



“Welspun Enterprises Limited Q3 FY2019 Earnings Conference Call”

January 30, 2019



ANALYST: MR. VIRAL SHAH – EMKAY GLOBAL FINANCIAL SERVICES

MANAGEMENT: MR. SANDEEP GARG - MANAGING DIRECTOR - WELSPUN ENTERPRISES LIMITED
MR. AKHIL JINDAL - GROUP CHIEF FINANCIAL OFFICER & HEAD-STRATEGY - WELSPUN GROUP
MR. JITENDRA JAIN – PRESIDENT, FINANCE - WELSPUN ENTERPRISES LIMITED
MR. SHRINIWAS KARGUTKAR – CHIEF FINANCIAL OFFICER - WELSPUN ENTERPRISES LIMITED

Moderator: Ladies and gentlemen good day and welcome to the Q3 FY2019 results call of Welspun Enterprises Limited hosted by Emkay Global Financial Services. We have with us today Mr. Sandeep Garg - Managing Director, Mr. Akhil Jindal - Group CFO and Head-Strategy, Mr. Shriniwas Kargutkar - Chief Financial Officer, and Mr. Jitendra Jain - President Finance. I would like to remind that some of the statements made in today's discussion maybe forward-looking in nature and may involve risks and uncertainties. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Viral Shah of Emkay Global. Thank you and over to you Sir!

Viral Shah: Thank you. Good evening everyone. I would like to welcome the management of Welspun Enterprises for the Q3 FY2019 results earnings call and thanks then giving us an opportunity to host the call.

I would now like to hand over the floor to the management for their opening remarks. Over to you Sir! Thank you.

Sandeep Garg: Thank you. Good evening ladies and gentlemen. On behalf of Welspun Enterprises Limited, I welcome you all for Q3 FY2019 result analyst call. It has been another quarter of a strong growth momentum for the company. As you would see from the reported numbers which will be dealt later by Mr. Akhil Jindal.

Now let me start with some good news on the business side. Delhi-Meerut Expressway project which was the first project hybrid annuity model project got completed 11 months ahead of schedule, received its first annuity on time.

Chikhali-Tarsod project in Maharashtra got its appointed date after a long wait on 16th January 2019 also post the quarter, but it is a good news that this project will also start contributing to revenue in the Q4.

Sattanathapuram-Nagapattinam road project in Tamil Nadu, we signed the concession agreement and we also have firm term sheet for the financial closure of the project.

As you may recall the one road project from PWD Maharashtra called AM2 Amravati of Rs.1460 Crores. We also signed concession agreement for the project recently. Even for this project we have a firm tie-up for the debt as on date.

With this, our order book stands at about Rs.5750 Crores (excluding GST) of unexecuted projects for the projects in hand. And all these 7 projects that we have on hand of hybrid annuity model, all have been financially tied-up and five projects are in the advance stage of implementation.

Now coming to the specific projects just to recall, we have seven projects under hybrid annuity model portfolio and the total value of these projects is Rs.8500 Crores. The order book unexecuted at this point in time excluding the GST is Rs.5750 Crores. Out of the portfolio of seven projects, Delhi-Meerut Expressway is already completed. We have received the first annuity in January 2019 within the stipulated time of 15 days from the completion of six months from the COD. So we have maintained our operational excellence and prudent respect for capital. Just to recall the COD was achieved 11 months ahead of schedule. Just to remind the hybrid annuity model as an annuity which is paid by the client along with interest at bank rate plus 3% which currently amounts to 9.75% per annum per month. The interest received on the first annuity was Rs.26.1 Crores and the O&M payment for these six months was also received of Rs.2.2 Crores.

I would want to also brief you about Gagalheri-Saharanpur-Yamunanagar project, this project has achieved in the Q3 FY2019 more than 40% progress and the project is on target for early completion.

The other project which is in the advance stage of implementation is Chutmalpur-Ganeshpur, Roorkee-Chutmalpur-Gagalheri called (CGRG), the project has currently completed more than 35% of the progress and is also likely to be completed before time.

The project Aunta-Simaria, which is in Bihar, a bridge project over Ganga River. NHAI declared the appointed date for this project on 30th of August 2018 and the execution in full swing in the current season.

As I stated earlier Chikhali-Tarsod a project in Maharashtra, the NHAI declared its appointed date on 16th of January 2019 and the execution has already begun. We are fully mobilized at site and the work has started in to earnest.

Sattanathapuram-Nagapattinam, the largest projects of the company of the projects of Rs.2000 Crores plus we had received the letter of award on 5th of July. The concession agreement got signed on 3rd of December 2018. The firm sanction letter from the lenders of financial closure is in hand. We expect the appointed date for this project by middle of March 2019.

The last HAM project that we have been won is the project in Amravati, Maharashtra, the letter of award was received in November 2018. The concession agreement was signed on 10th of

January 2019. We currently have a firm sanction letter from the lenders of the financial closure. We expect the appointed date for this project to be in February/March 2019.

This was on the roads side of the business.,Now, I would also want to talk about water vertical which is the new vertical that we are trying to expand. The project in MP Dewas water project, the execution of that project which is on BOT basis is in full swing and in the Q3 FY2019 we have completed 70% of the project.

The project is expected to be completed within this current financial year ahead of its scheduled completion in May 2019. I would now want to talk about oil and gas. Just to recall the oil and gas business is in a joint venture with Adani where our stake is 35% and 65% stake is held by Adani.

At this point in time, there are four relevant blocks, one in Kutch, two in Mumbai and one in Palej, Gujarat. I would want to appraise you about the current status on these projects. The Kutch block which we call Kutch-1, the appraisal well was completed and I have a good news to share with you, that out of the zones that were to be tested four zones of this well float the gas, as for PSC requirement, ONGC is expected to file the commercial viability document would be just by mid of February 2019.

The other block on the Kutch GK-2, we decided not to participate in the appraisal well which was drilled by our partners ONGC and IOC. The partners have currently proceeded with the well and are doing these further studies on the block.

As far as the Mumbai blocks are concerned, the earlier block called MB-OSN-2005/2 where we enjoy 100% PI (participating interest), Adani Welspun has decided to execute the phase II of that project directly and drill one well. The other block in Mumbai is called B9 cluster. It was awarded as a discovered small field to us around 2016. We have already submitted the field development plan for this project to DGH.

The last block of interest is Palej block which is in Gujarat. DGH has taken a stand on this block that because of natural gas default, the project stands terminated and we have decided to take legal records against this decision of DGH.

