

# “Welspun Enterprises Limited Q4 FY24 Earnings Conference Call”

**May 22, 2024**

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**Moderator:** Ladies and gentlemen, good day and welcome to Welspun Enterprises Limited Q4 FY24 Earnings Conference Call.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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. Salil Bawa - Head of Group Investor Relations, Welspun World. Thank you and over to you, sir.

**Salil Bawa:** Good afternoon to all of you. On behalf of Welspun Enterprises Limited, I welcome all of you to the Company’s Q4 and FY24 Earnings Call.

Along with me today, I have here Mr. Sandeep Garg - Managing Director of Welspun Enterprises Limited, Mr. Saurin Patel - Managing Director; Welspun Michigan Engineers Limited, Mr. Lalit Jain - Chief Financial Officer for Welspun Enterprises, Mr. Siddharth Bhardwaj - Head IR for Welspun Enterprises.

We hope you have had a chance to review the Investor Presentation that we filed with the exchanges. The presentation is also available on the company's website. During today's discussion, we may be making references to this presentation. Please do take a moment to review the Safe Harbor statement in our presentation.

As usual, we will start the forum with the opening remarks by our leadership team and then we will open the floor for your questions. Once the call gets over, should you have any further queries that remain unanswered post the Earnings Call kindly feel free to reach out to anyone of us.

With that, I would now like to hand over the floor to Mr. Sandeep Garg - Managing Director, Welspun Enterprises. Over to you.

**Sandeep Garg:** Good afternoon everyone. Welcome to the Welspun Enterprises Q4 and FY24 Results Conference Call. I would like to thank all participants for their presence. We have uploaded our Results on the Exchanges and our Website, and I hope you have had a chance to review the same.

We start FY25 with the highest ever standalone opening order book of Rs. 12,200 crores. This order book includes close to Rs. 3,600 crores of operation and maintenance. This is a clear reflection of WEL’s diversification strategy and our meticulous approach to order selection. The

water vertical now has a share of close to 67% in the order mix with the balance being in the transportation vertical, if you are to consider only the EPC order book. Post our results we have emerged L1 in one of the MSRDC road projects where our quoted price is Rs. 1,864 crores approximately the details of which have been uploaded on Stock Exchange. We would inform you further details of the project once the LOA is issued by the client.

Our subsidiary, Welspun Michigan Engineers Limited, has an opening order book of Rs. 1,600 crores this makes our consolidated order book formidable Rs. 13,800 crores which is about four times our consolidated revenue for the FY24. Although it is not material from the listed entity point of view, but I would like to mention that Welspun Michigan has also emerged L1 for an order worth Rs. 170 crores, the details of which will be shared by Mr. Saurin Patel - Managing Director of WMEL in his address.

I am certain you will appreciate the immense visibility such an order book provides. We are certainly not pausing here and we are working to further build on our project pipeline. Our future ordering within the transportation vertical we have seen a continued muted period in the last quarter having said this, we see promising road opportunities from NHAI and in the state of Maharashtra in the next few quarters. I would like to reiterate that we at Welspun are extremely positive on opportunities that lay ahead of us. We believe the country's CAPEX spend will double over the next 5 years from the base of approximately Rs. 11 lakh crores.

Our balance sheet strength positions us extremely well to seize on this opportunity and thus deliver many years of profitable growth. At Welspun, we strive to achieve excellence in every sphere of activities that we take on. In this direction, we are pleased to share that Welspun Enterprises has been recognized and certified as a great place to work by GPTW Certification agency. Welspun also saw one of the highest employee participation among the corporates, which was at 96% during the certification. I am also extremely pleased to share that trust index of 88% of Welspun Enterprise employees have rated us as a great place to work. Our ranking will be announced on June 20th, which we will share with you in our next engagement.

While we have grown sequentially on quarterly basis, our revenue in FY24 has dropped on a year-on-year basis by 8%. Our standalone FY24 revenue is Rs. 2,450 crores while total income is Rs. 2,553 crores. Though we are expected to do a bit better on revenue, our holds on work front on our SNRP and VARP projects and continued challenge on our ESR construction on UP JJM project led to deferment of revenues to FY25.

