

Welspun Enterprises Limited
Conference Call for Business Updates
November 06, 2015

Moderator: Ladies and gentlemen, good day and welcome to the Welspun Enterprises Conference Call for Business Updates. From the management we have Mr. Sandeep Garg - MD, Welspun Enterprises and Mr. Akhil Jindal - Director, Group Finance and Strategy. 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. Sandeep Garg. Thank you and over to you, sir.

Sandeep Garg: Thank you, good afternoon, everyone and thanks for coming on the call and sparing the time to listen to us. Taking the queue from where we ended last time when we address the investors, I had briefed you all what has happened in the past in the company and also given you an indication where we are headed to and I thought it would be an appropriate time for me to take this interaction forward.

Just to recap, as you may be aware that we are in the infra side we have about seven BOT projects which are five in the Road, one in Water and one is a Bus Terminal. They are all operational BOT assets. We have a residual order book of a EPC contracts of Rs. 70 crores as you would recall, I had told that we have decided not to bid for EPC projects in past because most of them were a loss making proposition and hence the order book dwindled to about Rs. 70 crores.

Now in the interim period from where we started between this quarter we have made certain progresses and I wanted to brief you about it. The one of the things that you may have heard is that we made certain deals ARSS Infrastructure and took over a company called ARSS Bus Terminal which has become a wholly-owned subsidiary of the Company. The company was in litigation with ARSS Infrastructure on various forums because of the investments both in ARSS Bus Terminal that we have made as well as some inter-corporate deposits that we have given to ARSS Infrastructure main company. To resolve all those issues we have agreed to a particular deal with them thus protecting the company's best interest in that manner. I would come back to you with the details of the deal as we go along.

On the oil and gas side I would want to recall that we are in a joint venture with Adani Group, the company is called as Adani Welspun Exploration Ltd wherein Welspun has 35% stake. There are three relevant blocks two in Kutch, one in Mumbai. And to update you on the

blocks, the Kutch blocks, we have declared discoveries on both these two blocks DGH has accepted those discoveries and we are going ahead with an appraisal program on these two blocks. You may have noticed that the Mumbai block, we have decided to farm-out to ONGC in which 55% of the stake for the block will be transferred to ONGC for they spending all resources required to complete the Phase-II of the particular field.

I would also want to cover that last time I told you that we have a stake investment in Welspun Energy. Just to brief you that our investment in that company is restricted to Rs. 90 crores and currently the company has about 635 megawatts of operational capacity 489 in solar and 146 in Wind. About 493 megawatt is under construction in solar. So, this is the current situation of the Company. On the future as I had told last time, we had selected certain niche areas in infra to start re-bidding because we believe that there is a potential and there is likelihood that the industry would regulate itself to make sure that there is reasonable profits on the projects. One of the model that we decided was Hybrid Annuity model. The current status is that the first bids are announced and we would be participating in the couple of bids to try and see how the things in this model, it is a new model so, we will be proceeding cautiously rather than being very aggressive.

As I had told last time BOT assets are of interest to us, we are operating five road BOT projects and accordingly we were interested in looking at the TOT model as the Ministry calls it - Tolling Operate and Transfer model of the completed projects wherein the toll history exists. The model has yet not come up but we are aggressively perusing that matter.

On the Express way side, we believe that the Ministry is still working on how the express will pan out. On our side we are in active dialogues with some foreign companies to create the qualifications and the potential to address this market as and when it unfolds. I had also briefed last time that we are looking at oil and gas specifically in India, Canada and U.S. The pursuit of these assets which are producing assets continues and we are evaluating few likely potential parties with the whom we could have strategic association. Also we would continue to unlock our value wherever the assets which are available for us for creating stakeholders, hitting value for the stakeholders and this is what I can tell you from our future plans that we would have.

I should have done that in advance before the open the call for discussion further. I would want to introduce you the team that is supporting me and Akhil on this call. On this call along with me is Mr. Shrinivas Kargutkar, who is the CFO, Welspun Enterprises along with him is Mr. Kevin Daftary, who supports Mr. Shrinivas Kargutkar. We also have Mr. Devendra Patil, who is Group Secretarial Head and we also have on the call is Mr. Harish Venkateswaran who supports Mr. Akhil Jindal in his role.

