"Welspun Enterprises Limited
Q4 FY2020 Earnings Conference Call"

June 02, 2020

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Moderator: Ladies and gentlemen good day and welcome to Welspun Enterprises Limited Q4 & Full Year FY2020 earnings conference call. Before we begin I would like to state 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. From the management side we have Mr. Sandeep Garg, Managing Director & CEO, Mr. Akhil Jindal, Group CFO and Head Strategy, Mr. Ved Mani Tiwari, Deputy CEO, Mr. Sridhar Narasimhan, Chief Financial Officer and Mr. Jitendra Jain, President (Finance). We will start with an update from the management for the past quarter and then proceed to the Q&A session. Thank you and now I hand the conference call over to the management for their opening comments. Thank you and over to you Sir!

Sandeep Garg: Thank you. I am Sandeep Garg, Managing Director. Good day ladies and gentlemen. On behalf of Welspun Enterprises Limited, I welcome you all for Q4 & Full Year FY2020 results analyst call. I hope that you, your family and colleagues are well and taking care and necessary safety measures. On this call from the management side in addition to the usual participants that is myself, Mr. Akhil Jindal and Jitendra Jain, whom you all familiar with we have Mr. Ved Mani Tiwari, and Mr. Sridhar Narasimhan, who have recently joined the management team. Mr. Tiwari joins as a Deputy CEO and Mr. Narasimhan as CFO, both of them come with some impressive experience in infra domain and I am sure that our company will be immensely benefited from their expertise.

Before we go into the detail of this quarter, let me quickly start with the recent developments as you would have seen from our decent disclosures. We are in the process of acquiring a BOT toll project mainly Mukarba Chowk-Panipat through harmonious substitution. I will be sharing some more details about it later on. We have also raised Rs.375 Crores through NCDs in May 2020 at a very attractive rate even in this difficult market environment. Now these are very significant steps in our growth journey. You would have also seen that we have announced a dividend of Rs.2 per share yesterday for FY2020 to our shareholders.

Now coming to the operational performance, without doubt this was a very challenging year in the macro front. In spite of that our revenue in FY2020 is up by 1.2% year-on-year basis. Our operating EBITDA margin for FY2020 is at 12.2% in line with our guidance. Coming specifically to Q4 FY2020 we reported revenue of 450 Crores, revenue during the quarter was adversely affected due to a few major factors. We face some unseasonal rains across our five project site and lost approximately 55 working days cumulatively, which is about 12.5% of the golden period of working time for the quarter. In addition to this the world and the country face the challenge of COVID, which also led to a loss of about 9 days for the quarter, which is about 10% of the working time of the quarter effectively making us lose almost 25% of the golden time to work. In addition to that there have been some minor delays on some routine forest matters, where was we were supposed to get some approvals, which would have allowed us to generate more revenue got delayed and we could not generate that revenue in Q4 FY2020. Overall impact of these would be in the range of 225 to 250 Crores, which we believe that we will be able to recover in Q2 to Q4 of FY2021. The fraternity companies have faced some cost and assignment issues because of this lockdown. We have written to the authority to invoke the force majeure, which ensures that the interest of the company is protected under the concession agreement.

I would also want to update you on the COVID-19 impact and its implications. So as far as COVID-19 is concerned post partial opening of lockdown comes within April onwards to about middle of or to about April 22, 2020 we started with various conditions in accordance with the government guidelines. We expect the pace of the work will gather momentum gradually and are confident of making up the revenue loss we have incurred in April because of slow progress over the next 11 months. We have adopted some of the measures across our sites and offices to ensure that our commitment to our customers is not compromised. We have implemented work from home for alternates and the safety and wellbeing. Extreme caution and highest standards of hygiene and safety is being practiced at all our sites by our staffs. In order to create awareness and protect our employees, additional efforts have been implemented such as thermal screening at all our offices and sites, following social distancing norms, sanitization measures for employees and offices, medical assistance. These are some of the major elements that we have covered. There is a detailed SOP that we have prepared to protect our employees and workers from this COVID-19 disposal.