I want to assure you all that our teams across the transportation and water verticals are continuously solving these issues on real time basis. I would also like to mention that in FY24 we achieved EBITDA of Rs. 439 crores on standalone basis which is the highest standalone EBITDA for our company in any financial year. On consolidated basis our revenue has grown to Rs. 2,872 crores with total income of Rs. 3,063 crores this marks the highest consolidated revenue in the history of our company. Similarly, our consolidated EBITDA of Rs. 616 crores for FY24 is the highest in the history of the company.

I would like to emphasize that the model we follow for developmental projects involves a life cycle of 5 years this includes the period of project construction, stabilization and monetization. Considering this life cycle, we have delivered an average PAT percentage of over 12% in the past 5 years. The accounting classification notwithstanding this PAT percentage is a reflection of business potential and the model that we follow.

The details of the financials will be covered by CFO, Mr. Lalit Jain in his address. I am also pleased to inform that the board has recommended dividend of 30% on face value that is Rs. 3 per share for approval by the shareholders. I want to mention that excluding the current recommendation of the board, we have distributed over Rs. 700 crores by way of dividends and buybacks which translates to return of about Rs. 50 per share.

Now coming on some operational highlights on major projects for the concluded quarter, our HAM project Aunta-Simaria has gathered pace in execution and we anticipate this to continue as we target the completion. The bridge work is more or less is complete by more than 90%. The balance works are primarily road and approach which we target to complete by Q3 FY25.

Our HAM road project of Sattanathapuram Nagapattinam SNRP is progressing, but I must share that the pace is slower than our plans. We have interacted with clients on both non availability of pond ash and earth materials and delays in approval of mines for Earth extraction. We remain confident to deliver the project on targeted timelines. Our EPC work of Varanasi Aurangabad NH-2 is progressing well and we are on track to meet our completion target date. It is an honor to share that our section of the National Highway was selected to be inaugurated by the Honorable Prime Minister, which is a testimony to the quality of execution that we deliver for our clients.

Coming on our water vertical, our UP JJM project in the state of UP under the State Water and Sanitation Mission is progressing well and despite challenges of multi locational distributed work, this project has crossed a significant milestone of 50% of targeted household connections. Skilled manpower shortage, especially for ESR, has affected pace of progress. We are deploying various strategies to overcome this shortage, including the precast option and also steel which we have proposed to the client. Dharavi Wastewater Treatment Facility, our project to deliver the Clean Mithi River has progressed well after a period of delays in earlier quarters, we have moved ahead with the improved execution. We have planned our execution in a manner to minimize the impact of the impending monsoon months.

We have added another significant order in the last quarter and I am pleased to inform that the Design, Build and Operate DBO for the development of the new 2,000 MLD water treatment plant at the Bhandup Complex, including civil, mechanical and electrical instrumentation work has been awarded to the company. The project is to be designed and constructed within a period of 48 months from the notice of to proceed, which is still awaited and thereafter operated for a period of 15 years. The total contract value excluding GST is Rs. 4,123 crores the split of which is that the design build is Rs. 2,243 crores while O&M is Rs. 1,880 crores.

During the quarter, we continued with the efforts for development of Oil and Gas field blocks housed in the joint venture Adani Welspun Exploration Limited. We submitted our EDP to the regulator for our Block MB-OSN-2005/2 or what we call Mumbai Block in this quarter. Subject to the approval of EDP by Government, our endeavor is to commence gas production by FY26-27.

We have awarded the contract for well Design and Engineering and also finalized the peak contractor. We have the approval to invest Rs. 100 crores into this venture in the current financial year. I would like to reiterate that in line with our prudent approach, we will commit future capital only upon clear visibility of commercial viability.

As a conclude, I am delighted to share that Welspun Enterprise was bestowed with 2 national accolades at the 15th CIDC Vishwakarma Awards, Construction HSE Award and Artisans and Supervision Award for UP JJM Mission and our EPC work at Varanasi Aurangabad Road Project.

With this, I now hand over the call to Mr. Saurin Patel - MD of WMEL.

**Saurin Patel:**

Thank you, Sandeep and good afternoon everyone.

