

Welspun Enterprises Limited
Post FY2016 Annual Results Business Update
May 24, 2016

Moderator: Ladies and gentlemen, good day and welcome to the Welspun Enterprises Limited conference call for business update post FY2016 annual results. From the management we have Mr. Sandeep Garg – Managing Director of Welspun Enterprises and Mr. Akhil Jindal – Group CFO and Head (Strategy). As a remainder, 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 press * then 0 on your touchtone phone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Sandeep Garg. Thank you and over to you sir.

Sandeep Garg: Thank you. Dear investors thank you for making the time to come on this call, it's a pleasure to address you. On this call with me is Mr. Akhil Jindal – Director (Corporate) and Finance Head for the group. I also have Mr. Shrinivas Kargutkar with me who is the Chief Financial Officer for Welspun Enterprises supported by Mr. Kevin Daftary. We also have on the call Mr. Harish Venkateswaran and Mr. Subir Sen to assist Mr. Akhil Jindal.

I would want to begin this address by sharing a good news with you that all the efforts of the past have started bearing some fruition. Our credit rating by CARE for long term has been upgraded to level A from BBB+ and short term rating to A1 from A3+. So all the efforts that had been done by the management in past, the credit ratings are now recognizing the results thereof. Coming to the business side of the story as you may be aware we won the Delhi-Meerut hybrid annuity model project sector-I, our first portion which is between Delhi and the UP border about 8.716 KM road at about 841 crores with price. The contract was awarded to us somewhere in the initial phase of January 2016. The contract signing took place on 4th March. At this point in time the scheduled appointed date is 1st August 2016 between the award and till now the NHAI has obtained the land which was earlier residing with DDA. They have got the control of the land which they are now transferring to us and the land clearances from the encroachment/ utility is underway.

As far as we are concerned the financing arrangements are underway. We have been able to tie up practically most of the debt as in principal approvals and the term sheets are being discussed. In terms of execution, the subcontractors are almost finalized, the final contract heads are being agreed upon after which we will be in a position to declare the subcontractor's names. On the existing business just as a remainder we have 6 operational BOOT assets, 5 in roads and one in water. One of the project which is in water BOOT asset we

mainly known as Dewas Water. In past I have been addressing that particular project has been underperforming and we have been trying to restructure the project. I can share a good news with you that cabinet has given its approval for a restructured project under a Swiss Challenge mode on the 4th May 2016.

Another important business as far as infra is concerned is the stake sale of Dewas Bhopal Road which we have completed earlier and we have a residual equity of about 13% which is also we plan to sell and the buyer has an obligation to buy within two years from the date of sale. We are in process of formulation of policy at MP state level so that we can divest this particular equity of 13%. While on infra I would also want to share with you news which apparently is not so good. We made a bid for one of the projects in Gujarat. We chose one out of the 5 projects that has come up for bidding in hybrid annuity model in Gujarat. We chose to bid for one of them and we are, out of the 9 bidders, the 8th bidder, so we are L8 out of the 9 bidders or H2. We had bid on the same terms and same kind of return expectations as we had bid for Delhi-Meerut. So the direct interpretation is this hybrid annuity model is getting traction. There are more competitors coming in. We saw 9 bidders on that particular target as against 2 that we saw in Delhi-Meerut.

On the oil and gas side, I would want to update the investors and just to recall that we operate the oil and gas joint venture with Adani wherein we have 35% stake. There are 3 relevant blocks at this point in time and one block on hold. The 3 relevant blocks are one and two in Kutch and one in Mumbai. As I have told in the last investor conference that we have made a big increase in our stakes in one of the Kutch block. We have increased it from 20% to 25% and the other block we are at 30%. The operator on these two Kutch block is ONGC. ONGC has already declared these two blocks as discovery and they are moving to the appraisal phase which should start post the monsoon period this year. We expect a clarity on its commercial viability in about 3 quarters going forward. The third relevant block at this point in time is Mumbai block which is about 1200 square kilometer block which was 100% our PI. We have applied to the government to move into phase-II by closing the phase-I of the particular block. In the phase-II of Mumbai block ONGC has decided to farm it in and they will acquire a 55% PI on that particular block and become the operator. So we believe that is a lot of interest in that particular block and that is why ONGC is deciding to farm it in. This proposal of farm-in by ONGC has been approved by the board. I also mentioned on oil and gas that we have one block on hold, one that is known as Palej block. This Palej block was terminated by MoPNG longtime back. There are nearby blocks which have had substantial oil find and we are trying to revive the block with the government and hopeful that something should materialize in next 6 months or so. That is as far oil gas is concerned at this point in time.