Now coming to our project updates on our road portfolio. Just to recollect most of you know that we have currently 7 HAM projects of total value of more than 8500 Crores. In addition we are currently in process of acquiring a BOT project with a value of about 2100 Crores. The current order book, which has unexecuted portion, stands at approximately 4862 Crores, which is revenue visibility for FY2021 and FY2022. Now coming to specific projects Delhi-Meerut Expressway Package-I, it is a completed project and it has received its third annuity in January 2020 within the stipulated time. The project was also refinanced at a very fine rate of 8.17% with a top-up loan of 65 Crores in these challenging circumstances. The next project is Gagalheri-Saharanpur-Yamunanagar or GSY project, the physical progress of the project stands at 91% and at the end of Q4 FY2020 the project has met its fifth milestone and has received the payment against it in March 2020. The adjoining project is Chutmalpur-Ganeshpur & Roorkee-Chutmalpur-Gagalheri or CGRG. The physical progress of this project at the end of Q4 FY2020 stood at 89%; however, we have progressed where they are and we have put in the fifth milestone, which is 90% post the lockdown and spot payment against that has also been received. Chikhali-Tarsod, a project in Maharashtra, the physical progress for the project is about 60% at the end of Q4 FY2020, we have invoiced the third milestone and also received the payment against it. The PWD project at Maharashtra Amravati or AM2, the physical progress of the project stands at 54% at the end of Q4 FY2020; we have invoiced the third milestone for this project and received part payment from the client. Next project that I would want to talk about is Aunta-Simaria, the physical progress of this project stands at 21.8%, for this we have invoiced the first milestone and received payment against it.

The last project that I would want to talk about from the HAM portfolio is Sattanathapuram-Nagapattinam, which I have explained in the earlier call. NHAI has been advised to do environmental study. NHAI is currently undertaking an EIA study to obtain environmental clearance. The concession agreement is intact in fact a supplementary agreement has been signed extending the validity of the concession agreement up to June 30, 2020. For this project there is the implication of the environmental CRZ clearance is only to the extent of about 650 meters, which we believe that all other things are settled, all other preconditions are met by NHAI we can easily descope it and get the appointed date. We are targeting the appointed date before June 30, 2020 and NHAI is currently working to meet its obligations under the CPs so that the appointed date can be entered before June 30, 2020. The last project that I would want to talk about is the recent project that we are acquiring that is Panipat-Mukarba Chowk, it is a toll project we are acquiring it from Essel Group. The total project cost is about 2122 Crores out of which 1593 Crores balance to be incurred to complete the project. The project is fully financially tied up and adds around more than 1100 Crores to the EPC order book of the company. We expect to complete the project in H1 of FY2022.

Coming to infra projects of the water, the Dewas water project has achieved its commercial operation date as on April 30, 2019, and it has stayed operational as essential services steering the COVID situation. We have generated revenue of 7.9 Crores and EBITDA of 3.6 Crores during the year.

Coming to oil and gas, there are four relevant blocks, Kutch block or GK 1 as we say, the operator for this block is ONGC and is in process of developing the field development plan. The second block that we talk about is Mumbai block and it is already approved, the approvals of enter into Phase II have been achieved by us and we expect the drilling to start post monsoon. The last block that I was going to talk about is B-9, which is a discovered small field. After the drilling in the Mumbai block for the first well we intent drilling post monsoon the developmental well in B-9. In these three things the overall tat in place is in the range of 0.9 TCF that is Trillion Cubic Feet that initially has been reviewed by a peer group and this has actually come up with a higher number. The expected EUR from this gas block is about 70% of gas in place. The first block which we are still holding on to is Palej block that block continues to be under litigation and since it is an oil bearing block we are continuing with that and also trying to have discussions with the government authorities to revise. So coming to the outlook of road projects currently there are around 42 HAM projects announced by NHAI with a total project cost of about 42000 Crores. The government's focus continues to be on highways and water sector and as a part of national infrastructure pipeline announcement, which clearly present excellent business opportunities in the next few years is availed. The company is focused on selective bidding and targeting to explore business opportunities while preserving its threshold return expectation. In the water sector we will continue to focus mainly on sewage treatment plant, desalination and bulk water transmission projects either through EPC more or HAM more. The company will continue to explore inorganic growth opportunities through measured evaluation of risk return parameters. The company will continue to pursue an asset light model like focusing on operational excellence and prudent risk management. We will also continue to focus on value unlocking through divestments and/or refinancing of projects so that we remain focused on our asset light model. With these words I will now hand over the call to Mr. Akhil Jindal for financial highlights. Over to you Akhil!