I am happy to share that we have clocked a highest quarterly revenue in Q4 FY24 at Rs. 141 crores. Our revenue for full FY24 is Rs. 411.8 crores this marks a growth of approximately 30%. Having completed the process of integration with Welspun Enterprises, I am extremely optimistic of increasing our growth momentum in FY25 and beyond. This performance has been consistent from a margin perspective wherein we have achieved an EBITDA margin of 23% for the full year, which translate to a whopping Rs. 99 crores. Both our current projects as well as potential new wins give me immense confidence of sustaining these margin levels.

We have currently 18 projects which are spread across micro tunneling, segment tunneling, marine works, pumping stations, rehabilitation of underground sewer lines and bridge construction. These combined projects give us an outstanding order book of approximately Rs. 1,627 crores with Rs. 170 crores of operations and maintenance. This order book is largely executable over the next 36 months. I must add here that I am not including an order of Rs. 170 crores from MCGM to rehabilitate underground sewers using glass reinforced polymer liners where Welspun Michigan has been declared L1. I would like to reiterate that we foresee vastly larger opportunities ahead. These opportunities are both from new geographies due to Welspun World's wide reach as well as new initiatives that we are evaluating such as working with new technologies.

We have been an engineering solution provider for urban and infrastructure needs, which is a niche area and we wish to operate in the specialized niche areas of tunneling and water rehabilitation projects on a larger scale. Historically, we have been a very profitable company and our EBITDA growth over the last 3 years has been a CAGR of 33%.

I would now like to share a brief on an exciting new technology partnership that we will be introducing to India. Smart Ops is a cutting-edge technology to convert grey water into an asset. It is modular, scalable, cost efficient and easy to deploy technology in a water body or drain point to rejuvenate or recycle the water, rivers, sewers, ponds and lakes. This involves biological treatment of wastewater with minimum wastage and provides tertiary treated water potable water for commercial and domestic use. Besides Smart Ops, we at Welspun Michigan Engineers are pioneering hyper tunnel which will replace or substitute in part the existing methods of box pushing for road under bridges and the widely used NATM method for hand mined tunneling, a unique combination of proven technologies using artificial intelligence, 3D printing and swarm robotics from diverse industries to build a tunnel and enhance any underground scheme. This is a new approach, a radically new approach which is safer and more sustainable than current techniques, and is claimed to be 5 times faster than the current ways.

Our order pipeline is healthy. And with the rollout of the new technologies for the future that I mentioned earlier, we retain our sites on projects worth Rs. 20,000 crores. We will be bidding for these on a selective basis.

With this I will close my remarks and hand the call to Lalit Jain – CFO of Welspun Enterprise Limited for updates on the financials. Over to you, Lalit.

**Lalit Jain:**

Good afternoon to everyone and many thanks for being a part of this call. I am sure you would have had an opportunity to review our financial numbers published.

Our standalone for FY24 total income is Rs. 2,553 crores and PAT is Rs. 285 crores for FY24. I am happy to inform that we have delivered the highest reported EBITDA of Rs. 439 crores which work out to a margin of 17.2%.

For Quarter 4 FY24 our revenue from operations stood at Rs. 644 crores and along with other income, our total income was at Rs. 665 crores. We reported an EBITDA of Rs. 97 crores which works out to a margin of 14.5%. Our profit before tax for Q4 FY24 is Rs. 87 crores which work out to 90% conversion of our EBITDA to PBT. This is predominantly because of our unique business model, which give us the ability to retain a very large part of our EBITDA.

I am confident we will continue to scale our operation while being true to the successful model. You may recall that we have given a guidance of reported EBITDA margin in the range of 13% to 14% we will maintain this. Our other income has dropped by 64% to Rs. 22 crores from Rs. 60 crores in Q4 FY23. This is due to the high base from Q4 FY23 where we had the large part of our proceeds from the asset sale to Actis on our balance sheet.

Likewise our finance cost has dropped 67% year-over-year to Rs. 8 crores in this quarter since we retired, NCD that were outstanding in Q4 FY23. I do not anticipate an increase in interest expenses from this level in near future.

Our effective tax rate will be 25% in the normal course, but for this quarter, it is close to 28% due to additional tax provisions taken for earlier periods. Our standalone profit after tax is Rs. 64 crores please note this is not comparable with Q4 FY23 number. There was an asset sale transaction we undertook with Actis Highway in December 2022 which resulted in exceptional income of Rs. 37 crores.

