

Welspun Enterprises Limited

Recent Business Updates

July 26, 2017

Moderator:

Welcome to Welspun Enterprises Limited Conference Call on the Recent Business Update. From the management we have today; Mr. Sandeep Garg, Managing Director, Welspun Enterprises Limited and Mr. Akhil Jindal, Group CFO and Head Strategy, Welspun Group along with the IR Team. 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 the 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. Sandeep Garg. Thank you and over to you, sir.

Sandeep Garg:

Thank you. Good morning everybody. I would like to update you on the recent development in the company. As you would recall, we already have one hybrid annuity project called Delhi Meerut Expressway Package 1. In addition to that, we have agreed with MBL Group to be the sponsor of two projects which are namely Chutmalpur-Ganeshpur-Gagalheri, -Saharanpur and Yamunanagar. In terms of the value of these projects, they are about 2,100 crores put together and about 104 KM in length. The agreement that we are trying to forge with MBL Group subject to the statutory approvals and the NHAI approvals is to acquire the 49% stake in the SPV and a right to execute the EPC contract. The balance 51% will be acquired subject to the NHAI approval in terms of the concession agreement or earlier. The purchase consideration for these two projects for 49% we will be paying Rs. 23 crores and for the balance 51% as and when the approvals are achieved, we will be paying Rs. 24.5 crores.

As you would recall hybrid annuity projects, 40% of the total capital outlay is funded by NHAI by way of capital subsidy. Out of this balance 60% which has to be arranged by the concessioner, normally 48% is the debt component and the balance equity which will be funded by us and MBL Group put together. Right now, the financial closure has been completed by us and the documentation is in progress subject to NHAI approval. And we expect the appointed date to be declared by NHAI very soon, probably by the end of the month, subject to they having the requisite land available.

The contract value for the EPC projects for these two projects put together for the Welspun Enterprises will be in the range of about 2,000 crores which is supposed to be completed in 24 months. I would also want to appraise you that we have opened the lowest bidder in one

of the projects called Aunta-Simaria of NHAI. It is primarily a bridge over river Ganga with approach road sections. It is about 8.2 KMS project and the bid price for the same evaluated by NHAI is 1,045 crores. Once again, this is a hybrid annuity project and follow the same model as they have been following in Delhi-Meerut Expressway and we propose to follow in the two MBL projects.

To update you of the other developments that are taking place, before I go on to the other thing, I would want to tell you that we have given a guidance that we will be having about 4,000 to 5,000 crores project. Subject to the Aunta-Simaria being awarded by NHAI, Our order book would stand close to about 3,500 crores unexecuted orders and in totality the order book will be about 4,000 crores.

I would now want to brief you about the other update. The Board has approved Welspun Enterprises to enter into the NBFC space and we would be applying for the license. Welspun Enterprises will take 60% stake in a company which is in joint venture with the promoter and this will be called Welspun Financial Services Limited. We are currently in discussions with a few professional people to come on board as management, as well as partners. The Board has delegated authority to manage the day-to-day affairs, whilst the license is being obtained. A delegated committee will take the decisions on a day-to-day basis. We also would want to appraise you, that the Board has approved a maximum investment of about Rs. 350 crores subject to the approval of the business plan. So Welspun Enterprises will invest not more than 350 crores to begin with. We currently would subscribe to 60% of the equity and the 40% equity will be subscribed by the promoter group. Those are the current business updates and I would now open the floor for any questions that the investors would have.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. We will take the first question from the line of Dimple Kotak from SKS Capital and Research. Please go ahead.

Dimple Kotak: Sir, actually I missed out on your order book guidance. What is your unexecuted order book as on date?

Sandeep Garg: Subject to Aunta-Simaria being awarded, it will be in the ranges of 3,500 crores.

Dimple Kotak: Okay sir. And sir what would be your guidance for FY18?

Sandeep Garg: In terms of?

Dimple Kotak: In terms of your revenues and growth prospects?