Akhil Jindal: Thank you Sandeep. I would compliment Sandeep on the kind of growth that he showed despite some of the challenges and however because of some of the issue that he mentioned about the extended rain and COVID the revenue was down from a YoY perspective although on an overall basis we still achieved our objective it was down 37% to almost 450 Crores, but importantly the EBITDA was down by 32% against 37% of revenue, in fact our operating margin for the first time stood at almost 13.5%, which used to be 12.6% in the corresponding quarter last year, so clearly an improvement in the EBITDA, but a little bit of a setback on the revenue side and corresponding effect on the EBITDA side and as a result the EBITDA on the overall basis was down 18% to Rs.74 Crores. All these are the numbers, which are more like historical numbers to us and clearly the business going forward will cover up many of these numbers because all of these projects are in-house projects, so some of these revenue numbers, which could have been achieved in Q4 are going to be achieved in the subsequent quarters, so these are more like a deferment rather than loss of business permanently or completely, so to that extent I think there is a jump in this financial year that we will see on account of the last year's shortfall in the revenue.

The important thing is that the company is fully geared to meet its obligations and to also have enough cash and bank balance to meet the further requirements to capitalize on the opportunities that we come through. So as on March 31, 2020 the cash balance of nearly 529 Crores additionally as Sandeep has mentioned we have raised 375 Crores in the last few days, in fact yesterday was the last payout, today the company has got 325 Crores in NCD at a very competitive phase. Together 375 and 572 as a last year balance we are talking of a fund of almost 900 Crores. Additionally you have also seen our efforts, which are going to be clearer as we go along to raise further equity capital in the range of 250 to

300 Crores that we are contemplating. So all in all there would be a healthy balance of 1000 to 1200 Crores to meet our further requirements into look at the other projects. When we visualize the pure equity requirement in some of our existing projects we have almost 450 Crores required immediately some of them in the HAM projects, which were historical where significant work has been done and part equity is left to be infused that is around 135 Crores. The recently acquired BOT project that we mentioned as Mukarba Chowk there the pure equity requirement is 200 Crores and then the oil and gas, which is the third business or a third leg of 150 Crores, so if you see against 1000 Crores of cash kitty that we are trying to create 450 Crores is the immediate requirement in many of these projects plus some other fund dues that we can plan, so to that extent I think there is enough gunpowder with the company to capitalize on any opportunity. We have got a short-term loan of 277 Crores as on March number, which has again significantly come down while we are talking, but these are of course supported by the net current assets and everything so there is no challenge in terms of the current assets versus the current liabilities chart and to that extent the current assets are adequately sufficient they were almost to the range of 1700 Crores including the cash of course, which were supported by the cash and accordingly the short-term loan approved is 77 Crores is a very small number against that. If you see we have continued our journey of growth, operational excellence has been our DNA and we have now got a portfolio of almost 10600 Crores including the last project that we acquired, which Sandeep mentioned from Essel the company is really focused on value unlocking, there is of course recycling of capital that we are contemplating, now since our one project, which is Delhi-Meerut is near to its two years completion, two years post completion this is a right time for us to start looking at the unlocking there and many more projects, which are going to be commissioned in this year. So of course we are now getting geared where the completed projects will be unlocked as we go along and many of the projects, which are under various stages of implementation, the efforts are to expedite them to complete it. So I think with this I hand over the floor for question answers. Myself, KBN and my colleague Mr. Sridhar we are all clear available for any financial questions and Sandeep and of course support head have been now are available for any operational and other strategic questions.

