues alongside with the write off way, etc., etc., we will cross the bridge when we will come across it, however for me right now the important aspect is to achieve the PCOD so that our revenue stream from the annuity starts and then we will work with NHAI for helping them to complete their obligations and complete the project in 100% and to say that we will be able to entitle this to and to the bonus on this project as I said we do not account for any bonuses until we achieved the PCOD. So my answer is I would not guide that there will be any bonus achievement on the projects.

- Shravan Shah:** Yes. I understand and what is the schedule completion date for both these projects?
- Sandeep Garg:** So the schedule completion dates are in February 2020.
- Shravan Shah:** Okay. That is it from my side and all the best. Thank you.
- Moderator:** Thank you. I now hand the conference over to the management for their closing comments.
- Sandeep Garg:** Thank you. Thanks for joining us on this call and as a few of you may have noticed the CFO, Mr. Shriniwas Kargutkar, is achieving his superannuation today, I wish him all the best for his future endeavors. He is being part of this business in his growth phase and will always be part of this company. This may be his last investor call as a CFO. As far as the future of the company is concerned, I would want to once again reiterate that this is our operational excellence as a journey, it is a commitment and which will see that more than Rs.5500 Crores worth of projects out of the Rs.8500 Crores HAM portfolio will be completed in the next 12 months so we will continue to drive operational excellence as a buzzword and our guiding principle and I thank you all for the support that you extended to the company and wish you a very, very happy and prosperous New Year. Thank you.
- Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Antique Stock Broking that concludes this conference call for today. Thank you for joining us. You may disconnect your lines.