- Sandeep Garg:** See, this order book is supposed to be liquidated in about 2 years' time. So accordingly you can do the maths, but we normally would be targeting the revenues of about 1,500 crores this year.
- Dimple Kotak:** Okay sir. And sir what is the margins for your new project which you are the lowest bidder in?
- Sandeep Garg:** We normally target mid teen IRR and this project is also going to be about mid teen project IRR.
- Dimple Kotak:** Even for the MBL projects?
- Sandeep Garg:** Yes. That is true.
- Moderator:** Thank you. We will take the next question from the line of Gautam Bahal from Mauryan Capital. Please go ahead.
- Gautam Bahal:** Firstly, congrats on the progress made since the last conference call, seem to have executed as per plan so far, so congratulations. Sir my first question on the sort of new order book that we have is about 3,500 crores now sort of run rate. Can you give us some guidance on the EPC margin on that?
- Sandeep Garg:** Thank you, thanks for the good words. As we stated that we target the EPC margin in the range of 10%-15%. And that will be the guidance for these projects which we have opened as lowest bidder as well as the acquired projects from the MBL group.
- Gautam Bahal:** So the entire EPC is 10%-15% and also mid teen IRR for the equity. Is that correct?
- Sandeep Garg:** That is correct.
- Gautam Bahal:** And just for my understanding the equity IRR only starts kicking in once the project is completed, right?
- Sandeep Garg:** That is correct. To clarify that the EPC margin is on the complete contract value while the equity IRR is on the invested value.
- Gautam Bahal:** Absolutely. And sir and we know, we have at the moment got agreement for 49%. But we have the entire EPC agreement, right?
- Sandeep Garg:** That is correct.
- Gautam Bahal:** Perfect. And sir just sort of looking forward in a normalized way for the NHAI order, let us say the HAM order book, it is one of the 4,000 crores mark, the normalized level we look going forward or can we do a bit more than that?

Sandeep Garg: As we said, we will be targeting this year order book in the ranges of 4,000-5,000 crores and we would expect an increase of about 25% on an annual growth. So that is the kind of order book we will be targeting.

Gautam Bahal: At the moment, I know you said it is going to be a 2-year sort of execution period but I know you have been quite sort of efficient in the execution. You have done the Delhi-Meerut in quicker time, right? Should we expect something similar here is or is it a different sort of case?

Sandeep Garg: Thank you for bringing up the Delhi-Meerut execution. We have completed in about 7 months about 50% of the project, of which the scheduled completion is 30 months. So we are progressing very well on that project. We would definitely want to follow the same trend on these projects as well. We would definitely update you once the project has an appointed date and we have people on ground on execution as to what we are targeting internally for the completion of this project.

Gautam Bahal: Wonderful. And sir couple of questions on the new NBFC venture. Any color on what sort of NBFC we are targeting here. So what end market?

Akhil Jindal: Let me try and answer you on this. Essentially this is a new initiative by Welspun and the Board was very clear and very cautious in terms of its approach that we should be, firstly limiting our total investment to Rs. 350 crores, not more than that. And that also should be nvested gradually over a period of time. So I think the Board has given the clearance at this juncture just to first get the NBFC license from RBI and to get the professional management with their equity participation on board and once that gets done, I think we would be more clear and more concrete in terms of the overall plan. But clearly this NBFC need to be in a niche zone and in that sense we won't be a run-of-the-mill kind of NBFCs. There are 1000s of them in the country already. So I think focus would be on a fast churn of capital and in terms of the sustainability and the profitability of the business that would be the key focus. So I think in our next call which might happen in few months' time from now, with the new management on board, we would be able to answer your question more specifically.

Gautam Bahal: Thanks for the color. Just a followup on that. I know it is going to be a 60:40 sort of ownership structure for the joint venture. Will the promoters also be infusing sort of appropriate cash for that in terms of getting the 40%?

Akhil Jindal: Oh yes. Basically our initial proposal was to have the entire money being invested from Welspun Enterprise, that was our first recommendation to the Board. However, the Board felt that the total fund participation should be limited to not more than 350 crores and that where we in fact requested promoters to come in as a partner. So to answer your questionyes, it would be absolutely at par relationship both promoters and Welspun

Enterprise would be putting the money for their own shareholding. There is no sweat equity which we are talking here in the 60:40 relationship.

Gautam Bahal: Wonderful, thanks for clarifying that. Also, will it be sort of fair to assume that you are speaking to people in the NBFC business to sort of partner on the equity basis as well?

Akhil Jindal: I think it is a little premature for us to reveal that plan to you just now. But as I mentioned to you, in a couple of months' time, I am sure the new management would be addressing this question in terms of what is their exact plan and who these people are.

Gautam Bahal: And sir just a final question from my side. What is the excess cash leftover after all these cash commitments now?