Now coming to our consolidated numbers:

Our consolidated FY24 total income is Rs. 3,063 crores and PAT is Rs. 319 crores for FY24. I am happy to inform that we have delivered the highest consolidated reported EBITDA of Rs. 616 crores which work out to be a margin of 20.1%. For Q4 FY24, our revenue from operation stood at Rs. 821 crores and along with other income, our total income was at Rs. 867 crores. We reported an EBITDA of Rs. 157 crores, which works out to a margin of 18.1%. Our PBT Rs. 120 crores and PAT stand at Rs. 78 crores.

I would like to mention that due to consolidation of Michigan Engineers as a subsidiary:

The contribution of Michigan Engineers towards EBITDA is Rs. 31 crores however, 49.9% of Michigan PAT has been reversed due to minority interest.

We have a strong balance sheet with the net cash of Rs. 923 crores as on 31st March 2024 at standalone level. The reduction of Rs. 625 crores as compared to 31st March 2023 is on account of buyback worth Rs. 289 crores payout for MEPL acquisition of Rs. 137 crores, followed by the equity investment of Rs. 156 crores in ongoing project and the remaining amount used for the working capital.

Now I transfer this call to Mr. Garg. Thank you.

Before we open the forum for Q&A.

I would like to correct myself that currently while talking about the new win for which we have been declared L1. I said the name of the client wrongly & I would want to correct myself to say that post our results we have emerged L1 in one of the MSRDC road projects that is in the Maharashtra where our quoted price is approximately Rs. 1,864 crores. I would request to bring this correction on record.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Siddhant Singh from Green Portfolio, please go ahead.

**Siddhant Singh:** So my first question is in the semiconductor industry there is a need of ultrapure water, so as we are into the water infrastructure segment, so do we are targeting that technology also or what are our take on that ultrapure water?

**Sandeep Garg:** So let me respond to this question by saying that we are not into technology per se ourselves for development. We use the existing technologies to deliver project. In terms of the technology

associations that we enjoy at this point in time, we enjoy our relationship with Xylem which is world's one of the largest water treatment and product supplier. We also enjoy our relationship with Veolia, which is the largest water treatment technology supplier. So technology is something which we have an access to anything that we should require for a particular project. Welspun Michigan, on its part, is associating with new technologies and new ways of achieving desired results, but that technology is not targeting ultrapure water, so I hope I have answered the question.

**Siddhant Singh:** Can you give the detail of current bid pipeline, how much order you have bid for in water and transportation verticals and also the historical conversion rate?

**Sandeep Garg:** Normally in the water, our conversion rate is extremely high because we have bid very selectively. Now talking about the opportunity on water business, there is a huge opportunity as we all know the short term opportunity of pipeline that we see at the top of the canvas is about a lakh crores in the areas that we are interested in. So this is a short term, which means that we expect these to fructify in FY25. As we speak at this point in time, there are no open bids on water. There is an open bid on a transportation section, but there are no open bids on the water segment.

**Moderator:** The next question is from the line of Dhananjai Bagrodia from ASK. Please go ahead.

**Dhananjai Bagrodia:** Congratulations on good set of numbers. I wanted to ask you mentioned that there is a Rs. 3 lakh crores project for water available which are there how much would be addressable to us and what segments are you seeing this Rs. 3 lakh crores?

**Sandeep Garg:** Approximately, see that is a larger canvas, which is a short term and a medium term by water segment. The segments that we have targeted are primarily distributed in 3 heads that is the transmission, treatment and distribution. So treatment per se includes the water and sewage or a wastewater treatment, desalinization and river rejuvenation, so in treatment we cover 3 aspects while transmission includes the pipeline and the river linking works. So if I were to look at this total canvas, we see opportunities in the Maharashtra of about Rs. 1,25,000 crores, in the Madhya Pradesh about more than Rs. 50,000 crores, in Uttar Pradesh approximately Rs. 17,000 crores and the list goes on.

**Dhananjai Bagrodia:** So in this Rs. 3 lakh crores, how much would be addressable to us or say would it be only the lag of treatment cause the pipes would come in corps? So that won't come in the transmission part won't come to us, so only the treatment part be to us, right?