Just to give you an outlook on the business side, I expect from NHAI 10 to 12 HAM projects to be bid out between now and end of this financial year. With our current order book, we will selectively be targeting to bid these projects, while preserving our thresholds of return expectations.

To diversify our client base we had taken a decision earlier to explore possibilities of hybrid annuity model project in states. And we have also started bidding in water segment and our first bid in the water segment is already out in the State of Maharashtra.

Welspun Enterprises with its healthy cash flow and a strong balance sheet and a strong credit rating is well positioned for early financial closures of the project and hence it is in this current environment of big strength of the company which you will want to leverage to create value for our stakeholders.

As we have maintained in past we will continue to pursue asset light model and continue to focus on operational excellence and prudent risk management.

To summarize my views on the business are that Welspun Enterprises is delivering in accordance with the expectation and shall continue to do so. Thanks to its commitment towards operational excellence and strong balance sheet.

To our differentiated asset light model we will continue to grow as well as give better risk adjusted returns on capital employed. As regards oil and gas business, given the stage at which the four blocks of interest are we are confident that the business will not require more than Rs.175 Crores of equity contribution and the monetization should be possible starting CY2020.

With these remarks I would want to hand over to my colleague Mr. Akhil Jindal who will give you the overview on the financials of the company. Over to you Akhil!

Akhil Jindal:

Thank you Sandeep and good afternoon to everyone. This has been a good quarter which was demonstrated in the numbers that Sandeep mentioned in the beginning and just to get into it specifics. This quarter we had a growth of 58% Y-o-Y on the topline at Rs.432 Crores against the previous quarter. Similarly with the significant growth in the EBITDA and also the operational EBITDA was demonstrated in the numbers in this quarter. While the operational EBITDA grew by 72%, our overall EBITDA had a growth of 12%.

The operational EBITDA as you would know is a little different than what the Ind-AS reportings are and this time we have tried to explain them in our investor release like a bridge between the operating EBITDA and the reported EBITDA. So I am sure that must be very handy for all the investors and analysts.

So to that extent I think the numbers had been quite in line with our expectation and to that extent, I think the PBT growth was 14% and the corresponding growth was 37% on the PAT side.

So I would also like to spend a minute on the treasury and other things. So we have a cash balance of close to Rs.636 Crores, which is after the net debt. We have a short-term debt of Rs.100 Crores of our CP plus another Rs.23 Crores of the other short-term debt. If I minus both of them, the net debt of the company stands at 513, the CP is just our effort to remain active in the treasury market. Otherwise with this kind of a cash balance we really, really do not need much of the CPs, but just to have a continuity in the debt market, the CP has continued and this is also priced below 8% so they are not very costly in that sense. Against the 513 net debt cash, we have also contributed Rs.77.5 Crores additional in our subsidiaries and in our JVs which means that over and above our equity requirement this has been contributed temporarily, just to minimize the interest cost, if I add up this also to our cash balance which is recoverable from the subsidiary as and when we want our cash balance stands at Rs.636 Crores. So I think the cash balance along with the earnings that are likely to be there in the next few years is far more sufficient for us to meet all our equity commitments at this juncture and of course, I am not including the return of capital that will also happen once we start completing the projects. So that will be in addition and over and above that.

In this quarter, we also completed the divestment of Dewas Bhopal one of the project that is the marquee project based in Madhya Pradesh, we are against an investment of Rs.85.4 Crores, we got Rs.184 Crores as a entire stake sale this implying a multiple of 2.15 times.

So I think this is the summation of our financial performance. We will cover more details in the question and answer. I think I can leave the floor open for the question and answers, and we can be more specific on any query that you may have in the meanwhile.

Moderator: Thank you very much. Ladies and gentlemen, we will now being the question and answer session. The first question is from the line of Anmol Das from Stewart & Mackertich. Please go ahead

Anmol Das: Congratulations on good set of numbers. I just wanted to know that the profit margin sank this quarter a little bit any light regarding how I mean why this is happening and other thing is wanted to know about the hybrid annuity model, is this like that the government pays all the 40% that it pays. Is it for every HAM project or there is some rarity on clauses on project-by-project basis?

Sandeep Garg: I think you have asked two questions. Let me take the first question first and then. I think the EBITDA margin on a quarter-to-quarter basis Q3 FY2018 against FY2019, if I have to compare the operating EBITDA and we have provided it in our investor release was 10.9% in the same quarter last year, which has grown by 1% so it is around 11.8% in this current quarter and this is in line with our guidance to the market at our operating EBITDA margins after knocking off the noncash effects of Ind-AS or otherwise should be in the range of 12%. I think the numbers are very much in line with our expectations, our treasury income was of course down in this

particular quarter for the simple reason that we have taken a Rs.8.3 Crores on MTM impact on the treasury holding that we had other than that I think the operating EBITDA were far more superior than what was there in the last year. Have I answered your question on the earning side?

Anmol Das: Yes, thank you Sir.

Akhil Jindal: Just to address your question on the basic model of hybrid annuity. Hybrid annuity model per se does not say that only 40% of the payment will be given as during the construction phase; however NHAH model is firm that they will only pay 40% during the construction and the balance during the operation and maintenance period.

As far as the PWD Maharashtra project is concerned, they are paying 60% subsidy during the construction phase and the 40% is paid during the O&M phase.

Anmol Das: So all the tranches are equal?

Akhil Jindal: No all the tranches are not equal, the predefined percentages of this annuity which are paid biannually by the client and that is factored in to our bidding strategy.

Anmol Das: Thank you Sir.

Moderator: Thank you. The next question is from the line of Harshit Jain of BlackRock. Please go ahead

Harshit Jain: I have a couple of questions, number one is regarding the Delhi-Meerut Expressway, so for this quarter Q4 of this year we will be receiving the early commission bonus and the annuity that will be reflected in this quarter itself?

Akhil Jindal: As far as the annuity is concerned it is already stands received that will be accounted for in this quarter. As far as the early completion bonus is concerned, it was accounted for as soon as the certainty of it took place in past year.

Harshit Jain: So when can I expect the early commission bonus will effect in your books?

Akhil Jindal: It is already considered in the books, it is only a cash flow item now.