Akhil Jindal: We have 1000 crores as the total kitty while we speak. So the NBFC bit is 350 crores, that is the maximum allocation, we would be still left with 650 crores. So if you remember in our earlier conversation, we have said up to 300 to 350 Crs we will be dedicating to the HAM project or to the road sector, this is what we are doing currently. The balance 350 crores, we have 150 to 200 crores commitment for the oil and gas business. I would say after doing all this, we would be left with 150-250 crores cash. I am not even including the earnings that will happen in the meanwhile. So just on the cash balance today with our current plan, we are still going to have a surplus of 150-250 crores.

Gautam Bahal: That is very clear. In fact I just leave you with one suggestion, could I please sort of suggest that you have a corporate presentation of some kind just to sort of, you are sort of moving parts now, right? So that would be quite helpful for investors I think.

Akhil Jindal: So whatever we are sharing with you today, all of this will be put in a transcript and put on our website and also share to all other shareholders who are not able to participate today. So we would do the needful. Be rest assured on that.

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

Neerav Shah: Congratulations on the asset purchase from MBL and also on the NBFC initiative. Sir, a few questions on the HAM project side. One is, was it any other contenders for bidding for these two assets?

Sandeep Garg: As we know yes, there were other people interested, I hope you are talking about the MBL asset?

Neerav Shah: Yes, MBL assets.

Sandeep Garg: We understand that there were other players, we are also interested in it. The reason that we could close the deal is because for two reasons. Number one, because we are demonstrating very good performance on Delhi-Meerut HAM Project, which gives the confidence to MBL and the NHAI and the creditors to support us on this. And second thing is, that given the strength of the balance sheet, the MBL Group felt very strongly that we would be able to deliver the project in time.

Akhil Jindal: Just to add to what Sandeep has just said about the execution abilities and our track record, I think it is also important for us to demonstrate in a very small timeframe on how fast we can achieve the financial closures on these two different projects. So the total financing required, the external loan was in the range of 1,100 crores and which is what as a team, this could be delivered in a months' time to maybe 45 days all in all and that was another reason, a very strong reason, for both the regulator and MBL to feel comfortable. There was a tie-up with us, the financial closure of the project will take place and the actual appointed date and the work will start quickly. So I think all in all these 3-4 factors were the key in us being selected by the regulator and by MBL as the key bidder. For other projects that we have won, Aunta-Simaria you want to tell who are the other bidders?

Sandeep Garg: Aunta-Simaria bid which we have won, there were two other bidders. So one was a JV led by Sadbhav and the third bidder was **ITD JV**.

Neerav Shah: Okay. And again coming back to the two MBL projects, these are yet to start working, I mean these are yet to achieve the appointed date.

Sandeep Garg: That is correct. The appointed date takes place after the financial closure and the NHAI having the 80% land available with them.

Akhil Jindal: But that is around the corner I guess. So we would very shortly be seeing the appointed date being announced.

Neerav Shah: So, I mean just on that particular part of the 2,100 crores project value, the equity component on a thumb rule basis of 12% to 15% comes to 220 to 250 crores.

Akhil Jindal: 255 is a precise number for these projects.

Neerav Shah: And we can get the 100% acquisition of these two projects at the consideration of sub 50 crores?

Akhil Jindal: That is right.

Neerav Shah: So technically if you make on the 2,000 crores of EPC value around even 10%, we cover our investments by 4 times?

- Sandeep Garg:** I am not very sure of the maths that you are saying.
- Neerav Shah:** The EBITDA should be around 200 on the 2,000 crores of EPC value. The potential EBITDA is around 200 crores that we can get from them and we have to only infuse around 50 crores out of that. So we are covering our investments four times
- Akhil Jindal:** We have to infuse 300 crores, right? 250 was as our own equity and under 50 is the purchase consideration over a period of time. So our total equity commitment/fund commitment from Welspun Enterprises, on these two projects is in the range of 300 crores.
- Neerav Shah:** Okay. So 250 crores plus the additional 50 crores.
- Sandeep Garg:** I hope the world was as bright as what you just thought.
- Neerav Shah:** That is what I thought last 50 crores investment that we are getting the 100% control.
- Sandeep Garg:** No.
- Neerav Shah:** Got it. So it is over and above the 250 crores of equity commitment.
- Sandeep Garg:** That is right.
- Moderator:** Thank you. The next question is from the line of Bhavin Chheda from Enam Holdings. Please go ahead.
- Bhavin Chheda:** Congrats on building the excellent booking on the HAM side. Sir, a few questions I think, last year we were looking at close to 3 to 4 projects in HAM and now we are already there at 3 projects and one your L1, taking the order book to the target of 3,500 crores. Will you bid more or what is the game plan for the next 2 years or you want to stop at current level?
- Sandeep Garg:** We surely will go ahead and bid further. We will be as cautious in our approach as we have been in the past. However, we believe that there is still ability to win couple of more projects which we would be targeting.
- Bhavin Chheda:** And on the EPC side for this project, so the EPC would again be outsourced or we have inhouse abilities to complete the projects on your own or we would be subcontracting the EPC part?
- Sandeep Garg:** Our business model is to subcontract the EPC part and manage the project management, the engineering side of the business and the safety and quality aspects, which we have developed inhouse to manage. So that is the model that we will be following for all future projects as well.