**Sandeep Garg:** When I am talking about these are the project values which we can target in terms of construction contracts on EPC basis. Now if the pipes have to be bought from a company whether it is Welspun Corp or any other company that will be a supply for the company which wins it rather than anything else, so it is not an excluded there.



- Dhananjai Bagrodia:** So regarding this right now in the water opportunity, so we just come back to the same thing, so Rs. 3 lakh crores, is there any idea in terms of like when this could be executed by, how would it go and how are we seeing in this Jal se Nal, on their official website they are above 80% in terms of their targeted households, is that something which you think we are ending the cycle? How are we looking at that?
- Sandeep Garg:** Sorry, could you repeat the last part of your question please?
- Dhananjai Bagrodia:** So on the official Jal Jeevan Mission on their website, they say there is a significant portion of their water taps, which they want to reach are done, but there nothing has been explained on how much is now for the river linking, so how do we see that segment grow, because I believe that tap the last leg has been done in most of the households?
- Sandeep Garg:** So household connections and the government is pretty much focused on delivering it and the official website I haven't browsed it, so I will take it on a face value as to what we have done, but as far as the orders that we have, we have crossed the household connections of more than 50% on the 31st of March and the pace at which is growing I am sure we would be somewhere close to 65%-70% at this point in time. However, the government is on terms of river interlinking, the projects are just about to take off they will be bided going forward after the elections are over that is what our anticipation is so that work will start unfolding from FY25 and go for a few years going forward.
- Dhananjai Bagrodia:** So for us now since we are not in the last leg of distribution since we are in transmission treatment for us the opportunities will be much bigger going ahead vis-à-vis some of the PVC players who are in the distribution part is that the right way to answer this?
- Sandeep Garg:** I would want to correct that we are already in distribution. If you look at it, Dewas water project is distributing water to the industries in MP and in UP JJM, we are already doing distribution to the villages, about 1,070 odd schemes, about 2,500 villages, so we are already in distribution. So it is not a arena which is outside our capability to deliver projects.
- Dhananjai Bagrodia:** And, sir lastly in the order book, we have roughly around Rs. 14,000 crores. How do we see that executable over time and how should one look at those numbers?
- Sandeep Garg:** So as we look at this time I would want to say that the FY25 looks healthy. We anticipate from the orders that we already have in hand somewhere around Rs. 3,000 plus crores of revenue should mature on a standalone basis for the Welspun Enterprises and the orders that are in the offering we expect that we would be able to add another about Rs. 300 crores to this number. And in terms of the consolidated level, we do believe that we will be somewhere around Rs. 4,000 crores on a consolidated basis.
- Dhananjai Bagrodia:** So it is fair enough to assume that 1/3 of the order book gets executed over every year.
- Sandeep Garg:** Yes.

- Dhananjai Bagrodia:** And lastly, just coming around, are we looking at any CAPEX number for year? How should one look at that?
- Sandeep Garg:** The pre-committed CAPEX at this point in time into the business is approximately for the HAM projects is approximately about Rs. 200 crores and about Rs. 100 crores towards the Oil and Gas. The balance cash reserve is available for any further growth of the business.
- Moderator:** Thank you. The next question is from the line of Srikrishna Agarwal from Agarwal Consultancy. Please go ahead.
- Srikrishna Agarwal:** Just wanted to know, sir, you have the existing order book of around Rs. 15,661 crores including your subsidiary and your normal time limit is 3 years for completion of the project, so can we assume that the annual turnover will be increasing to Rs. 5,000 crores per year?
- Sandeep Garg:** As I just said that we expect the turnover for FY25 on a consolidated basis to be around Rs. 4,000 crores.
- Moderator:** Thank you. The next question is from the line of Nirav Shah from GeeCee Holdings. Please go ahead.
- Nirav Shah:** So firstly from our press release, you have mentioned that we have 5 road projects bids where the results are awaited, but I believe this would be the yesterday and does it include the recent MSRDC order where we are L1?
- Sandeep Garg:** So out of the 5 open bids at that point in time when we went to the press release 4 have opened and one of them we have emerged L1. There is 1 bid which is still not open which is the NHAI, so we are awaiting that result whenever it opens.
- Nirav Shah:** Second question we have mentioned that we have derived the Michigan topline at around Rs. 141 crores for the quarter. What is the corresponding EBITDA and PAT for the quarter from Michigan?
- Saurin Patel:** The corresponding EBITDA is Rs. 99 crores for the full year. For the quarter Michigan EBITDA is Rs. 32 crores.
- Nirav Shah:** And last quarter we gave a guidance of Rs. 500 crores for Michigan, but if I just derive the console minus standalone standard, you have given a guidance of Rs. 3,000 crores on existing book plus another Rs. 200 to Rs. 300 crores on the new wins, so our Michigan guidance would be approximately Rs. 600 crores to Rs. 700 crores for the current year?
- Sandeep Garg:** That is correct. It will be about Rs. 600 plus crores.
- Nirav Shah:** And another last question is, sir from when will we start the execution of Bhandup project?