Harshit Jain: And one more question like I have been seeing your numbers on past couple of quarters your company has been performing exceedingly well, but I think the shareholders are getting nothing your stock price has crashed from 200 to almost half of its value and even after posting such a good result this quarter itself your stock price remain at the same level. So anything you are doing in terms of shareholder interest or creating shareholder wealth?

Akhil Jindal: See as a company we can maintain the fundamentals of the business right, which as a management of the business we are maintaining it right, we are doing the right things and the performance of the company is reflecting in the right decision making. As far as the market is concerned it operates on its own larger consideration and as a company, we have been declaring dividends for the creating wealth for the investors which we shall continue to do in accordance with the laid down policy.

Harshit Jain: That is what I am asking because I have seen you have increased the promoter holding as well so any plans of increasing it further because the stock price has already crashed by half and you guys are still not participating or buying back from markets maybe through creeping acquisition or maybe through buyback of the company like maybe Rs.50 to Rs.100 Cr.

Akhil Jindal: As and when the buyback offer will be cleared by the board we would certainly be able to inform everyone around there. As far as creeping acquisition is concerned, that is something which is promoters prerogative. At a company level, we are really not privy to this discussion; however, we can say that the fundamentals of the company are strong they have been perhaps stronger than what it was, all the projects that has been recently won or otherwise they have all achieved financial closure all of them are under various stages of implementation, some in advance stages, some ahead of the schedule also. So I think by and large the performance and the fundamentals are all intact, I think there is also an industry phenomena in terms of the general melt down in the mid cap and the infra segment which really, really I am not...

Harshit Jain: Yes that is really fine because I am just asking this because your company is one of the best fundamental company in this infrastructure and coming to your ratios and fundamentals everything is perfect, but shareholders are not getting anything so that is my question is like you have already mentioned that you have close to Rs.630 Crores in your books, so maybe company can go for a buyback of around Rs. 50 to 70 Crores that would instill a positive confidence in terms of shareholders as well.

Akhil Jindal: Your point is well taken and we will certainly take it up to the board to have their opinion and accordingly, we will get back to you please.

Harshit Jain: Thank you so much.

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

Nirav Shah: Congratulations on good set of numbers. I have a few questions. Sir first is what is the equity infused in HAM projects in Q3 because I see our cash profits were fairly decent plus we received money from the Bhopal Dewas divestment of around Rs.57 Crores. So is that the equity amount that we have invested upwards of Rs. 100 Crores during the quarter?

- Akhil Jindal:** Well there is some element of the temporary funding of Rs.77.5 Crores which I mentioned to you.
- Nirav Shah:** That was there in Q2 as well.
- Akhil Jindal:** So I think it was Rs.80-odd Crores in Q2. **Nirav Shah:** Because Sir I am seeing our net cash balance has declined by around Rs.38 Crores and if I look at the cash profits for the quarter we would have received around Rs.57 Crores from the stake monetization plus another Rs.30-odd Crores of cash profits so that is where the disconnect is.
- Akhil Jindal:** I stand corrected on one number the total investment in this quarter was Rs.30 Crores, 16 is for one project, the 14 was to another project so total of Rs.30 Crores is what we have invested during this quarter in the HAM projects and there are some small, small investments which are for the oil and gas and water, those are miniscule numbers so total of around Rs.32 Crores.
- Nirav Shah:** So likely our working capital would have increased because the execution has picked up.
- Sandeep Garg:** Yes because this is the peak working season, we are entering into and now of course the post monsoon, there has been a fair amount of activity at all our side. Naturally this is leading to very, very active I would say active involvement and active concession, but I would say those are cyclical things. So I am really not worried about it.
- Nirav Shah:** And Sir just looking at our order book just want to know what is the EPC value of the Maharashtra, Amravati projects that we have accounted for in our order book because it seems that approximately Rs.800 Crores of EPC inflows has been reflected in the Q3 numbers. If I take the difference between the two quarters order book and at the execution, but our bid project cost was in excess of Rs.1400 Crores so has there been any change of scope in some of the existing projects?
- Akhil Jindal:** No, firstly there has been no change of scope that I can really confirm. As far as numbers are concerned perhaps one of our team can reconcile with you on a project-by-project basis, there will be no change in any scope I mean the descoping that can never happen in these projects.
- Sandeep Garg:** Let me add to what Akhil is saying that earlier the numbers that we had shared were inclusive of GST. So we chose to reflect the numbers exGST so as to give a clearer picture to the investors.
- Nirav Shah:** Okay so Q2 number of 5350 included GST component?
- Sandeep Garg:** Yes that is right, now henceforth we will report without GST so to that extent I think they may look a bit different.

- Nirav Shah:** Okay. That answered my questions and next question Sir, you mentioned in opening remarks about ONGC filing the commercial viability document for the Kutch block by February so is it possible that we can start looking to monetize our investment post that or we need to look for some more approvals before we start approaching the buyer or maybe ONGC itself.
- Sandeep Garg:** No, the way we envisage this whole thing going forward will be that the appropriate time for monetization will be once this document of commerciality is filed by ONGC and a full field development plan is submitted that is when the whole economic of this field will be established and that is the appropriate time for monetization which should take about a year from February 2019.
- Nirav Shah:** And just a last question again in your opening remarks you mentioned that you have already participated in one HAM project in the water space the bid has been opened. So if possible can you share the status or any other details regarding this particular project?
- Sandeep Garg:** I would just want to correct that this is an EPC project for water segment, it is in the state of Maharashtra in fact in Mumbai in Dharavi Sewage Treatment Plant along with operation and maintenance for the same.
- Nirav Shah:** That answers my question Sir and wish you all the best Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Rachit Kamath from Anand Rathi. Please go ahead
- Rachit Kamath:** Sir actually I just wanted to understand that do we have some kind of a provisional like a tax benefit in the previous projects because when I exclude the exceptional items I am seeing that my tax rate in this quarter has increased substantially so when I was looking at the tax rate so it is around 24% for the 3Q FY2018 and this quarter when I look at it is almost 35.4%?
- Sandeep Garg:** This quarter the tax rate which we are looking at is 34 point whatever percentage to also 35%...
- Rachit Kamath:** Can you repeat it I cannot hear you Sir?
- Sandeep Garg:** As you said correctly this tax rate for the current quarter it is 35% and remain the same even for the next quarter because that is the effective tax rate as we do not have sort of unabsorbed depreciation and book losses. So our tax rate per se is 35% in one of the quarter probably you might be able to see lower tax rate which could be on account of onetime adjustment. Otherwise for your competition purpose you should consider 34% or 35% tax rate of the company.
- Rachit Kamath:** So that is like one-off kind of benefit that was there.