I had told you that I would brief you about ARSS Bus Terminal deal we had invested about 40 crores by way of the ICD as well as the investment in equity of ARSS Bus Terminal. The ARSS

Bus Terminal contract got terminated due to some government procedures not being followed by OSRTC, the contract was terminated abinitio and hence the disputes arose. Out of this the settlement agreements enabled us to recover 19 crores the amount which has already been received. The 21 crores is still to be received out of which we have an guarantee of about 16.5 crores from ARSS Infra and their promoters which leaves a exposure of about 4.5 crores which we expect to recover through the claims on OSRTC. As I had said we have taken an equity of ARSS Bus Terminal in totality by taking control of the entity which has become a wholly-owned subsidiary to pursue these claims with OSRTC.

As you may have noticed in the results, we have taken a write-off of about 4.5 crores which was the interest accrued till date on ICD as a prudent precaution, we had taken a obligation as a part of the deal that we will not pursue this interest we have taken a write-off against this whole 4.5 crores.

With these words, I would request the investors may seek any clarification that they may choose to. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. We will take the first question from the line of **ASN Raju** from **Networth**.

ASN Raju: I would like to ask that is our company two questions, one, when will be the company paying dividend to the investors? Two, what is the strategy?.

Akhil Jindal: Yeah, I think we have still not formulated a dividend policy within the company. I think the efforts were as Mr. Garg sads to cut our line of the balance sheet and make it strong and meaningful for us to able to take up the new opportunities that are appearing in oil and gas **sector** so, we have still not formulated that dividend policy. Maybe by the end of the year when the full year numbers are available, the board will take our considerate view and then we will be in a position to share the details with you.

ASN Raju: Okay. Garg Ji, what about the cautiousness of the company, it keeps going too slow from last five years, no bids, no development in order book?

Sandeep Garg: Mr. Raju, you are right, it is not that we did not bid for in the last five years, we did bid till about two years back we won a few projects and as you are well aware most of the infra industries have a winner's curse right now because most of the people who have won, they are bleeding. Fortunately, we could sustain ourselves without having to go too aggressive on bidding and picking-up jobs which had very little likelihood of making money I think the consolidation of the companies has taken place and the balance sheet of the company is pretty strong. It is a 1,500 crores net worth company with a cash of almost about 800 crores. So we believe that the time is now right for us to strike **now** okay, which we are doing on a

very niche areas rather than going everywhere and trying to once again get into kind of rat race for a better work.

ASN Raju: Yes, sir. I am also investor in other infra company Max Infra it is a Hyderabad based company they are operating in all the water grids like every state having grids to connect all the villages and all. That 35,000 crores work has gone tender from last three months. Till date, Welspun has not contributed and nearby **we** are also coming water bid it may be around 30,000 crores. We can conclude the work within one and half year I think so the can do something.

Sandeep Garg: Mr. Raju, thanks for this input, we really appreciate your input. We are looking at that sector but as you aware there are certain challenges within the water sector in terms of the site fabrication being allowed et cetera et cetera on large diameter pipes for our kind of company which is corporate entity and it believes in quality and safety, we need to participate in the works which will kind of quality conscious clients as well as safe in environmental perspective and hence we are being very choosy you are right we are looking at a couple of contracts right now in the water space in Madhya Pradesh as well as a few more states where the site fabrication is not called upon. So we are restricting ourselves to mass water transportation projects wherein the factory built pipes are allowed and not the locally made pipes.

ASN Raju: Sir, in small dia the site construction is not all viable, so everyone in small dia they will go for only manufactured, factory manufactured pipes because there are around 10,000 crores of only manufacturing pipes Hyderabad Watergate, Telangana Watergate 10,000 crores is directly factory manufactured pipes.

Sandeep Garg: We are actively aware of this opportunity and a few of this opportunities have gone because of, as you know the local contracting companies are pretty strong in that area. For us logistics is an important aspect so, we are looking at it and if it becomes viable for the company we surely will participate.

ASN Raju: Yeah. If I you do not mind, in date we not funding any foreign collaborators, now a days they are asking for last five years without any loss balance sheet Central Government, National Highway Authority of India is coming aggressively with more work in near future but still we are not having any concluded business foreign partner?