- Sandeep Garg:** As I stated in my opening statement, we are awaiting the notice to proceed, I think post the election process is complete we should get the notice to proceed and thereafter we will start the work. If it is very close to the monsoon period we will not hit the ground we will hit the ground post the monsoon period.
- Nirav Shah:** And on Michigan just lastly, the Rs. 600 crores topline would be at stable margins of existing 23%-24%, am I correct in assuming that?
- Sandeep Garg:** That is correct.
- Nirav Shah:** Thanks sir for an encouraging guidance. Looking forward we meeting our own expectations, sir. Great thanks a lot and all the best sir.
- Moderator:** Thank you. The next question is from the line of Darshil Jhaveri from Crown Capital. Please go ahead.
- Darshil Jhaveri:** Congratulations on a great set of results. So a lot of my questions have already been answered. I just wanted to just pick you up in a bit in terms of the margin side, so on a consolidated basis our margins can hit 15%, because Rs. 600 crores will be at a higher and then our norm is 13%-14% margin in the standalone, so is that a fair assumption sir?
- Lalit Jain:** For Michigan you are talking?
- Sandeep Garg:** No, for console basis for guidance of the margin if I get you correctly the question is what is our guidance on the margin for the FY25 on a consolidated basis?
- Darshil Jhaveri:** Yes, sir.
- Salil Bawa:** Sorry, we don't have guidance on a consolidated basis on margins. As the CFO has mentioned we will retain our guidance on margins going forward at 13% to 14% on a reporting basis on standalone. On a consolidated basis as Michigan evolves, we maybe look forward to giving guidance on the same in the near future.
- Darshil Jhaveri:** And just wanted to ask sir with regards to currently out of elections or something, can our order book be impacted with a change in regime or how do we just see that risk in terms of how we are going forward, sir?
- Sandeep Garg:** So the order book that we have under our belt remains unchanged for sure, irrespective change if any governmental regime change and I believe that the forecast also remains unchanged because no matter which government comes in I think the impetus on development of infrastructure shall stay.
- Moderator:** Thank you. The next question is from the line of Sriharsha K J, who is an Individual Investor. Please go ahead.

- Sriharsha K J:** The EBITDA margins which are reported of 20.1% for financial year 24, is it sustainable going forward or will it remain at 13% to 14%?
- Sandeep Garg:** As we have always maintained, our guidance is 13% to 14% on the EBITDA. This term is an aberration to that normal, but we will strive to improve, but that is our guidance for you to consider.
- Sriharsha K J:** Another question, sir, regarding your order prospects of the big pipeline. You told on this water project it is around Rs. 3 lakh crores, what is the order prospects for the transport sector and then for the other subsidiary on Michigan?
- Sandeep Garg:** So the order pipeline as well as the NHA I has announced that they will be awarding about Rs. 5,200 crores of projects on toll. We see substantive order being announced in the FY25, it could be somewhere in the ranges of about Rs. 2 lakh crores that are likely to come through in the coming months or coming quarters and as was stated by MD Welspun Michigan that their order pipeline is to the extent of about Rs. 20,000 crores. However, in terms of what we believe that will fructify, I think the order wins for us on a standalone basis, maybe somewhere in the ranges of Rs. 6,000 crores and about Rs. 700 odd crores for Michigan, so that is what we would believe that we would be happy guiding about.
- Moderator:** Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.
- Sarvesh Gupta:** Most of the questions have been answered and congratulations on a good set of number. So just one clarification is 13% to 14% guidance for EBITDA margin is excluding other income or including other income?
- Sandeep Garg:** It is at the reported EBITDA level which includes the other income.
- Sarvesh Gupta:** Secondly on the Oil and Gas side, as I understand, so there is Rs. 100 crores sort of an investment that we are planning in this year and in FY 25-26, you have said revenue from the first block to be expected, but I also heard something on FY27, so is it FY26 that we expect the revenues to flow in?
- Sandeep Garg:** No, we don't expect the Oil and Gas revenues to flow in FY26 if there is any past information that you are referring to, I would guide that at the earliest that we can expect the revenue is 26-27 and that is subject to the approval of the EDP which we have submitted to the government, so we don't know how much time it will take to approve once it is approved, we will give you a better guidance on that. On the earlier question, I want to clarify that the guidance of 13%-14% of the reported EBITDA level is for the standalone and not for consolidated.
- Sarvesh Gupta:** So it is reported EBITDA including other income for standalone?
- Sandeep Garg:** That is correct.