Sandeep Garg: Correct.

Rachit Kamath: Sir actually one more question I have is that today morning, Sandeep Ji had come on TV and said that you were rising FY2019 targets to Rs.1800 Crores, Rs.1850 Crores and given the fact you only done almost Rs.1000 Crores till now in nine months. So basically you are saying you are going to do Rs.800 Crores in Q4, but since just now you said like given the two additional projects the Tamil Nadu and the project AM-II is going to have appointed dates in the last leg of March. So is this Rs.800 Crores execution possible like in this three-month period. See it is require like very high scale up so which is where the concern is.

Sandeep Garg: So if you see a typical road project what happens is that if it is, as it closes it is above 40% you are working majority on the upper layers of the road which means that your contribution is very quick because per cubic meter of concrete gives a much larger contribution as per cubic meter of earth work so your revenue recognition becomes much faster which is the phase II project, two of our projects are in currently. The other benefit is that because we have a clear sites on a few of the project and Chikhali-Tarsod to be precise we had enough time to mobilize and we have clear sites available so we believe that we will be able to go to the upper layers much quicker than in a normal project that you go. So that is also contributing to our quicker revenue recognition on the project. The another aspect why we believe strongly that we will be able to deliver these Rs.800 Crores plus revenue in the current quarter is that although the PWD project is a large-value project but it since there are no structures and there are no large back earthwork requirements, you move to the top layers in about 30 to 45 days after you start the working and hence unlike the NHAI, the recognition of revenue starts much quicker on the PWD project. So given the realities of the project where we are in and we believe we will be substantially investing into the developmental phase of Sattanathapuram-Nagapattinam project so we believe that Rs.800 Crores revenue recognition in the current quarter should be a realistic target.

Rachit Kamath: Fine Sir very well. Sir actually I wanted to know the land acquisition status on the Tamil Nadu, Nagapattinam project and Maharashtra Amravati project.

Sandeep Garg: As far as the Maharashtra project is concerned this is a two-lane project whereas existing two lanes are there it is just a pave shoulder that will get added to it in most of the places. So the land is almost available for seven packages almost 100% on the balance project a bit of a forest clearance is required. As far as the SNRP project for Tamil Nadu is concerned the land acquisition is still at around 50% stage however as you would know that in February the harvesting season will start in that area so we expect the majority of land to become available by the middle of March once the harvesting season is over and that is what we believe we will take over and hence we will achieve the 80% of the land acquisition, land availability and then only will we take the appointed date on SNRP project.

Rachit Kamath: Fine Sir if I have any further question I will get back in queue.

- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead
- Shravan Shah:** Congratulations for good set of numbers. Sir regarding in terms of the upcoming HAM projects which are already on the tender stage. Two, three things just wanted to understand, how many projects have we bid in Q3 FY2019?
- Sandeep Garg:** We have bid totally six projects till now under the hybrid annuity model project, two in Maharashtra and four in NHAI one of the projects in Maharashtra, we have already won. The NHAI we did not win which has opened and there are three bids currently with NHAI which are yet to be opened.
- Shravan Shah:** And how many more we are planning to as your press release mentions 10 to 12 projects. So out of that are we looking at only 10 to 12 projects do we did or will it be lower or higher number?
- Sandeep Garg:** I do not expect that we will be bidding all the 10 to 12, we will be bidding very selectively as I said in my opening remarks, we are sitting with a good order book. We will be selective in our bidding and we will do our targeted bidding.
- Shravan Shah:** And so in terms of the expectation of the additional inflow is how much now?
- Sandeep Garg:** See we expect from the project that we have bid out and we will be bidding out continuity of projects, so we expect anything between Rs.2500 to Rs.3000 Crores orders to be booked in this financial year and it will continue to grow in the next year as we move on.
- Shravan Shah:** And Sir last time we have spoken about AP water projects, HAM projects, five projects, so any update in terms of any bid is happening or happened or anything?
- Sandeep Garg:** So those projects are right now under standstill as far as the hybrid annuity model is concerned. We believe that the government is taking up these projects on EPC mode which we are not interested in.
- Shravan Shah:** So in terms of the water leaving this AP EPC projects, any other water projects are we thinking which can come up for bidding in next two months or maybe in the first quarter of FY2020.
- Sandeep Garg:** We expect a few projects in Madhya Pradesh, we expect a few projects in Maharashtra and we expect a few projects on the desalination in Gujarat under hybrid annuity model. We expect a few projects under EPC as well. So this will be our target bidding area.
- Shravan Shah:** But we would also bid EPC and HAM both in water leaving the AP?

- Sandeep Garg:** No, we will do the projects which are bulk transmission or treatment on EPC basis as well and hybrid annuity model as well so that is our target area. We will not bid for EPC contracts wherein we are suppose to do a distribution network because that is not synergistic with our current strategy.
- Shravan Shah:** And Sir in terms of last time we have spoken about monetizing Delhi-Meerut so any progress in that.
- Sandeep Garg:** Yes we continue to engage with the prospective buyers and we continue to do so because we would want to do it on appropriate terms and establish a kind of model which we could repeat going forward. So as and when the terms are appropriate we will definitely look to monetize. Just to help you recall that as the concession agreement is concerned, we are allowed 100% accept only at COD plus 2 years.
- Akhil Jindal:** And also we have just received the COD and the first annuity. So in that sense you can say that the time is now getting into the zone where we want to kind of explore. The very fact that we have got the COD and the first annuity within the record stipulated time is that it demonstrates that the project is well accepted by NHAI.
- Shravan Shah:** No, true so no doubt on that front just trying to understand can we expect the deal can be happening in next six months or as you are saying the condition is COD plus two years. So is it fair to assume that deal can happen maybe one year down the line?
- Akhil Jindal:** We will continue to explore and if the terms are appropriate within the permissible limits of the concession agreement, we will be willing to diverse however the real 100% unlocking will only take place at COD clusters.
- Shravan Shah:** Sir one request is it possible to in the press release or maybe in presentation can we give a breakup of order book each project wise because we have only now with Maharashtra HAM only seven projects it would be a great help to us and even without GST if you can give the old numbers also for Q4 FY2018, Q1 FY2019 and Q2 FY2019 it would be a great help to analyst?
- Akhil Jindal:** We shall prepare for henceforth and we would definitely want to share it with you.
- Shravan Shah:** Okay thank you and that is it and all the best.
- Moderator:** Thank you. The next question is from the line of Preeth Nagar Seth from Wealth Finvisor. Please go ahead
- Preeth Nagar Seth:** Sir I wanted to understand a couple of small things. One is that this is regarding the margins, so because you do HAM project which means that the EPC work is outsourced to another vendor,

right? So my question is that when I look at other companies who do the EPC work, their margins are say 12%, 14% then how is Welspun able to make say about 12% margin by outsourcing because then what is the margin the outsourcing company makes, how it is feasible. I know it is a basic question but I just wanted some clarity on this?