To brief you about the renewable energy just to recap we have about 15% equity which on a fully evaluated basis will give us about high single digit, equity position. We have invested in the energy business about 90 crores. At this point in time, the renewable energy operational

is about 888 MW out of which 742 MW is solar and 146 MW is wind. We expect in next 6 months another additional capacity to be added on of about 250 MW, taking the total portfolio to about 1100 MW of 1.1 GW giving us a position, which is a leader's position in this industry.

As far as the future plans are concerned we are an evolving company, we will continue to focus on hybrid annuity bidding; we believe that is substantial work coming forth and we should be able to get our project at our terms rather than towing the line of the industry. We also are looking at expressways which the government is announcing; we are in process of tying up with some international players. The discussions are still at preliminary stages. We will continue to try and establish certain relationships with the international players of substantial qualification in India to see if that particular opportunity can create some value accretion for the company and investors. In addition to this we are exploring other niche areas in infrastructure space for us to try and invest the surplus money which can give better yields than what it is giving today, however we will look at it cautiously rather than follow the general mind set. In addition, we are also looking at recently announced launching of discovered small fields by oil and gas Ministry of Petroleum and Gas. Small fields are already discovered. They were not viable in the fiscal returns of NELP and hence the government has come up with a revised fiscal regime which allows not only the conventional oil and gas to be produced but also the tide and the shale gas and oil to be produced. Also they have changed the way royalty and the costs are to be shared or the profits are to be shared with the government. Hence the bidders are free to decide as to how much sharing with the government will take place. Lastly but not the least it also allows the freedom of pricing to the operators which otherwise in other regime of NELP is not allowed. So we are trying to look at this sector and see if it makes sense for us to have around the fields that we already have and we know that they are hydrocarbon bearing. If we can participate along with some major oil and gas company so that we become a larger, we have a larger **portfolio to play** and our fixed cost can be apportioned of the infrastructure etc on larger volumes of oil and gas. So this is from a business side of the company. I would request Akhil to take forward this conversation in terms of the financials of the company. Akhil are you online?

Akhil Jindal:

Yes, I am. Thank you Sandeep. So basically the business commentary, you just heard from Sandeep and we have seen how the company has transformed itself from I would say a net liability in 2012-13 to a much more stronger balance sheet company in March 16. So just to give you a comparative analysis between what a change financially over the last 2-3 years. When we inherited this company in April '12 balance sheet we had a net debt of almost 759 crores comprising of 1654 crores as a gross debt and there the cash and cash equivalent of 925 crores which was again very much earmarked for the specific usage. So practically you can say that after fulfilling our commitment, all our commitment as were designed at that point of time we would have left with a gross debt of 1684 crores and practically not much ability to service the debt because many of these investments that were made in the past had

fallen into to some debt issues because of the gas issues or because of some lack of cash growth and other things. But since last 3 years there has been lot of efforts by the management to clean up and to make sure that all the exists from the non-profitable business is done in a very clinical and time effective manner and today when we are drawing the balance sheet of March '16, the 1684 crores of gross debt as of April 12 is reduced to only 94 crores as on March 16. We have still maintained our cash balance of what was 925 in April 12, near to 902 in March 16, what it means is the effective net debt which was a positive figure of 759, is now a negative figure of 808 which means that our cash position is higher by 808 crores with respect to the debt that we are carrying on our books. So this has been a fairly large change or transformation that has happened in the company and that has enabled the company now to make sure that we are now ready for all the opportunities that come in our way and in fact if we had another 30 odd crores that will come in our way of further stake sale of Bhopal-Dewas road project for which Sandeep mentioned about the approval process that is moving through in Madhya Pradesh government. It will further strengthen our cash and cash equivalent.