- Moderator:** Thank you. The next question is from the line of Shyam Garg from Ladderup Finance Limited. Please go ahead.
- Shyam Garg:** I just want to know about the working capital cycle for the coming years FY24 we see an increase in working capital days and how it is going to go in future?
- Sandeep Garg:** We do not expect any increase in the working capital days going forward. We will be in the same ballpark numbers going forward as well.
- Shyam Garg:** Are there any payments from the government which are due and are under arbitration?
- Sandeep Garg:** We have no arbitration at this point in time with any of our clients.
- Moderator:** Thank you. The next question is from the line of Divakar Rana from Prudent Equity. Please go ahead.
- Divakar Rana:** My question is basically you are giving Rs. 4,000 crores revenue guidance for FY25, so if I remember correctly in last concall you said that we will be doing Rs. 3,000 crores this year basically in FY24 and the revenue growth for FY25 will 15% to 20%. But right now you are saying that the revenue will be Rs. 4,000 crores, so it is kind of a 39% growth in FY25. So I was asking basically what made you change the guidance from 25% to 39% for FY25?
- Sandeep Garg:** So there are 2 reasons of change number 1, there is a clear visibility of orders that we have in hand and since they are starting at the start of the financial year, it helps us forecast a bit better and the Rs. 4,000 crores which you are referring to is on a consolidated basis, the guidance for the standalone remains at a level of Rs. 3,000 crores from the orders in hand and a Rs. 300 crores upside on priority orders that we anticipate to get. So the guidance is anything between Rs. 3,000 crores and Rs. 3,300 crores.
- Moderator:** Thank you. The next question is from the line of Saket Kapoor from KAPOOR and Company. Please go ahead.
- Saket Kapoor:** My question pertains to our Jal Jeevan Mission in the state of Uttar Pradesh. Sir herein you have alluded to the fact that there were some issues pertaining to execution which I missed in your opening remarks if you can clarify it once again?
- Sandeep Garg:** See the project involves construction of the ESRs or what we call Elevated Storage Reservoirs. These are just the tanks that you see around in a lot of places. The number of tanks to be built is substantially high and that much of skill set manpower is not available at this point in time, so to do it in a conventional method that is 1 area where we were lagging, so we have opted for doing it as a precast solution, so as to expedite the project and we have also made a suggestion for steel tanks which is going to expedite it further. So we expect the project to overcome its construction difficulties in the FY25 as we move along.
- Saket Kapoor:** This was the only reason that led to lower execution of the completion part?

**Sandeep Garg:** In UP JJM section, so as I said, there were certain holds on the major projects which we are undertaking right now which is the VARP and SNRP because of certain client holds and the local holds work fronts we got stuck which we have got released to large extent now. So that resulted in loss of some revenue which got transferred to FY25 from FY24.

**Saket Kapoor:** When we look at the size of this opportunity since Uttar Pradesh in itself is equivalent to having population equivalent to other countries in the world, so can you allude to the size of this SJM mission? And also the other players who are awarded these packages? And what is the total size and going ahead what are the further opportunities post the execution which you are anticipating like you have given a number of Rs. 2,900 crores for current year post that also does it involve other scope of work? And total how many players are working over this project, sir? How big is the total size?