Sandeep Garg: I could not get your question Mr. Raju, could you kindly repeat?

ASN Raju: No, sir, did you get we are not hiring any foreign partner conclusion but National Highway Authority is coming with very big projects nearby.

Sandeep Garg: We are aware of those projects and as I said in my addressed we are looking for association with foreign parties to de-bottleneck the company from bidding for large projects, we are pursuing those options as we speak.

Moderator: Thank you. We will take the next question from the line of Bhavin Chheda from Enam Holdings.

Bhavin Chheda: Sir, just a few questions, if you can update us on what are the gross cash and gross debt levels in the company? Second, which are the non-core part of assets are now pending to divest and third, you spoke about the investments in oil and gas assets in India, U.S., Canada so, just wanted to understand that the cash in the company would be for investments in those projects and there would not be any buyback or dividend payout?

Akhil Jindal: Yeah, so Bhavin let us speak first question first, regarding the total debt in the company. So the debt which is attributable towards directly as Welspun Enterprises is 271 crores, that is the gross debt, this number will be a little different then what gets reported for a fact that there is some JV debt which gets accounted and our books which of course is not our responsibility Rs. 271 Crs is what we are directly responsible as Welspun but that is our gross debt number. Our cash and cash equivalent as on September '15 closing was Rs. 780 Crs so, that brings us to net debt of almost Rs. 509 crores so that is part a of your question, anything else you want to know on this?

Bhavin Chheda: No, cash and debt is fine.

Akhil Jindal: Yeah. So coming and the part b which is what are the assets left in the company. I think we have four businesses left in this company one is direct equity shareholding in Welspun Energy which is we have invested close to 90 crore, so that entails us today at a non-dilutive basis stake of 15 percent which of course as and when more equity comes in could be diluted to single-digit figure. As a board we have contained our self at 90 crores so, there is nothing more that is left in this company for us to invest further. Second is of course the oil and gas business which is Mr. Garg mentioned about the JV with Adani. And the third is some BOT asset, there were five Road assets, one Water, one Bus Terminal. Now most of these assets are nearing maturity. If you go to the BOT assets, most of them are almost two years to three years left for their final maturity period. But for two assets which is Bhopal-Dewas and there is Kim Mandvi which is a road project. So these are the two projects which I can see my list as anything crossing February 2018 or September 2018 or August 2018 other than that all of them are getting expired much before that. Then there is a Dewas Water which again Mr. Garg mentioned about plan on this side so, that is a other long-term asset in the book. So obviously there is no room for any corporate action on the short-term asset which are there for one year to two years we will see what best can be done but otherwise they will have their natural finish rather than us trying to do anything on that. On Dewas Water, you want to add on something?

Sandeep Garg: Yeah, Dewas Water is an asset we are all the budget is being restructured as we speak the pick-up point which is about 112 kilometers right now it is being moved to about 12 kilometers from the point of consumption and that restructured project we expect to the in-principle

approval was obtained the Cabinet Committee approval was obtained is past, we believe that the Swiss challenge project should come the Cabinet Committee approval should come in a short-time in near future and then we will be interested in taking that project forward.

Akhil Jindal: So, this is all on the asset side. Bhavin, any other question you have on the asset side?

Bhavin Chheda: No, on the assets side, on the policy of buyback and dividend...

Akhil Jindal: See as I mentioned, in the first part of the reply to one of the other gentleman who asked this question. As of now the board has not taken any view on any of the policies. I think we are waiting for the year end to take a call in terms of the by the time investment in Hybrid, investment in O&G, investment in some other core areas would also be clear , I think that would be an appropriate time for the board to take a view.

Moderator: Thank you very much.

Akhil Jindal: So I think if there are no further questions, we thank everyone to take up time to listen to the management. Of course all of us are also available offline if any further question comes up at a later time. So many thanks for everyone attending and wish you all a very very Happy Diwali and a new and a prosperous year. And with that, Sandeep?

Sandeep Garg: I would just say Happy Diwali and thanks for coming on call. We look forward to your supporting the company and we will do our best to take it forward and create value for you. Thank you.