So I think all in all I can only say that the debt has been converted into virtually a debt free company and the cash has been returned more or less of what we inherited in April 12 to the sustainable level today. As far as the businesses are concerned obviously the Meerut hybrid project is going to need some capital from the company. But we are trying to make sure that there is also some margins being made by the company in various project management and EPC that it will do, so they will be a net commitment of around 100 crores of equity that will go in this project and at the same time obviously the results and the returns will also start accruing in a shortest possible time. We have a construction schedule of almost 3 years but with the efforts that Sandeep and his team has done we are hopeful to get it compressed to 2-2.5 years may be shorter. So this is short summary on the financials. If you have any specific questions we can take it in the Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. We have first question from the line of Prabhat Anantharaman from HDFC Securities. Please go ahead.

Prabhat Anantharaman: Sir just two quick updates on your hybrid annuity project. Have you achieved financial closure and when the execution starts if so?

Akhil Jindal: As we mentioned August 1st is the took off date for the actual work to be starting but obviously we are doing lot of developmental work while we are talking and I have to make sure the actual project schedule gets compressed to whatever minimum levels. As far as the financial closure is concerned we have achieved the financial closure between the 3 banks and while we are talking we are negotiating the fine terms with them. So I am pretty hopeful that by the time the 1st August the kick off date will come all of our loan facility agreement and everything will be signed in and we will be able to draw the funds as and when required for the projects. We have managed to get very fine rates from the Indian banks and I think

this was set up a new record in terms of the financing being done for such large infrastructure project and we are again fortunate to say that this is a part of Welspun Group and has an overall banking relationship that we have at various levels within each and every institutions in the bank. It means that our proposal has been taken very actively and very favorably in all the places that we applied for. So it is a matter of time that you finish the formalities and let us say the 1st August we will be ready for our disbursements.

Prabhat Anantharaman: And sir and the outlook going forward, so we have not really seen Welspun coming back in the bidding for the recent round of HAM projects. So what is the outlook for FY17 how many crores worth of projects do you look to add to your order book?

Sandeep Garg: As I said in my opening remarks, we bid for one of the projects which is in Gujarat. We have not been declared as a successful bidder. We will have targeted biddings, we will not bid like general contractors, bidding every other project and looking to have some of them. We will have out of the 5 projects that came out for in Gujarat we bid only for one section. Going forward this will be the philosophy. We will be very selective in our biddings. We hope to bid for something like 5000 crores to 6000 crores of orders in this fiscal year and we believe that our success rates will be somewhere around 25% or so.

Prabhat Anantharaman: And sir just one more quick update, you just mentioned, so you are looking at about 5000-6000 crores; 25% of it should be the order inflow for this year?

Sandeep Garg: Yes.

Prabhat Anantharaman: And is it safe assume that probably by second half of this year the revenues from the hybrid annuity project would also kick in?

Sandeep Garg: That is correct. So 1st August is the appointed date. So the H2 should see some revenues from this hybrid projects.

Prabhat Anantharaman: And sir we are doing the execution in-house or we have got the contractor for it?

Sandeep Garg: We have got the contractors for it. We are almost there to finalize within the next week or so.

Moderator: Thank you. We take the next question from the line of K.K. Aggarwal, Individual Investor. Please go ahead.

K.K. Aggarwal: I am investor and in my family I am having about 400,000 shares of Welspun Enterprises and after my retirement I invested all my money in Welspun because the group is certainly very nice and they are very good as I know them from their operations. But somehow on the operational side I am a little bit disappointed because since last two years they are making operational loses. I want to know when are they going to bring profit in the operational mode?