**Sandeep Garg:** So you have asked lot of questions in one question. I will try and answer to the best of my ability. So currently if my information is right UP alone has about 70,000 villages currently being connected through the UP JJM mission. So now this mission will not get completed with this, we still will have a lot of states like Rajasthan is coming up, MP is coming up, so there are lot many states which will have a lot many villages still to be connected. UP JJM in UP alone has 4 phases. We have participated in phase-2 of the project, so I think in terms of the continuation of the opportunity, this will continue for my assessment for next 3 years-4 years. But the larger opportunity in water will unlock once these connections are made because reuse of water will become important. The cycle of water will begin once the water is available and hence I see the opportunity as well as the water is concerned for next 20 years to be there around all these fresh water supply, processing of used water and reuse of the water and making the non-revenue water into asset as well as making the wastewater into an asset, this life cycle for the country I see for at least next 20 years.

**Saket Kapoor:** So just to dwell further and conclude also the scope of work for Welspun would be greater than just the supply of water this is what your understanding?

**Sandeep Garg:** That is correct.

**Saket Kapoor:** Sir on the number of players who are involved in this project, could you name a few of them other than we have also heard, NCP is speaking about the Jal Jeevan Mission for Uttar Pradesh valued at Rs. 16,000 crores. Then there is another player Vindhya Telelinks at Rs. 6,000 crores, so just to take the size and the key players, if you could allude a few names?

**Sandeep Garg:** The people involved include right from the top of the line, Larsen & Toubro to smaller players who have taken about 400 villages, 500 villages, so the spectrum is pretty large. I would think at this point in time UP JJM related projects that are about at least 20 entities if not more involved. Top of the scale will be the likes of L&T and the NCCs and the bottom of the scale would be people which are new entrants like Jakson, etc., so they have taken small steps, ginger steps towards this opportunity. So the spectrum is pretty large, but the opportunity is much larger.

- Saket Kapoor:** And it will gather momentum for this financial year this is what the understanding is?
- Sandeep Garg:** So what I am saying is UP JJM subsurface schemes, surface schemes, linking schemes all is a very large opportunity, but the larger opportunity after this that will unfold is once the water has been used what do we do about it, so that is the larger opportunity that shall unfold.
- Saket Kapoor:** For this financial year, we will be executing Rs. 2,900 crores worth of the project under this?
- Sandeep Garg:** No, the Rs. 2,500 crores, RS. 2,600 crores, Rs. 2,700 crores is my total UP JJM project for this distribution out of which I think we have delivered about 50% out of this 50%, I think majority of will be delivered in FY25, some of it may spill onto FY26 as well.
- Saket Kapoor:** Then the Rs. 2,900 value which you provide in your presentation Page no. #38-39 that alludes to which part of the query sir?
- Sandeep Garg:** So just to clarify the presentation, it is the scope of the project which is about Rs. 2,900 crores in totality, so out of which 50% is executed at this point in time approximately.
- Saket Kapoor:** I am just missing these two numbers 2,544 and 2,900, so if you could tell what was the size of the order awarded to us, how much has been executed last year or what will we do done in the current year?
- Sandeep Garg:** So Rs. 2,900 crores is the awarded contract value and the number of villages that we are connecting is 2,544.
- Saket Kapoor:** And how much have we executed for FY24? And how much will be in FY25?
- Sandeep Garg:** Up to FY24, we have executed approximately 50% and the majority will be done in FY25, some of the work will spill onto FY26 as well.
- Saket Kapoor:** Sir, on the Oil and Gas front I missed the initial part, so I will just go through it if I have some follow up, I will contact the Investor Relation. I missed your opening remarks.
- Sandeep Garg:** Please feel free to contact our IR.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Sandeep Garg for closing comments.
- Sandeep Garg:** I want to thank all the participants for joining us on this call today and I hope we have been able to address all your queries. We remain committed to creating value for our stakeholders and our focus is on delivering improved return on equity and return on capital employed. I look forward to speaking to you once again in near future meanwhile please feel free to reach out to our Investor Relation team Siddharth, Salil or SGA our IR agency for any questions or feedbacks. Thank you and good day.

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