Moderator: Thank you very much. We will now begin the question and answer session. First question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Sir primarily I have three questions, first is on the fact that the GSY, CGRG and Chikhali-Tarsod, I think my question is that whether all these three will get completed in this fiscal year or do you think there is some delay possible in one of them and postponed to FY2022 and how much leeway we have got for NHAI for six months and second one is the Mukarba-Panipat The Toll Roads Limited, which you have hired from, are there any consideration date, what was the process and I understand that as you told that total equity outgo from our side is 200 Crores is there anything else, which we need to pay or which we need to invest in this particular project and what is the kind of the timeline that you expect in this project to get complete and are there any speed force are there any risks, which you can tell us in this particular project and thirdly on this order inflow how do you see the order panning out from NHAI for HAM project and also the water side you can throw some light?

Sandeep Garg: The first question that you have is on the CGRG, GSY and CTHPL do we see these projects getting completed in FY2021, the answer is positively yes we have taken projects that are CGRG and GSY has achieved their PCOD by the March, but with these rains and the COVID intervention, so we expect somewhere around July these projects to be completed at least achieve the PCOD, the COD maybe slightly delayed. The other project CTHPL will definitely achieve its PCOD within this financial year the COD as expected provided NHAIs handover certain lands within this year, so we expect all these three projects to achieve the PCOD and COD this year. In addition I think we are also reasonably confident that the Amravati project we have also achieved PCOD and COD in this financial year, so we will have four projects, which will achieve the revenue generation point in this financial year. As far as the Panipat-Mukarba Chowk is concerned other than the risks are associated with any construction project I do not foresee any risks on this project and to give you an idea for us to complete this project in the level of PCOD only Haryana section is completed it should be able to achieve its PCOD. So we are practically very hopeful that we will be getting the PCOD in this financial year; however, the complete project may take H1 of FY2022. Coming to the third question that how do we see the NHAIs awarding on HAM project. The reality is that currently there were about 42000 Crores of bids on hand and if the public domain information is to be believed that the client is clearly focusing on PCB projects rather than the EPC projects, so there is we do not see any challenge we expect something like about 4000 to 5000 Crores of orders to be out there in FY2020-FY2021, which will remain to about 1 lakh Crores and we estimate about 60% of this main order flow to be from app. I hope I have answered all the three questions.

Mohit Kumar: The last question was Sir this partly on the water side, have you heard are there any orders in the market right now?

Sandeep Garg: So as we speak there are currently about MCGM 12000 odd Crores of projects, there are about EOIs of about 12000 Crores in AP and there are various some of the projects of Marathwada, which is another 12000 Crores, see the water is a very large business at any given point in time there are at least 20000, 30000, 40000 Crores of floating at various states of municipal levels. From the canvas that we are interested in looking at it is the large projects where we can bring in a differentiated value. Currently in various stages of EOI/actual bidding there is something like about 30000 odd Crores of projects, which are under contemplation with us.

Mohit Kumar: Sir last question if I may squeeze in, is there any clarity the force majeure is a political force majeure or indirect or not political and for any additional cost, do you think any chance that we will get compensated for some of the costs, which might come in because of the delay?

Sandeep Garg: So let me answer this question in a best manner that I can. If we are looking for the words political force majeure I have not seen any directive of the government, which says it is political force majeure. However if you look at the intent of what they are saying, so to answer the question the intent of the government is very clear they do not want the industry to take the hit, if the BOT projects are an indicator; however, I am sure as the time evolves in addition to the statement that they have made regarding three to six months of extension maybe granted, I am sure that the clarity will come in post the lockdown when the interactions between the industry and the NHAIs.

Mohit Kumar: Understood Sir, thank you and best of luck.

Moderator: Thank you very much. Next question is from the line of Sagar Parekh from Deep Finance. Please go ahead.

Sagar Parekh: Sir firstly on this there were two orders of MCGM that we had bidded for, for the sewage treatment plant because I think 2000 Crores each what is the status on that have we won that order or it is still under bidding?