Akhil Jindal: Thank you Mr. Agarwal for the question. We value your having confidence in the management and the promoters. As you are well aware, infra has a sector has seen a lot of pain in last few years and we chose to degrow the company rather than bid and lose money which meant that we had certain fixed cost of doing operations but we were optimizing them and we were conserving the cash, so that we could launch ourselves once the infra story was back which is what we are doing right now. So in H2 the revenues from the infra space should start increasing and you should be seeing traction on operational side that the business becomes profit. Just to add to this if you would see the segmental reporting, infra on a standalone basis at an operational level is profitable. So it is a profitable venture which we are trying to grow. It is such that the other overheads are still pretty high for the volume of business that we are doing and as the volumes in business will improve the operational business will become more profitable. Secondly as we have taken certain accelerated depreciation on the Dewas Water which is to the tune of about 44 crores per annum which is also probably bringing in a bit of a skew you are reading the numbers as that. So I hope I have answered the question.

K.K. Aggarwal: Yes, that gives me a little comfort, that is fine. On the other front is I have a small question if I am allowed to. If you see most of the shares in the group is owned by the company or the company at Merrill Lynch, JP Morgan, LIC. Just to give me a little bit more confidence, do you have any plan of acquiring any of these shares from these groups?

Akhil Jindal: No, basically I think if you see the shareholding of this company it is quite diversified and it is quite a float available as per the promoters are close to 40%, Apollo is close to 20% and there are other large investors and the public. So I think basically as a company of course we do not want to buy anything or otherwise and there is no crisscross holding with any other group companies which are in different businesses. So it is a very well structured shareholding within the realm of this and I am sure it has activated its stock and accordingly JP Morgan or anyone name that you have mentioned we are available to them to provide any kind of a clarification or any kind of information addition, information with which we can support in the decision making which is in the public document or public disclosures. So I think this is what the management role is and we will continue to do that here.

K.K. Aggarwal: I understand. Certainly I am happy with the company only. Little disappointed after seeing yesterday's result and of course it will get covered up soon as explained by you people. Maybe it will take 5-6 months, 2 quarter or 3 quarter I hope and if I am correct then I should start making some money this year?

Akhil Jindal: We all wish you good luck. Everyone is interested in creating best of the shareholders wealth but clearly there is lot of correction which has happened in this company and as a result you would see as I mentioned in the earlier part of the commentary, the debt profile of the company has been changed, completely reduced drastically. If I am sure the market will see, as a shareholder you will be rewarded.

K.K. Aggarwal: And you did not mention and think about Tata Power I hope that the deal is not yet finalized?

Akhil Jindal: See we cannot be really commenting on these speculations in the newspaper report. I can only say that as for any such deal we will have to come to the board and take specific approval and we will intimate you as and when any such action takes place.

Moderator: Thank you. We have the next question from H.R. Gala from Panav Adviros. Please go ahead.

H.R. Gala: I think this post restructuring probably the first result we are seeing?

Akhil Jindal: Yes, please.

H.R. Gala: I just wanted to know where can we find a copy helps you information about different projects which are ongoing and the new projects which we described and also the position on various oil and gas blocks because on the website I do not find much information?

Akhil Jindal: I do not know whether you got a chance to go through the press release or the investor release that we sent to everyone. It is also loaded in the stock exchange website.

H.R. Gala: I think it is not even on the BSE website.

Akhil Jindal: We will just find out again, but it has been sent to the stock exchange and we will request them if it is not already uploaded there and for any specific query you can reach to our IR team headed by Harish and Subir, so they can provide you any detail you may need. Obviously we have to put a caveat that whatever in the public document only, we would be able to share.

H.R. Gala: I wanted to know about that only. There is no information at one particular place where we can know what are the projects which are coming up, the expected date of completion and things like that because you just mentioned about 840 crores project which I think you will be able to start from 1st August 2016, right?

Akhil Jindal: That is right.