Sandeep Garg: A very good question I am doubtful that I can do justice on this over a telephone call and I would look forward to having a face-to-face meeting at an appropriate time; however it is the misnomer to say that self-execution is the most efficient way of execution depending upon the kind of complexity of the projects, geography of the projects, the most economic way could well be outsourcing, just to draw a parallel car manufacturer does not manufacture the seats and everything and engine. So it is not necessary for you to do everything on the project as long as we are efficient in doing our project management, financial management, and quality and safety we still bring lot of value which can on an overall capital cost basis standalone couple be comparative if not equivalent to a self-executing contractor.

Preeth Nagar Seth: So you basically feel this margins are sustainable even if say the outsourcing vendor even that giving enough margins to the outsourcing vendor the company should be able to maintain the 12% EBITDA that is being looked at?

Sandeep Garg: That is the basic premise of our bidding so that is how we say we are threshold how the biddings are, so that is a bidding parameter itself. So we do not bid for projects wherein we do not expect this kind of a return to be available.

Preeth Nagar Seth: One other thing is that there have been reports of government not being able to disburse funds in time for infra company, how is this affecting Welspun. Do you see the pressure on cash flows, so basically while net profits are high and I see some cash profit as being reported? How is the cash situation on the ground?

Sandeep Garg: I do not know about what the other competitor industry is feeling. As far as we are concerned, our annuity for the Delhi-Meerut came on time. Our payments for all our projects of the milestones that we have achieved have come on time and our advances also have come on time. So I have not seen as a company we have not seen delays by NHAI till date.

Preeth Nagar Seth: That is great. One question is regarding the guidance. So I think from the earlier doubling of revenues for two years running I think we are now saying that and because of Aunta-Simaria delay maybe you are now saying that the revenues with these were 75% is year-on-year, is that a fair assumption?

Sandeep Garg: Yes, you are right that two of the projects which we are expecting the appointed dates to be much earlier got delayed Aunta-Simaria came in August 2018 and Chikhali-Tarsod only in January 2019. There is definitely a knock-on effect for those projects to have got delayed, more

what we anticipated. So we expect the FY2019 to be closing anything between 1800 and 1850 with a reasonable level of confidence.

Preeth Nagar Seth: And what about Sir FY2020?

Sandeep Garg: We would expect the revenues to be in the ranges of Rs.3200 Crores to Rs.3500 Crores.

Preeth Nagar Seth: Understood and the order book which we were targeting for Rs.10000 Crores plus that was with GST or that was excluding GST?

Sandeep Garg: So when we giving guidance we realized that we were giving with cum GST and as a company we are trying now moving onto giving the exGST forecast of the projects in hand of the portfolio because hybrid annuity model portfolio, we cannot do at exGST so we declare publicly declared number. However the EPC contracts are exGST.

Preeth Nagar Seth: So the 5750 one is unexecuted order book that should swell to what would be the new number that you are referring to?

Sandeep Garg: Sorry.

Preeth Nagar Seth: Sir what would be the overall order book guidance that you could give?

Sandeep Garg: This is Rs.5750 Crores currently and if we win further projects going forward, we expect orders in the ranges of Rs.3000 Crores both water and road put together and as and when we win we will give you appropriately the order book level at that point in time.

Preeth Nagar Seth: Understood. Thank you so much.

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

Sagar Parekh: Sir did I hear it right that this Mumbai water project is the EPC project that the bid which was opened?

Sandeep Garg: That is correct it is a Mumbai project.

Sagar Parekh: Okay so I am confused here you mentioned that we would not be looking for EPC in the AP projects of water, so whatever I am missing over here because I believe that we are mostly developers. This would be the first time we would be entering on the EPC side, so we would not have EPC capability as such so...?

Sandeep Garg: See the water segment is a bit different than road. So road we are very clear that we are not going to bid for the EPC project. There is a lot of hybrid annuity model projects available. As far as the water is concerned it is a nascent business for us we need the prequalification, so we need lot of abilities to go forward and if you will see that unlike road which is primarily a construction contract in the water which is sewage treatment plant and the operation maintenance there of, most of the cost is in the engineering and procurement construction contributes to a very limited cost therein which is the area that we do not want to do our self. So we are trying to build technical capabilities of doing the engineering our self in that area and procurement abilities exist within the company.

Sagar Parekh: How big is this project?

Sandeep Garg: In terms of it is a Rs.2500 Crores project.

Sagar Parekh: And we have won this order or this is...

Sandeep Garg: We have bid, commercial bid is still not open it is the technical bid is under evaluation.

Sagar Parekh: Sir if I look at the other companies which are also there in the water and environment space working capital is more than about 250- 300 days. So generally I believe that this business would require a large amount of working capital because we are dealing with municipalities and the payment terms and all are pretty different from NHAI and these are all state-level municipalities. So do you think that the we are increasing our risk over here by increasing our working capital and cash flows will be uncertain, what are your thoughts on this?

Sandeep Garg: Two things that I would want to mention firstly on my earlier narrative that this EPC contract that we have bid we have bid in a joint venture it is not a purely Welspun Enterprises play. Secondly it is, see the as I said it is the nascent vertical for the company and we need the prequalifications to be a meaningful player in the industry where we can choose to do what we want to do. If you would recall earlier in the road sector also we had both BOOT and EPC contracts when we had enough the qualifications we moved to hybrid annuity model project. As we evolve we will specialized in a particular area now. In terms of the risk associated with the project, each project has different levels of risk and that is factored into our bidding model and we always look at risk-adjusted returns. So returns are going to be commensurate with the risks that we take and in this case because of the counter party it is a very rich entity of the Maharashtra State which has enough liquidity to meet its obligation. I do not foresee any reason for any delay in payments they are known to be at least from our experience that we have done accounted due diligence on the counter party they are a very good paymasters.