Sandeep Garg: Those tenders got cancelled and the reinvitation has taken place, right now the prebid for those reinvited tenders is likely to take place post the lockdown.

Sagar Parekh: So the 12000 Crores that you mentioned for MCGM includes these projects?

Sandeep Garg: Yes, only the bidded projects are included there.

Sagar Parekh: Would you like to give any kind of order inflow guidance for FY2021?

Sandeep Garg: See my views are obviously we have our internal targets; however, given the overall situation in terms of the industry I would want to wait till I give a guidance going forward because how the whole thing unfolds at the government level also needs to be seen as to how many projects they will be able to take it through to the EPC route.

Sagar Parekh: Fair enough but even this 42000 Crores of HAM project there would be some kind of visibility for us maybe that one of these orders have been even in the water side we would have some orders bidded?

Sandeep Garg: Sir to give you an idea yes we would definitely be bidding for projects out of these 42000 Crores project and expect at least a couple of projects to be won from the road project. The day we will approach the project is that we need to meet our threshold return expectation however otherwise there are enough stressed assets available in the market, which allow us to continue to improve our order book and turnover, so there is no reason for us to just focus on the rejected projects because there are enough opportunities in the secondary market also to pickup.

Sagar Parekh: So coming to these stressed projects that you mentioned is Essel project we have taken it that there is no haircut on the debt right in that project at least at this basis right?

Sandeep Garg: There is no haircut on the debt there is a haircut on the equity.

Sagar Parekh: Just taking it forward basically we are talking about 300 Crores revenue from that project and is 2100 Crores project and possibly about 11 years right so what kind of IRR if I calculate just 300 also on a full year basis that comes up to about 3300 Crores of revenue for the next 10 years or 11 years and we have paid 2100 Crores in total so that was total 1300, 1400 Crores of incremental cash flow for us am I right in my understanding?

Sandeep Garg: I do not think we can give that math so easily because there are three things that we need to understand that for us the project has in addition to the debt that has been taken up the future projects is valuing only at about 300 Crores secondly the project also moves as the time evolves and there is a WPI/CPI linked increase in the revenue as well so to give you an idea we expect the project have 15% IRR post the completion.

Sagar Parekh: This 300 Crores number is at present because there can be a downside risk with that as well?

Sandeep Garg: This is the major project connecting the North Side to the Delhi I do not think that this project has a risk of traffic. Nonetheless there is debt security in the concession then in 2025 revenue will be seen and if the traffic is below a particular subpoint the concession period will be extended accordingly. So there is inherent contingent measure given in the concession so there is not a risk in terms of any revenue loss.

Sagar Parekh: Yes just wanted to know on this oil and gas front what can be the first year revenue and when can we expect the revenues to flow in?

Sandeep Garg: Once at a time would be my guidance on oil & gas so first we need to do these two as just to convert the resources to reverse, which is what we are trying to do and we will be knowing the results by March 2021 we try and get pre-monsoon, but the whole program is deferred by six months because of COVID and then thereafter the monsoon so we could not spread our well during this stage. So the gas results as I said are about 0.9 TCS or 900 DCR and in terms of the 900 DCRs the valuation of the resources will be somewhere close to something like about 6000 Crores, so that is what the numbers are, so numbers are huge I do not want to give any false expectation here, so one small step at a time would be my suggestion and we would want to first convert the resources into results and once the results are proven then we would want to convert them into the revenue and return expectation. However I would want to add that given what we know about these blocks we are reasonably confident that not only the current investment, but also the past investments are and the most likely situation secure.

Moderator: Thank you. Next question is from the line of Rohan from Antique. Please go ahead.

Rohan: You talked about some divestments or maybe value unlocking mechanism in the initial remarks I understand that Delhi-Meerut is probably one of the packages that becomes prequalified, but we also understand that this sector is facing some headwinds in terms of the returns of all these HAM projects, which are linked to bank rate the 300 basis point and they are currently lower than typically the project debt cost so would it impact the valuation what is your observation on that?