H.R. Gala: And then you will be able to do it within 2-2.5 years. In the mean time we just wanted to know what are the growth drivers? What will drive the revenue and profit going ahead the next 1 or 2 years?

Sandeep Garg: See for the next 1 or 2 years the way this company is going to operate is you will continue to grow the business in the infra space as I said and we should start consuming some of the cash that we have on the books, right now lot of our income is coming from investing in activities, gradually it will start moving to the business activities in infra space and this transaction has already begun now and it should start maturing in about 1.5 years' time from now. Parallely

as I said we have oil and gas exposure extend from our joint venture company where we have two discovered blocks and in next 3-4 quarter we should have our net results of the appraisal programs and once that appraisal comes through you would know what the economic viability of those blocks are and based on that in about 12-18 months' time the infra structure coming in place we should start producing from those blocks as well. So this is how the business will transform itself in next 2 years or so.

H.R. Gala: Yes, I think I next 2 years we would not be able to see any sizeable revenue coming from the oil and gas blocks, am I right?

Sandeep Garg: That is correct.

H.R. Gala: What I wanted to know for next 2-3 years, our major revenue growth will come probably only from the infrastructure?

Sandeep Garg: Yes, we will concentrate on infrastructure for the next 2-3 years for our growth strategy.

Hr. Gala: So I just wanted to know very broadly that we had 152 crores revenue and 7 crores EBIT from the infrastructure segment at consol level. So how do you see this revenue growing over a period of 2-3 years?

Sandeep Garg: See as a company, we do not give indications of future but as you yourself said that we have currently about 850 odd crores worth of contracts which will liquidate in about 2 years or so, starting, so you can estimate the kind of revenues that will come through.

H.R. Gala: Just wanted to interrupt sir, this particular project if you are bidding this is on a BOT basis, means its an annuity project?

Sandeep Garg: It is a hybrid annuity project.

H.R. Gala: So will you disclose what kind of annuity will be recoverable? It will be 40:60 basis?

Sandeep Garg: Yes, 40% is being given by the government during the execution phase and 60% over period of 15 years.

H.R. Gala: Alright, so what you have to fund is only 60%?

Sandeep Garg: Yes, which will be combination of debt and equity, that is right?

H.R. Gala: And what kind of equity debt ratio you will have in that project?

Sandeep Garg: On the 60% which we think we will have 20:80 ratio, so effectively on project cost basis it will be 12% equity.

H.R. Gala: And you should be looking at project IRR of around 15% in that type of project?

Sandeep Garg: We would be looking at the equity returns which are upward of 17%-18%.

H.R. Gala: And we have some trading income, what does it comprise of sir?

Sandeep Garg: We are trading in various products including cotton and which is the knowledge base the group have, so we are leveraging on that.

H.R. Gala: There isn't much profit to be made into that?

Sandeep Garg: Trading is always a low profit business, so we gradually would want to move to businesses which are more value accretive.

H.R. Gala: And sir going ahead as far as the book adjustments assets are over that seems to be completed, right? I think whatever was the exceptional income expenditure everything seems to have been taken care of. So going ahead do we have any further clearance to be done from the books which can be taken as below the line adjustment?

Sandeep Garg: Could you repeat your question Mr. Gala?

H.R. Gala: My question was that if we see the last two years results there were a number of items of exceptional income expenditure etc. So it gives an impression that most of the book cleaning has already been done as of 31st March 2016. So probably now we are starting with the clean slate. So will there be any more such adjustment coming going ahead?

Sandeep Garg: If we knew that Mr. Gala we would have done it by now. But to the best of our knowledge none.

H.R. Gala: Okay fine. So anything new comes up that is different.

Sandeep Garg: Yes.

Moderator: Thank you. The next question is from the line of Ritwik Sheth from Span Capital. Please go ahead.

Ritwik Sheth: First sir, just a couple of clarification. Net debt which you mentioned 800 crores plus is on standalone level right?

Akhil Jindal: It is on a consol basis.