Sagar Parekh: Great. That is it from my side and all the best.

- Moderator:** Thank you. The next question is from the line of Govind Sabu from India Nivesh. Please go ahead
- Govind Sabu:** Sir I just wanted to understand in detail the treasury income effect which was mentioned in the note.
- Sandeep Garg:** Yes so basically we have taken an MTM of Rs.8.3 Crores in this particular quarter and that is the reason why the treasury income has come down to Rs.8 Crores after providing for that MTM and these MTM are largely on the PSU bonds and other bonds which are holding and these are the one where after the IL&FS issue I would say the credit spread is widened. I do not see any credit risk in that but their spreads are widened and because of the FIMMDA guidance in the trading levels the MTM is a effect which has come of Rs.8.3 Crores which as the market may correct itself it likely to be nullified going forward.
- Govind Sabu:** So adjusting for this Rs.8 Crores, your treasury income would have been Rs.16 Crores.
- Sandeep Garg:** That is right 16.3 Crores if we had not provided for this MTM.
- Govind Sabu:** Sir one more question I just wanted to ask that this 10 years GSEC yield has actually dropped in during the quarter?
- Akhil Jindal:** Yes you are right that the government OMO operations meant that when they were pumping Rs.50000 Crores of funds every month, the GSEC had a fairly good rally and to that effect the GSEC yield came down and consequently but unfortunately we were not holding any GSEC in our portfolio, we were just holding PSU bonds so the liquidity that got injected in the system by RBI did not find its way really, really to the bond market. So it was a very solitary effect on the GSEC where the yields came down. We had done a small comparison analysis between how the spread difference was, let us say pre IL&FS and now. The difference between GSEC and the AAA rated bonds whether PSU or otherwise used to be around 40 to 50 bps which had now widened to almost 140, 130 bps. So almost 70, 80 bps additional spread widening, which has happened due to lack of trading in these segments and as a result these all MTM consequently has come. Now with the liquidity being injected in the system I believe that some funds flow will come to these PSU bonds and other bonds also and to that extent the spread should compress to its like an original level but today it is really high. That is the reason why there is an MTM.
- Govind Sabu:** Sir a follow-up is that even if we adjust this Rs.8 Crores of MTM loss, the treasury income is much lower as compared to Q2 whereas the cash balance has remained almost I mean is relatively not reduced to that extent?
- Sandeep Garg:** Just to answer your question, last quarter if you can see that other income, it includes one-time adjustment of one of our investment in DBCL where we did mark-to-market and the impact was

around Rs.9.8 Crores which has been disclosed it as a footnote also in standalone results. So this quarter we do not have it. So effectively treasury was around Rs.15 Crores last time as against which...

- Akhil Jindal:** And this year without MTM effect it should have been Rs.16 Crores, so almost the same.
- Govind Sabu:** Thank you Sir I got the answer.
- Moderator:** Thank you. We have the next question from the line of Dhananjay Mishra from Sunidhi Securities. Please go ahead
- Dhananjay Mishra:** Just wanted to understand accounting part on project level in case of any delay happens from NHAI in case of annuity or interest cost or this O&M payment. So is it going to affect this or whatever payment is coming from them that is there and going to be in balance sheet or it is going to be Escrow account and from where the bank will directly take that amount?
- Sandeep Garg:** Just like any other project we have Escrow also for all the HAM projects and to that effect every fund from NHAI or otherwise it travels through that Escrow account and all the liabilities O&M and everything gets serviced out of those Escrow account. So to that effect I know you are talking of the concern in the market regarding the SPV-level financing and other things, so I understand your concern but in our case also there are all Escrows and all fund flow through the Escrows and to that extent every servicing is done through them.
- Dhananjay Mishra:** In case of delay this principal and interest repayment will happen from standalone balance sheet right of the Welspun?
- Sandeep Garg:** No I am saying that the proceed from NHAI comes in the Escrow and from there itself, the...
- Dhananjay Mishra:** No I am saying in case delay happens from NHAI because your this EMI with bank would be on certain due date or in case of slight 10, 15 days delay from NHAI on annuity payment on anything so you will have to pay from your Welspun Enterprise balance sheet this amount?
- Sandeep Garg:** No so you would see that as it is NHAI annuity comes once in six months, it is not everyday phenomena. The O&M and the so called interest repayments and interest servicings are all monthly phenomena. So to that extent we maintain enough liquidity in the SPVs for it should be able to meet its own obligation at any point of time and all the delays are factored in to when we maintain that liquidity.
- Dhananjay Mishra:** So you have at least six month of liquidity at SPV level address any delay because...?

- Sandeep Garg:** Yes because NHAI payments are semi annually and all these obligations are mostly monthly so that much of the liquidity is being maintained.
- Dhananjay Mishra:** And how will you consolidate in the balance, I mean once you come up with the annual report you are going to consolidate all these project debt level in annual report of Welspun or...?
- Kevin Daftary:** As far as accounting consolidation is concerned it will depend on which sort of SPV is that. So if it is a subsidiary then there will be a line-by-line consolidation and in case of JV or associate under Ind-AS accounting, it would be equity accounting which is one line consolidation. So it would be consolidated but depending upon the form of...
- Dhananjay Mishra:** Most of the projects are because subsidiary level or what?
- Kevin Daftary:** We have both combinations.
- Kevin Daftary:** Yes we have a mix of that so almost four projects are the JV level and three projects are subsidiary.
- Dhananjay Mishra:** So for three, we will have to consolidate right?
- Kevin Daftary:** Yes consolidate everything but only thing is line-by-line will happen for subsidiary.
- Dhananjay Mishra:** And what is the committed debt for this project? You have mentioned the equity part like Rs.500 plus Crores equity commitment so what will be the total debt on these projects, maybe your share of debt?
- Sandeep Garg:** Yes, so the total sanction debt for all the projects is comparatively around Rs.3800 Crores.
- Dhananjay Mishra:** And that will come over a period of next two, three years during the concession period right?
- Sandeep Garg:** Yes so most of this will be drawn and in fact I think we mentioned it in the beginning that we are more conservative in drawing the debt because we feel that if we can fund them through our own treasury balance that is far more effective. So there are instances where the projects are significantly complete but we have not yet drawn the debt which is due to us. So in that sense I think we will maintain that well and can of course as the project get complete they get AAA rated from the rating agencies like for example Delhi-Meerut we have got a AAA rating from ICRA and to that extent they get into the self-funding mode or self-servicing mode.
- Dhananjay Mishra:** And we will keep on monetizing these assets because as in future you will keep adding these kind of HAM projects you cannot have all these projects all the time I mean you will wait for 15-year concession period to receive all the payment so you will have to keep on monetizing these assets on regular interval right?