- Bhavin Chheda:** And regarding the EPC part, still you have bought, I think 49% in these two projects. So the EPC part for the entire 100% would be done under Welspun Enterprises or it will be done under the subsidiary company which has won these projects?
- Sandeep Garg:** The subsidiary company is the concessionsire. The EPC contract will be 100% given to Welspun Enterprises which will be valued at about 2,000 crores.
- Bhavin Chheda:** For these two projects?
- Sandeep Garg:** That is correct.
- Moderator:** Thank you. We will take the next question from the line of Rajesh Kothari from Alfa Accurate Advisors. Please go ahead.
- Rajesh Kothari:** Just thought in terms of this 350 crores which we are planning to invest in NBFC, will it be over a period of time any target with it by when that will be deployed?
- Akhil Jindal:** Well, we do not have an answer of your question as of yet. But clearly the Board being very cautious and whole investment committees and other things being put into place, I would suspect that the investments, I mean, the money will start getting deployed from the Q3 and Q4 for this year onwards. So I think that is my best guess. It would be 1-1.5 year that this money would be deployed, not before that.
- Rajesh Kothari:** I see. And for the balance money which will be finally left out I think usually about 100-150 crores, what is the plan for that?
- Akhil Jindal:** Still no plans. If we still keep on getting good opportunity like what we just got in terms of HAM, we might just think of increasing the exposure a bit out there but at this juncture we have no plans.
- Rajesh Kothari:** Okay. And my last question is in terms of this HAM projects in the overall road sector, how is the competition intensity and what do you think?
- Sandeep Garg:** I think the intensity of hybrid annuity project is still a lot better than what it is on the EPC side of the business. It has slightly become more on the routine projects. However, as I said technically testing projects and the projects which have certain differentiation to bring in, the competition is still okay and those are the kinds of projects that we are targeting.
- Rajesh Kothari:** Can you a little bit elaborate, what you see?
- Sandeep Garg:** In terms of, if you would see that, the Delhi-Meerut Expressway was one of the first projects which was in urban area and short length project of about 8.7 KMS. The Aunta-Simaria is also a small project of about 8.15 KM with a project value of about 1,100 odd crores. So the

projects which are small, the lengths are not humongously big and have technically large structures, certain things which can bring in a differentiation, in the way technology is deployed to execute those projects. Those are the kinds of projects which give us the differentiation and those are the kinds of projects we are targeting.

Rajesh Kothari: And what will be the IRR kind of thing, on the new project what do you think?

Sandeep Garg: We always target mid teens of the IRR and all these projects will be delivering the mid teen IRRs on the project level.

Akhil Jindal: The project IRR.

Rajesh Kothari: So basically you mean to say that the ROE will be higher but IRR will be low.

Akhil Jindal: Yes, the project IRR will be mid teen considering the entire funding of the project in account.

Rajesh Kothari: Okay. And you know with this like MBL Infra, do you think any construction company seems most of them are probably now through CDR, do you think any stress felt now or probably that phase is over since most companies have now got 3 to 4 years visibility in terms of order book?

Sandeep Garg: I think the answer to that is yes, the industry is seeing a bit of the stress. The balance sheet of lot of competitors is still under stress. However, the orders are plenty in the industry, so people who are cautious are recovering from the earlier challenges, and yes, the industry should mature in going forward.

Rajesh Kothari: So any good opportunity like MBL you think is possible?

Sandeep Garg: We do keep on getting in such opportunities. The reason we took up MBL was that it was Synergistic.. Our Delhi project is now more than 50% complete. So by Q3 or Q4 when this Delhi-Meerut will be tapering off, these projects will be taking off and they are in the same geographical regions and teams are available on ground to execute it. So we factor in a lot of things before we take that decision where we will invest and where we will not invest.