Ritwik Sheth: Because if I see the net debt then it comes to around some 550 odd crores.

Akhil Jindal: You might have missed some investments also which are liquid. That is one and secondly there is some portion of debt that we carry on our books which are not attributable to us, which are actually our JV debt Adani Welspun debt and those are all specifically guaranteed by Adani. We do not include them in our own liabilities because we are meant to be service by Adani separate sale.

Ritwik Sheth: So basically it is like an accounting wise it is on the balance sheet but it is technically not our debt?

Akhil Jindal: Yes, technically it not debt, we are not obliged for any servicing of those debts. So when we do the debt competition we knock it off. The only debt which is attributable to us and our company is our gross debt of 94 crores. If you do the maths again with 94 crores probably you will get the same answer as what here it is.

Ritwik Sheth: Because gross debt, long term borrowing and short term borrowing is only 287 crores.

Akhil Jindal: So what is meant for us is only 94 crores.

Ritwik Sheth: Sir on the Delhi-Meerut you just mentioned that like 40% will be given by the NHAI upfront. So should we expect it before 1st August or when we start operations in, when will they mobilize that front?

Akhil Jindal: It has to follow a certain time schedule and a mobilization advances are given almost simultaneously. So it will follow the construction schedule and a well-defined guidelines and a well-defined timelines for us to get that contribution of 40%.

Ritwik Sheth: And balance 60% is 1:4 like 100 crores is the equity that we are putting in and 400 crores is the debt we will use?

Akhil Jindal: Precisely yes.

Ritwik Sheth: And we are looking at 17%-18% IRR on the equity which will be invested.

Akhil Jindal: That is our endeavor for every bidding.

Ritwik Sheth: Ok great and just like broader question. What is our bandwidth in terms of picking on projects like you mentioned that we will bid for 5000-6000 crores in FY17 and plans are like success ratio to be around 25%. Now what is our bandwidth, can we bid for orders like a single project worth 2000 crores or more or just to gaze what it is?

Sandeep Garg: In terms of our own pre-qualification we qualify for something about like 900 crores at this point in time but on a joint venture basis it could take any project that is in the offering at this

point in time. We could bid for it and our intent is to targets which bring in a differentiation rather than run of the mill projects.

Ritwik Sheth: And sir last question on the Delhi Meerut construction, you mentioned that we will be subcontracting it. So will we be showing it on our books some kind of revenue from that project or how will that work?

Sandeep Garg: It will pass through the parent company book, the EPC contract will be with the parent company and then subcontracted to the subcontractors.

Ritwik Sheth: Okay, so what kind of margin are we looking at? It is technically not our construction but we will be like billing it to the SPV and we will be the middle kind of?

Sandeep Garg: As we speak Mr. Seth, we are finalizing our subcontracts, so once the subcontracts are finalized we would be in a position to estimate the final profit margins that we can target.

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

Sagar Parekh: Firstly on your EPC, what would be the current order book apart from Delhi Meerut, do we have any other orders in hand?

Sandeep Garg: They have balance orders which have been continuing to the extent of about 70 odd crores which are unexecuted which also get executed in next 6 to 8 months back.

Sagar Parekh: So 70 plus about 840 of Delhi-Meerut right?

Sandeep Garg: That is right.

Sagar Parekh: And apart from that in terms of just taking Ritwik's question forward in terms of asset size and manpower and technical expertise, what kind of revenues can we expect let us say with full order book and what kind of order book you think you know 2 years down the line we can see?

Sandeep Garg: See we are not going to be targeting a topline growth about without the equivalent bottomline growth. So keeping that in view as I said earlier we will target about 6000 crores this year and we can expect a growth rate of about 30% which is sustainable in the given margin that we have.

Sagar Parekh: So let us say that can we expect around let us say 2000-2500 crores of order book and post that we can be sustainable about 500-600 kind of revenue run rate with about decent 8-10% EBITDA margin, is that a fair assumption?

Sandeep Garg: I am sure you know the industry pretty well but that is probably what the industry would be.