- Sandeep Garg:** Yes, this is our model in fact from the very beginning our model is to complete the project well in time effectively as much as cost saving bonuses and other things and then at an appropriate time given the market condition, given the regulatory framework we would like to exit and I am sure many of these projects because these are well-built projects, these are well-conceived projects. So to that extent the exit would also be happen at an appropriate time at the right valuation and we would keep on doing that, because we have just completed one project so one annuity is in. So to that extent I think there is a merit also to bunch up two, three projects and do a more comprehensive deal. We were exploring one options I that sense.
- Dhananjay Mishra:** Okay and all the best.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead
- Shravan Shah:** Sir just trying to understand you have mentioned that you have bid for three projects which was not opened. So if you can share how many days before we have submitted the financial bid and what is the normal time to open it so the thing is trying to understand is there delay in opening the bids?
- Sandeep Garg:** No, there is no delay in opening the bids I think we submitted these bids as recently 15 days back. So there are a few smaller players as well so the NHAI is evaluating them. There is no reason for us to believe that these bids are getting delayed in opening. We expect these to be open the next week or so.
- Shravan Shah:** But normally NHAI used to take 7 days to open the financial bid?
- Sandeep Garg:** As long as the players are the similar players which have been evaluated in past, yes, but there could be certain evaluation processes that NHAI needs to do. So we expect this to be done in next one week or so.
- Shravan Shah:** And second thing is trying to understand in terms of whatever the tenders are we have seen many tenders in terms of the date getting delayed postponed in last one or two months. So is it true and how do you see how many days is getting delayed or is there any specific reason that you can attribute that these bids are getting delayed in terms of the submitting the financial bid.
- Sandeep Garg:** The best of our understanding the reason is that NHAI has come up with the new revised norm of when to allow the bids to go forward. As per them their internal committees clear the bids only and only when the project has achieved a 80% land acquisition at CD stage, so till the time that project does not have a CD stage for 80% of the land they do not allow the bids to be called up. So hence the deferment of the project is not because of any other reason but making sure

there is a once the projects bids are called in the project get awarded and the land is made available to the contractor to execute.

Shravan Shah:

No Sir but in HAM case we have seen that bids is allowed even when NHAI is having even 50%, 60% because they normally have a 5- to 7-month period post even announcing the L1s, so actually the appointed date is normally the recent past also 7 to 9 months to achieve the appointed date post announcement of L1. So the NHAI has that extension of time to get the land in their possession. so they normally allow so just trying to understand because we are hearing that there is some administrative delay even the recent change at NHAI level which they have done to clear the financial closure where the TPC is 90% or above the NHAI estimated cost which was a surprising thing and that too the rule has been made only for the existing 109 HAM projects which has been awarded and will not apply for the ongoing and the new projects and no player is even is opposing. So trying to understand them so the whatever as a player as a developer when you bid as per the tender document and then the signing the concession agreement and then if NHAI changes any terms and condition so today they have come up with a 90% tomorrow they can come up and say the TPC financial closure has to be done at 105% of the NHAI estimated cost because normally people get the project at 5% to 10% higher than the NHAI estimated cost then that would be a wrong thing because people are normally bidding BPC higher and lower O&M so trying to understand what is the disconnect is there a industry lobby association where we are representing, we are opposing this thing or not or maybe it is just the NHAI is the biggest client so we cannot say whatever they say we have to accept it?

Sandeep Garg:

Nothing of that kind to answer your question first question. I genuinely believe that what I said is that the NHAI is allowing the bid only to be called in, when the charge at land acquisition has achieved 80% at 3D stage so beyond 3D there are various actions for the land to be made available, the decision at the NHAI/ministry level is that this six months is enough to convert the 3D stage to the 3G stage when the land becomes available for the contractor to actually start working and on the second issue that you raised on the followup question, I think the issue is once again the issue between the lender and the concessioner and the NHAI, I am not privy to this discussions that have happened and I would not want to comment upon it. As far as we are concerned we are going ahead and doing financial closures and all our financial closers are being accepted by NHAI in a timely manner.

Shravan Shah:

And one more thing, in terms of bidding for HAM projects where our subcontractor like our construction or any other is also bidding is it is a internally decided that we will not bid for that project.

Sandeep Garg:

No we do not talk to each other on the bidding pattern, it is only post bid that we decide our subcontractor. So anybody who is entitled to bid is free to bid for any project that NHAI had asked.

- Shravan Shah:** Okay because why I ask is because the recent one HAM project Rs.580 Crores where HG-Infra got L1 that is in Haryana so because we have a couple of projects in Haryana and we have not bid for and Gawar has bid so that is what the question has come up?
- Sandeep Garg:** No there are no such agreements pre-bid available to us.
- Shravan Shah:** And Sir lastly in terms of the ongoing GSY CGRG particularly these two projects, how many months do you expect it to be early completed?
- Sandeep Garg:** Anything between six to three months.
- Shravan Shah:** That is it and thank you.
- Moderator:** Thank you. We have the next question from the line of Rachit Kamath from Anand Rathi. Please go ahead
- Rachit Kamath:** Have you have any kind of capex for any of the contractors given that our scale is rising?
- Sandeep Garg:** That is very interesting question. As a strategy we are trying to avoid giving substantial advances to the contractors whom we are building for a long-term. So we have on a case-to-case basis taken a decision that rather than funding them because money is fungible so we will provide the construction equipment to them which will actually be disposed off in a pre-agreed manner subsist post the project completion.
- Rachit Kamath:** So we have like have we done any kind of a capex like because last time by Q2 it was around 276 million which was already 226 million up quarter-on-quarter then?
- Sandeep Garg:** Yes, so we are going ahead and doing this for two contractors at this point in time and the intent is here to try and avoid giving advances try and understand why they need advances and if it is for construction equipment try and ensure that we buy the construction equipment for them rather than giving them the funds which are divertible.
- Rachit Kamath:** Sure, thanks a lot. Sir actually I also wanted to know your EPC schedule that you have like over FY2019, 2020 and 2021 how will it be disbursed. Like taking a fitful number like for across oil and gas and the HAM project, we will have almost around 6.9 billion to be disbursed so just wanted to understand see how will the cash flows might so, can I have a breakup across the three years?
- Sandeep Garg:** I think the figures are available however it will be difficult for us to do on the call, I will suggest meeting on a one-on-one basis Harish or Jitendra for information.
- Rachit Kamath:** Sure Sir. That is all from my side.