Rajesh Kothari: I see. I joined a little bit late on call. So on MBL what exactly we did, we took over the entire assets, the entire projects from MBL or how it was structured?

Sandeep Garg: Right now we have entered is 49% equity on the SPV and we are the sponsors of these projects and we will be doing 100% EPC work for these two projects which are about 2,100 odd crores and 2,000 crores of EPC value. So that will be executed by Welspun Enterprises.

Rajesh Kothari: So 2,100 crores, that is the total project value and 2,000 crores on top of it is EPC. That is what you mean?

- Sandeep Garg:** See, at the SPV level the hybrid annuity project total value is about 2,100 crores plus and out of which, the EPC cost is about 2,000 crores so which is going to be transferred to Welspun Enterprise Limited.
- Rajesh Kothari:** I see. And this will be executed in what timeframe?
- Sandeep Garg:** About 24 months.
- Rajesh Kothari:** And what will be the kind of margins in this EPC?
- Sandeep Garg:** We target 10%-15% of the margins on EPC and that is what we are targeting here as well.
- Rajesh Kothari:** And what kind of working capital it will involve, if any?
- Sandeep Garg:** The model is that we invest in the SPV our equity and the balance money is from either the NHAI or the lenders, so that is how the business is.
- Rajesh Kothari:** So this 49% is equivalent to 300 crores, that is what you mean, like 250 crores plus 50 crores over a period of time, so that is 300 crores, that is what you to invest?
- Akhil Jindal:** That is 100%.
- Sandeep Garg:** The 49% acquisition is at a price of 23 crores. The balance 51% will be acquired at about 24.5 crores. The equity investment into the SPV is about 250 crores.
- Akhil Jindal:** So basically 49% is what we are acquiring today and we have a route to majority to going up to 100% which would entail a cash outflow of around 47 crores. Further, there would be requirement of 250 crores by the sponsor which is Welspun Enterprises in this case to complete the project. So the total fund commitment from Welspun in this project is 255 plus the 47 that we would need to acquire the 100%.
- Rajesh Kothari:** I see. So basically the total is about close to 300 crores. That is what you mean.
- Akhil Jindal:** That is right.
- Rajesh Kothari:** And then the SPV level liability, of course since you did 100% owner of that SPV, the entire SPV then will belong to you. So including the debt and so basically at SPV level you will be like kind of a breakeven at the net level at the end of two years?
- Rajesh Kothari:** I mean at the SPV level will there be any profits left?
- Sandeep Garg:** Yes. The SPV has the cash flow, one is the hybrid annuity payment that comes from NHAI. There is an operation and maintenance payment which comes from NHAI and the interest

component which has a spread of bank rate plus 3%. These are the three streams that SPV will further receive from the NHAI.

Akhil Jindal: On the entire amount being invested whether debt or equity.

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

Jitendra Gupta: Yes sir, just wanted to understand you would be investing 255 plus 47 crores. So basically at the end of the day, your equity investment in that particular SPV will be close to 300 crores. Isn't it?

Sandeep Garg: That is right.

Moderator: Thank you. The next question is from the line of Ankur Shah from Quasar Capital. Please go ahead.

Ankur Shah: Sir 2-3 things which I wanted to ask. So what was the rationale behind acquiring only 49% and you are not going upfront 100%.

Sandeep Garg: So the concession allows the concessionaire to sell up to 49% and hence it is a restriction on the concession which is given by NHAI. So that could not have gone more than 49%. However, since given the challenges of MBL Group, we are in process of entering into definitive agreements which will reverse the majority on the SPVs subject to NHAI approvals.

Ankur Shah: Okay. So correct me if I am wrong. Only if and only if MBL gets into financial stress, then will Welspun Enterprise be allowed to hike its stake up to 100%?

Sandeep Garg: That is not correct. Irrespective of whether MBL gets into financial stress or not, we have the right to acquire up to 100% subject to NHAI approval.

Ankur Shah: Okay. But you just mentioned right, that is the concessional agreement. It does not allow third party to acquire more than 49%.

Sandeep Garg: At this stage, automatically it is not allowed more than 49%. However, as per concession, at the COD which is the day when you start collection of toll plus 2 years there is an automatic right to transfer the balance 51% or earlier if NHAI approves.

Ankur Shah: Okay. The second question is relating to the bids. When I heard couple of concalls from another infrastructure company, I heard that MBL Infra specifically was very aggressive in its bidding. So I just wanted to know your view of these specific two projects whether these projects have been bided very aggressively because this definitely is linked to the returns

which we earned in the future. So has this particular project been very aggressive and does it meet our criteria of returns?