Akhil Jindal: No you are right absolutely the sharp fall in the bank rate, which has been driven by the government's response towards this COVID in the last two announcements that the government has made have been quite sharp in fact before that our NHAI cost was around 8.4 the revenue that we would collect from NHAI was 8.4 and our borrowing cost was around 8.5 for the Delhi-Meerut so we were almost at par in line with what was there. Now of course since the two announcements that have been made, which has been 75 bps and 40 bps naturally this 115 bps reduction has not been something that the lenders had been able to pass on maybe they have passed on like 30, 40 bps so there is a 75 bps difference, which has got created because of this sharper fall and we are aware of this and we are in discussion with the lenders to sort out this issue, but I think in the projects where there is right bidding and the right O&M cost, which has been accounted for and I am sure this gap that you are seeing today will not remain like a gap forever because ultimately the interest will correct for itself and it will start affecting with a certain time lag effect this margin. We believe that at any point of time our bank rate it could not have NHAI and our lending rate will be more or less few maybe 25 basis points here and there to each other, anything over and above that would be a little artificial, which in our opinion at least will be corrected shortly and we are talking with the banks of refinancing into kind of those things to reduce their interest rate. So I believe that till that is done there is a bit of an anomaly, but as I mentioned at least in our mind this is a little temporary Sandeep you want to add on something to this?

Sandeep Garg: I would want to add is this government is fully aware of the situation and they are also trying to find solutions because this is not a companywide but a countrywide issue and there are lot many HAM players almost 1.5 lakh Crores of the orders are ongoing and I think the solution is likely to take place soon.

Rohan: Sir my question is more on the new buyer would you be resetting your expectations in terms of valuations or would you want to stick to at some premium to the invested amount that you are seeking for, how is that approach from a management perspective that you have?

Sandeep Garg: In the perspective even we are industry people and the buyers are industry people both are aware that this abnormal situation is not going to continue for a long time, something is going to correct, so both are taking conscious approach of reconciliation

Rohan: I understand Sir. Sir now coming to this project labor availability we have been hearing that is a major challenge I also learnt that you have given some PCOD targets for some of the projects, but Sir what is the labor availability in some of these critical projects especially Aunta-Simaria or AM2, how is the company tackling these labor issues as of now do you face such issues?

Sandeep Garg: Everybody is facing in the country wide that there is a labor migration taking place. We expect the labor migration to be taking place for the next few months; however, it is a challenge so I expect the operating manpower availability to be anywhere between 45% and 50% on project sites. However post the monsoon I expect the complete work force to be back on all project sites. So this is going to be a phenomenon that we will face on this quarter and most probably in some portion of the next quarter.

Rohan: I heard something on oil and gas especially we have been hearing about those pricing of natural gas has come down drastically what is the breakeven price that you would require in your fields in comparison to what is prevailing in the market is there any impairment of this asset risk that you see or how exactly is that the IRRs work out over there?

Sandeep Garg: So let me answer this question in two fold that the current gas pricing causing a concern to us the answer is no because what it means is that our cost of the gas will get reduced because the industry can support us, in any case we took a very low cost base. The earlier price we get was around $4 and we are pricing the liquids of $30 to establish our viability so we do not see any viability issue and if we see it is under all likely circumstances irrespective of the gas pricing that becomes close to 0, which is unlikely to happen.

Rohan: Sure Sir that is it from my side. Should there be any other questions I will get back into the queue. Thank you.

Moderator: Thank you very much. Next question is from the line of Nirav Shah from GeeCee Holdings. Please go ahead.

Nirav Shah: Few questions, firstly on the acquired project the BOT1 how much is the debt we are assuming from the takeover?

Sandeep Garg: Yes the total project cost the debt is in the range of 1200 Crores out of which around 550 is already disbursed to the company so we are taking over that 550 Crores and the balance 600 odd Crores, 650 odd Crores would be disbursed in line with the construction schedule of the company.