- Moderator:** Thank you. The next question is from the line of Sanjay Bhattacharya from SB Capital. Please go ahead.
- Sanjay Bhattacharya:** Congratulations to the team to give a good set of number. I have a question like is there any exposure to IL&FS in the treasury fund and if it is yes, then what is the amount?
- Akhil Jindal:** The total exposure with IL&FS or for matter any of its subsidiary or otherwise is restricted to Rs.30 lakhs which is the just the holding that we have from the very beginning other than that I can confirm there is no exposure of IL&FS or its subsidiary in this company.
- Sanjay Bhattacharya:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Sudhir Bedha from Right Time. Please go ahead.
- Sudhir Bedha:** I believe today on the television set you guided Rs.3200 Crores of turnover. So I believe is it possible to have Rs.3200 Crores for FY2020 and 12% EBITDA.
- Sandeep Garg:** We are very confident that our EBITDA will be at the range of 12%. We will ensure that we deliver on our guidance
- Sudhir Bedha:** Great and another question is that the Rs.100 Crores you made by selling one project I forgot the name but that Rs.100 Crores is accounted in this quarter or how it is accounted that Greenhouse gain came from that project?
- Sandeep Garg:** There is a project that we sold this quarter which is called Dewas Bhopal. The gain is only Rs.18.4 Crores because rest of the gain was already accounted for earlier.
- Sudhir Bedha:** So in this quarter you are accounting Rs.18 Crores of gain?
- Sandeep Garg:** And that has come with other income rather exceptional gain.
- Sudhir Bedha:** Okay. Fine thank you Sir and all the best.
- Moderator:** Thank you. We have the next question from the line of Jigar Saha as an Individual Investor. Please go ahead.
- Jigar Saha:** Congratulations on the good set of numbers. Sir my question is related to KNR construction they presold a HAM project recently at a very decent IRR, can we also do that?
- Sandeep Garg:** I do not understand what the competitor does but as we said there is a requirement of the concession which does not allow us to have full exit till COD plus 2 years and we are liquid

company we have enough liquidity, we do not need to pre-sell. So we would want to sell on an appropriate terms and an appropriate return, so we would want to wait for COD to come in before going for an exit.

Jigar Saha: Sir my second question is on Bloomberg Quint you said you are L1 in one of the new projects. Sir could you get some more information on that?

Sandeep Garg: Yes, we would give you as soon as the details are available.

Jigar Saha: Okay. Sir thank you that is it.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Congratulations on a very tidy set of numbers. Sir just to reiterate the narratives given by our MD on a leading news channel, we are expecting to close this last next quarter with a turnover of around Rs.800 Crores?

Sandeep Garg: That is correct.

Saket Kapoor: And for the next year Sir, Sir was speaking in the vicinity of Rs.3800 Crores so to clarify you were telling about Rs.3200 to Rs.3500, will we be higher of 3500 or lower of that, will it be possible for you to comment now?

Sandeep Garg: We expect the turnovers in the FY2020 to be in the range of Rs.3200 to Rs.3500 Crores that is what I had stated. So that is what we expect it to be.

Saket Kapoor: And for the margin front I missed the part, what kind of EBITDA margins are we expecting for the next year Sir?

Sandeep Garg: The basis that we compute the EBITDA, our operational EBITDA adjusted for IndAS notional interest and the ESOP noncash items, we expect it to be in the range of 12%.

Saket Kapoor: Sir other than looking at the valuations at which the capitalization reflects right now, how are we looking to reward the shareholders. So what are the steps you are going to take with the improved cash flows also going forward what would be the utilizations and how will the equity shareholders be rewarded?

Sandeep Garg: If you were to look at the press release, the available cash is committed to the various equity commitments on the balance equity commitments of the HAM projects that are in hand or are in pipeline and we expect that the future business to grow so I do not think that there is any in about a year time from now. All cash available on the balance sheet would practically be committed for

the projects in hand or expected in future. So that is the position on the cash side. As far as about the investor, as I stated earlier we have been a dividend distribution company and we expect to continue to be so.

Saket Kapoor: And Sir what is the policy for in that front have we framed up any dividend distribution policy?

Sandeep Garg: Yes, we have a dividend distribution policy of up to 25% of the PBT.

Saket Kapoor: Correct Sir that would be maintaining going forward also then that is the asset part.

Sandeep Garg: As it is, so we will declare the dividend subject to the approval ...

Saket Kapoor: 25% of PBT Sir.

Sandeep Garg: Up to.

Saket Kapoor: Last year Sir, what was the payout Sir. For March 2018 what was the payout ratio?

Sandeep Garg: Just can you hold for a second, we will just give you that.

Saket Kapoor: Then you move to the next question Sir and thank you for your reply. I am there in the queue to listen to it Sir.

Moderator: Thank you. We have a followup question from the line of Nirav Shah from GeeCee Investments. Please go ahead.

Nirav Shah: Just one question on the Dharavi water project, will there be any investment from our side apart from equity or...?

Sandeep Garg: There will be no equity investment into the project it is an EPC project it will take some working capital but nothing more than that.

Nirav Shah: No investment in equipments or nothing?

Sandeep Garg: No we do not intend to do construction out there.

Nirav Shah: Okay got it Sir. Thanks.

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

Sandeep Garg: One second we just want to tell the last year's dividend was 15% of the face value, this was the last year's dividend. So I think that question remained unanswered earlier.

Moderator: Sure sir. So that was the last question sir, would you like to add any closing comments?

Sandeep Garg: Thank you everyone for being a part of this journey with us today. This has been a long call and I hope that we have answered everyone's query. Should there be any question still remaining unanswered, Mr. Jitendra Jain and Harish, they both are available for providing any clarification offline. Thank you everyone for attending this call and we continue to believe in our business and I am very, very confident that the numbers that we have today presented are something that are going to be repeated again and again the growth and with that those words, I close this call. Thank you everyone once again for the call. Thank you.

Moderator: Thank you very much. Ladies and gentlemen on behalf of Emkay Global Financial Services that concludes today's conference. Thank you all for joining us and you may now disconnect your lines.