Sagar Parekh: Right, because we have a fairly fixed cost base, so as we ramp up the revenues and as we get more orders we will probably have better fixed cost absorption. So that is the reason I am asking. So in terms of manpower, in terms of machinery we have that kind of capability right?

Sandeep Garg: Yes, in terms of manpower we have that capability to have a growth from this year onwards, H2 onwards run rate we can observe an increase of about 30%. But as far as equipment etc is concerned because our model is asset like model, we would be subcontracting the work, we do not need to build up the fixed cost of assets, construction equipment assets and things like that.

Sagar Parekh: Ok got it. So basically we will not do the EPC work either ways, whatever the order book is that we will subcontract it to other guys and we will focus more on the infrastructure side in terms of assets?

Sandeep Garg: We will concentrate on project management, quality assurance and HSE and managing the finances and managing the risks on the project level.

Sagar Parekh: Fair enough. Sir from your current fixed operational BOOT projects can we have the break up in terms of volumes, that kind of equity that we have invested and what is the revenue that we are generating currently from those?

Sandeep Garg: At this point in time we have as I said 5 road projects and the various projects we have equity in totality on all the projects excluding the Dewas Water is about 100 odd crores and our average revenue is about 34 crores excluding the Dewas Water because we are not taking the revenue of Dewas. Dewas Water and Dewas Bhopal Road because Dewas Bhopal we are now only 13% equity holders. So we will not be required to consolidate on a line-to-line level basis and Dewas Water we have an equity of 61 crores which is a project under restructuring at this point in time and should start generating revenue in about 18 months from now.

Sagar Parekh: So this 34 crores have a revenues for full year right?

Sandeep Garg: Yes, for the full year for the balance of the road projects.

Sagar Parekh: And all 5 are operational for full year or were they...

Sandeep Garg: They will be operational for full year.

Sagar Parekh: So then this 34 will be the base on which there will be **tariff** growth?

Sandeep Garg: That is correct, next year. There is also annual increase on two other projects which are 7% and in one of the projects, once in two years' increase.

Sagar Parekh: And in all 5 projects we are 100% owner?

Sandeep Garg: We are 100% owner on the 5 except for Dewas Bhopal road where we have only 13%.

Sagar Parekh: But the revenue is only for the 5 road projects except the Dewas Bhopal road projects right?

Sandeep Garg: That is right.

Sagar Parekh: We are about to sell it?

Sandeep Garg: Yes, that is correct.

Sagar Parekh: And what will be the debt levels in these 5 projects put together. 100 crores you said is the equity, what would be the debt?

Sandeep Garg: I think the total debt on these two projects is about 81 crores.

Sagar Parekh: All 5 projects put together?

Sandeep Garg: Yes.

Sagar Parekh: And sir for your, this hybrid annuity project, when we are inviting bids from all the EPC contractors, what kind of competition are you seeing, are you seeing lot of players participating in our bids or?

Sandeep Garg: Hardly that because as you are well aware Mr. Parekh that EPC is very competitive market, most of the EPC bids that NHAI or any other authority has come up with it has gone below the project estimate by about 10%-15%. So we are seeing similar traction on our bids.

Sagar Parekh: This is the last question, for the Gujarat project that we did not win, can you tell us what is the difference between L1 and L2?

Sandeep Garg: Between the L1 and L2 the difference is about 1 – 1.5 crores between us and then, there is a difference of about almost 120 crores.

Sagar Parekh: On a project size of?

Sandeep Garg: About 625.

Sagar Parekh: So about 25% difference, almost?

Sandeep Garg: Yes. So that should put the Delhi-Meerut bid in the correct perspective.

Moderator: Thank you. We have next question from the line of ASN Raju from Network Stock Broking. Please go ahead.

ASN Raju: Unallocatable assets, that is 1266 crores, in segment wise balance sheet you have shown that 1266 crores of unallocatable assets?

Sandeep Garg: Yes, it is almost 900 crores of liquid assets is the major contributing factor there.