Sandeep Garg: As I said I would want to refrain from the committing upon what the industry has to say. We would only want to maintain, that these two projects are meeting our acceptance criteria which is our EPC margin target of between 10% to 15% and IRR return of mid teens in the SPV level. So in these criteria we are upholding and that is what our bidding strategy has been and that is the strategy of acquisition and we believe that we can achieve both these two criterias on these two projects as well.

Ankur Shah: Sir, the third question is relating to the NBFC part. So considering the opportunities in infrastructure space, infrastructure itself being a capital intensive business, at the same time big enough space to absorb the kind of capital which we have, so what was the management's intention while diversifying into a totally unrelated space?

Akhil Jindal: So I think there is no correlation and one should not see this as another source of funding the infrastructure. We have been fortunate enough to get the adequate support from the banking community and to get the necessary financial closures for all of our projects. So you are right, one there is no correlation between the two in terms of NBFC funding this infrastructure. There are two different streams of businesses. So I think as a company we were looking for diversification, we were looking for some additions in our portfolio and in that sense, it make sense because obviously lot of activities are happening in the NBFC space and there is lot of SMEs and lot of mid-tier financial strength have got created. In fact the common model that I have seen in the banks today, is that rather banks funding directly the various funding requirements of the borrowers, they are more comfortable giving those money to NBFC and NBFCs in turn doing all the credit analysis into the onward lending. So I think something of this kind will be our core focus and to that extent the exposure from the company will be very restricted which I mentioned as 350 crores and the total overall will be between 500 to 600 crores and I think from business line, this could be equally rewarding to the shareholder in a medium to long term as our other businesses are.

Ankur Shah: Okay. So sir just a question like, I saw it is in very initial stage. But are we looking at a specific needs that let us say we have developed niche in infrastructure. So are we looking for infrastructure financing or is it the traditional, all the companies today, everyone is entering home loan financing, commercial vehicle finance. So how do you see that, is there an initial plan which you have to enter a specific space?

Sandeep Garg: We do have our views on it. But we would want to mention as we stated earlier, that we would be coming back to you with this specific areas that we would be targeting, technology based supported system which will allow us to have a quick turnaround, when the management for the NBFC is in place. So I would request you to bear with till that.

- Moderator:** Thank you. The next question is from the line of Ameya Pai from Pinky Ventures. Please go ahead.
- Ameya Pai:** My question is related to the project value. You mentioned that the project cost is around 2,100 crores. Out of which, around 48% is the debt component. So we were just doing a calculation that where would be the balance amount be funded from because 300 crores is the equity that will be infused. So what about the balance?
- Akhil Jindal:** Yeah. The 40% come from NHAI in the HAM project. So if we add up that 40% of this 2,100 crores, that would be infused by NHAI over a period of the construction. Equity requirement from Welspun side will be 12% only and that's what Rs. 255 crores totals upto
- Ameya Pai:** Okay. And what about the construction period for these projects?
- Sandeep Garg:** Construction period will be about 2-3 years.
- Akhil Jindal:** The construction is 2 years.
- Ameya Pai:** Concession period.
- Sandeep Garg:** Let me complete. The construction period is 2 years and post the construction completion, it is 15-year concession.
- Ameya Pai:** Okay and you are expecting an IRR of 15%?
- Sandeep Garg:** We are expecting the IRR of mid teens that is what I would want to say
- Ameya Pai:** Sir, you mean to say the equity added would be 15% or the project IRR is 15%.
- Sandeep Garg:** The project IRR is 15%.
- Ameya Pai:** So what would be the translation into equity IRR after reducing the cost of debt?
- Sandeep Garg:** We normally do not do that because the equity investment is so low, we only look at our returns on projects, so that is the total...
- Ameya Pai:** What is the ROE that we are targeting?
- Akhil Jindal:** As Sandeep mentioned, our prime bidding criteria is determined by the Board is the project IRR and the mid teens and the project IRRs that we get, the ROE or the return on equity is a subset of that.

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

Sandeep Garg: Thank you everyone for participating on this business update of Welspun Enterprises. We are very happy to share these developments with you and we look forward to your supporting the business going forward. Thank you.

Moderator: Thank you. Ladies and gentlemen, with that we conclude today's conference. Thank you for joining us and you may now disconnect your lines. Thank you.