Nirav Shah: Sir the second question is independent engineer for GSY and CGRG they had given us some extension and we were waiting for the final approval for that extension of construction period, so when they approve and based on whatever the revised timelines are for completion is there any likelihood of we receiving any early completion bonus?

Sandeep Garg: No, not really there are no early completion bonus granted if the project is behind the estimate schedule of completion no matter whether it is because of the delays by NHAI or otherwise, so it is not likely to be earning any early completion bonus, but we will complete before the revised schedule completion it was proposed is what we will be satisfied with.

Nirav Shah: Just the last question on the Aunta-Simaria execution till date we have completed around 21% any particular issues this project is facing for slow execution because in the last three quarters we have been executing only 3% of the total project cost for quarter?

Sandeep Garg: Let me put the issue in perspective. The project is primarily base project and we are working only on the grid section of the project so we did not get 48% of the land, which is holding us on doing the land portion and all that, so initially if you look at it this section the challenges because the road is not available for the Aunta-Simaria work to progress, the project is only taking place on the Ganga bridge and since we are only working on foundation the target seemed to be low and once we start working on superstructure, which will pickup. We also expect the solution of the balance land to take place in the next three, four months so post the monsoon we expect project growth of course as this progress to take place on the project.

Nirav Shah: Got it. Great Sir. Thank you Sir for answering the questions and all the best.

Moderator: Thank you very much. Next question is from the line of Ajay Gupta from JM Financial Limited. Please go ahead.

Ajay Gupta: Two questions, you seem to have after raising these NCDs of 375 Crores and hopefully the preferential shares you will be having free cash of almost 450 to 500 Crores some of it will be interest paying on the debentures what is your plan for deploying this plus cash, what is the thought process going forward and secondly what is your guidance for FY2021 for revenues and percentage of operating profits?

Akhil Jindal: Let me answer the question on the deployment first. We have given the guidance of around 450 to 500 Crores of the equity required in our ongoing projects including the one that we have acquired so nearly 500 Crores would be required there. In addition just to keep the interest cost also under check we would make sure that our CCs and CPs, which were nearly drawn in the range of 250 Crores as on March are not drawn till the time we are able to deploy our funds more effectively so the idea would be to super balance this deployment of the funds in the ongoing projects, but at the same time keeping the interest cost at check and clearly this gunpowder allows us to look at some viable meaningful project, which are having decent project IRR as Sandeep mentioned for the Mukarba Chowk, which is an excess of 17% so similar attempt should be there to acquire more projects and of course the bidding as Mr. Garg mentioned that lot of new biddings are happening while we are talking so we would not be starved of capital or I would say the balance sheet is strong.

Ajay Gupta: Is there something under consideration that you are looking to acquire or nothing under consideration right now or negotiations?

Akhil Jindal: At this juncture there is none, we are in the closing stage of this Mukarba thing as Mr. Garg mentioned, we have just got the approval today with its final clearances, so to that extent I think this is getting under the implementation zone very, very quickly, there is nothing that is under consideration immediately.

Ajay Gupta: On the second question we would appreciate your guidance.

Sandeep Garg: In these struggle times getting guidance is a bit of a challenging scenario on a year-on-year basis. Subject to two things I would say that we do not hit any other roadblock like what we did in the COVID till the time we complete the planning of the work and we get the appointed date for Tamil Nadu project as per our expectation. We expect year-on-year growth of revenue of about 20% and EBITDA margins or operating margins will remain in the guidance of 12% plus.

Ajay Gupta: Okay thank you. All the best.

Moderator: Thank you very much. Next question is from the line of Prem Khurana from Anand Rathi Shares & Stock Brokers. Please go ahead.

Prem Khurana: Sir two questions from my side. So first one was essentially somewhere in your comments you spoke about number of projects being available inorganic growth opportunities available in the market today and essentially I am assuming and you are looking at two kind of assets one is BOT toll what is going with Mukarba and then given the fact that we have been very active on hybrid annuity side so that would be the second asset class that you would not have in your portfolio, but I think with both these assets there are some issues at this juncture essentially we have to take a call on track of recovery and if it is hybrid annuity that you are looking at then you would have to take a call on whether the bank rate will make a comeback in the immediate future or where are you will get to see MCLR come down so how do we intent to kind of approach inorganic growth and is there any preference in terms of which asset and which asset kind would you prefer over the assets that essentially BOT or hybrid?