ASN Raju: It is equity or....?

Sandeep Garg: It is liquid assets which are invested into various instruments like bonds and some ICDs and certain....

ASN Raju: Okay sir. I invested in your company in 2010. I am happy with your restructuring, my request is you please bid for bigger projects where there is less competition?

Sandeep Garg: You are absolutely right Mr. Raju. You stayed with the company for long and we are moving around in that direction. We are **building** relationships with larger players so that we can graduate to bidding at much larger plan. We do not want to stay within the purview of 800-900 crores project, we want to move up the scale.

ASN Raju: And when can I expect the first project sir?

Sandeep Garg: Very soon you should be seeing a bid of much higher value.

Moderator: Thank you. The next question is from the line of Prabhat Anandaraman from HDFC Securities. Please go ahead.

Prabhat Anandaraman: Sir any update on the dividend policy?

Sandeep Garg: Raman, we did discuss this matter and we will come up with the dividend distribution policy by the time we sit in the next annual results, before that we will have dividend announced policy.

Moderator: Thank you. The next question is from the line of Abhisar Jain from Centrum Broking. Please go ahead.

Abhisar Jain: Sir I just wanted some clarity on the cash that we have as of now, in liquid investment since it must be spread across various instruments in terms of investments, so what is the approximate return that we are expecting till the time this is deployed in various infrastructure projects?

Sandeep Garg: The average return that we are seeing are in the ranges of around 8.5%-9%.

Abhisar Jain: And on the Welspun Energy stakes that we have, do you internally have any timeline in which you would like to dispose of this stake because since we have taken the call that we are not going to further invest or that is not our area of expertise, so any timeline which is there with respect to whether a buyer at the whole asset level comes in that asset or not?

Sandeep Garg: You are absolutely right from our perspective, now we have been reduced to single high digit, now it makes a lot of sense for us to try and exit but we would try and exit when we can create value for our investors. So we would bid for that time. I cannot give you a timeline but that is something which is on my agenda and we are always looking for options which are value accretive disposal of the minority stake.

Abhisar Jain: And sir, just a couple of questions on the infra asset side. Sir, first thing on the HAM projects since we have been able to get the first project Delhi Meerut at I believe you know quite decent bidding cost and you have mentioned in your last call that premium on bid was more than 20% since the government has appointed high estimated cost was around 660 crores. So would that mean the construction margins which we could realize by subcontracting this should be in the range of say 15% odd or at least 10% plus.

Sandeep Garg: I would expect something substantive, it may not be as high as 15% but it will be substantial.

Abhisar Jain: And sir, there is one more here is that obviously you have given an indication that how much you are looking to bid in HAM and your expectation of not overbid or do more revenues but also returns. But if you suppose in hand there is a limited success, then which are the other areas and how much is the bidding overall size that you are looking there in TOT or in other areas basically?

Sandeep Garg: As I said, we are targeting some international players to look at the expressway which will create a lot of value going forward and we want to move up the scale and there are only two methods of moving up the scale, one is to organically keep the pre-qualifications, increase our pre-qualifications or else tie up with the strong players and ride that wave, so we are opting for the second one. So will look at these associations in expressways/TOT, we do believe that TOT right now is becoming more and more competitive. Too many pension funds are waiting in the queue with a very low cost debt, we are keeping our options open on those.

Abhisar Jain: And sir, any indicative overall bidding size you are looking at, like you have indicated 5000-6000 crores, you are targeting in HAM with a certain percentage success rate that you look. But in expressway can you guide for something similar?

Sandeep Garg: I would first like to forge my alliances with the parties that we are forging and then in accordance with naturally accepted targets we would be in a position to share with you.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to handover the floor to Mr. Sandeep Garg for his closing comments. Over to you Mr. Garg.

Sandeep Garg: Thank you all of you to come for this conference call and participate actively in the conversation we are delighted to be addressing you all and we look forward to your supporting the company and us in creating value for all the stakeholders. Thanks a lot.