Sandeep Garg: We have kindly of clearly in our mind that we are guided by what will be the economic sense for us. Given that if the returns expectations of both HAM and BOT are same we possibly will prefer HAM project, so depends upon what are the kinds of returns that we are looking at so we are absolutely risk and reward balanced company so I cannot give you a general answer here; however, our return expectations for the two models at this time and that is what we factored in when we pick up a job. So as long as these jobs will meet the threshold, which we have for specific margins, we will be looking at both of these margin projects. I also would want to add here is that as you said in the water side of the business we are looking at EPC in any case so we are not reasonably preferring a HAM project, but we are agnostic to the market, but what we are very clearly focused is our return equation and that works for us we hope that.

Prem Khurana: Basically what I wanted to understand that your thought process, which is easier to predict the traffic growth is an easy do project or taking a call on bank rate recovering or MCLR coming on easier?

Sandeep Garg: We factor all these risks into our risk margins and both have to be factored in and there is a cost of mitigating them or pricing them.

Prem Khurana: Sure and just one small clarification on this Mukarba Chowk-Panipat project, so you get the total cost of around Rs.2100 odd Crores and the debt number was quoted at around 1200 odd so which leaves me with a number of around 900 and this Rs.200 odd Crores would be the money, which is suppose to come from the government authority in the form of grant so which is there is a gap of around 700 so 200 is what you are planning to infuse, so is it fair to assume that 500 Crores was the equity that was infused by the earlier concessionaire and he is taking hit of around Rs.500 odd Crores?

Sandeep Garg: So I do not remember that even Akhil would you want to say how much was the equity infusion?

Akhil Jindal: Yes the 200 Crores would be the pure equity infusion and then of course the 200 Crores 188 Crores would be the grant number that he has mentioned and there would be some 1200 Crores is the main debt and there would be some subordinate there also, which the company is in a process of tying up so I think from that angle there has been a write down on the equity as Mr. Garg mentioned on the Essel side also, so the balance work left is nearly around 1100, 1200 Crores of EPC that is what we are focusing on.

Prem Khurana: So besides 200 you would also be required to infuse some sub debt and right my understanding?

Akhil Jindal: Yes, we are in the process of tying up with some of the lenders because we have just taken over this project and because clearly the economics of the project supports the subordinate debt provisions as well and there is no bar by the existing lenders or by NHAI to take over the subordinate debt. Normally in a good project one can go up to 80:20 or at least 75:25 if not 80:20 at least 75:25 of the debt equity so there is lot of possibilities to recapitalize the company.

Prem Khurana: Just small clarification on this Sir essentially the project cost is still the same and the project will only see more than two years of delay, but it is still 2100 odd Crores, which is what people used to go at earlier so does it mean there is no cost accretion especially over the last two years or for the delay period or this is the original cost and it could go under revision I mean you are still in the process to kind of do these numbers?

Sandeep Garg: So let me take this question so the forecasting of the EPC project of 1100 Crores plus GST is the current forecast of completion and not the historical cost of completion.

Prem Khurana: Sure. Thank you. Thanks a lot.

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

Sandeep Garg: Thank you. Once again I would want to say that at WEL we continue our journey of operational excellence and our current portfolio stands at about 10600 Crores. We as a company remain focused on value unlocking to recycling of capital. Our focus is shareholder value creation. Currently we are going through an unprecedented situation and required all the shareholders for standing by us through these difficult times. These are challenging and uncertain times, but we are still confident, but as a company and community we can get through this together. Thank you for your participating in this call and for any further questions or queries you may get in touch with the investor relations team and I wish you all a safe time and be safe, be healthy and thanks once again.

Moderator: Thank you very much. On behalf of Welspun Enterprises Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.