

WEL /SEC/2022

December 29, 2022

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Dear Sir/Madam,

Sub: - Conference Call Transcript - Divestment of completed Highway Projects portfolio to Actis.

Please find attached herewith transcript for "Divestment of completed Highway Projects portfolio to Actis".

Kindly take the above mentioned on record.

For Welspun Enterprises Limited**Sanjay Kumar Sultania**
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“Welspun Enterprises Limited
Conference Call to Discuss the Divestment of
Completed Highway Projects Portfolio to Actis”
December 26, 2022

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on December 26, 2022 will prevail.



MANAGEMENT: **MR. SALIL BAWA – GROUP HEAD OF INVESTOR RELATIONS – WELSPUN GROUP**
MR. SANDEEP GARG – MANAGING DIRECTOR – WELSPUN ENTERPRISES LIMITED
MR. AKHIL JINDAL – GROUP CHIEF FINANCIAL OFFICER AND HEAD STRATEGY – WELSPUN GROUP
MR. SANJAY SULTANIA – CHIEF FINANCIAL OFFICER – WELSPUN ENTERPRISES LIMITED
MR. LALIT JAIN – SENIOR VICE PRESIDENT – WELSPUN ENTERPRISES LIMITED

MODERATOR: **MR. SUDHANSHU BANSAL – JM FINANCIAL**

Moderator: Ladies and gentlemen, good day and welcome to the Conference Call to discuss the divestment of completed highway projects portfolio to Actis, Conference Call hosted by JM Financial. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask the questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sudhanshu Bansal from JM Financial. Thank you, and over to you sir.

Sudhanshu Bansal: Thank you, Faizan. Good afternoon, everybody. On behalf of JM Financial, I welcome you all to the conference call of Welspun Enterprises to discuss the divestment of completed highway project portfolio to Actis. We have with us the senior management of Welspun Enterprises.

With this, I would like to hand over the call to Mr. Salil Bawa, he is the Group Head of Investor Relations for introducing the management and taking the call forward. Thank you for your time, sir. Over to you, Mr. Bawa.

Salil Bawa: Thank you, Sudhanshu. Good afternoon everyone and I welcome you all to the investor call of Welspun Enterprises Limited to discuss the divestment of completed highway projects portfolio to Actis. We will call it Actis deal in today's call.

Present along with me today on this forum are Mr. Sandeep Garg, Managing Director of Welspun Enterprises Limited, we have Mr. Akhil Jindal, Group CFO and Head Strategy for Welspun Group, Mr. Sanjay Sultania, who is the Chief Financial Officer for Welspun Enterprise Limited, Mr. Lalit Jain, Senior Vice President and other senior management team members.

We will start the forum with opening remarks by our leadership team. Post that, we will open the floor for your questions. Should you have any queries that remain unanswered after this call, you can reach out to us anytime. Thank you very much, and over to you, Mr. Garg.

Sandeep Garg: Thank you, Salil. Good evening, everyone. Today's call is to give you an update on the divestment of completed highway projects portfolio to Actis. And I am very pleased to inform you that we have complied with all the necessary conditions and have obtained all necessary regulatory and statutory approvals for First Closing and divestment of 100% stake in HAM assets and 49% stake in BOT toll assets. We got all approvals in place from NHAI, PWD and lenders.

To give you the details of the transaction, the total enterprise value of these transactions stands at INR 9,049 crores, out of which construction linked milestone grant payments received by us or receivable by us from NHAI and PWD stand at INR 3,196 crores.

The completed highway portfolio as on date of the First Closing has an outstanding senior debt on closing of INR 3,544 crores. This includes the undisbursed portion of INR 59 crores. As of today, if we compute, the return on the divestment portfolio, we are making a return of 15% at a portfolio level. The divestment of balance 51% stake in BOT toll asset shall be undertaken upon obtaining necessary regulatory and statutory approvals.

We have always maintained that we have an asset-light business model and we have stayed the course. The Actis transaction demonstrates our commitment to act on stated strategy. With this deal, we have also fulfilled our business model of capturing entire value chain of successfully winning, constructing, stabilizing, monetizing of road assets.

So, we are successfully recycling capital, which will provide us a strong foundation for our next phase of growth. In this growth phase, we will target a portfolio of high-value, high-margin assets. We will continue to work with our low-risk execution model. I would also want to share with you that the First Closing consideration has already been received and is in bank of the company.

With this, I now open the floor for any questions. Thank you.

Moderator: The first question is from the line of Sudhir Bheda from Right Time Consultant. Please go ahead.

Sudhir Bheda: Good evening, sir and congratulation on the closing of your deal with Actis. As per your opening remarks, total enterprise value is INR 9,049 crores and if you deduct milestone received INR 3,196 crores and then debt of INR 3,540 crores. So, balances left is, INR 2,313 crores. So out of this amount, what amount we have received and what is the balance left for the 49% of BOT and then some retention money would be there? So, if you can throw light on that?

Akhil Jindal: So, let me answer this. This is Akhil Jindal. I would like to give you more details on this. So essentially, the two amounts which are pending to be received by the company; one is, the INR 247 crores, which are link to the certain milestones and other things, which we would be getting shortly, perhaps before March of this year, that's our target.

And another INR 269 crores, which would be disbursed to us only when we would achieve this 51% equity approval from NHAI with respect to Mukarba highway project. So I think these are the two pending items almost totalling to around INR 500 odd crores, which we would receive as a two-stage process. Other than that, we have got our entire equity back...

Sudhir Bheda: INR 15 crore also you already got, right?

Akhil Jindal: How much?

Sudhir Bheda: INR 2,313 crores minus say, INR 500 crores?

Akhil Jindal: No. The deal also involves the liquidation of our working capital engaged in these SPVs because as you would remember, we have got all of these -- we were doing the EPC contracts and there were account receivables and pending and this and that with the current assets and current

liabilities. So the total that we were to receive is around INR 2,700 crores, and we have already -- other than this INR 500 crores, we have received everything.

INR 2,200 crores is something that we have received as a consideration/working capital liquidation. And the balance is INR 500 crores in two-stages, INR 250 crores within March, our team is working very extensively on that. And another INR 269 crores post 51% approval.

Sudhir Bheda: So what would be the standalone balance left in our balance sheet? Now we are having two BOT, right, where our equity investments are there and then some debts are there?

Akhil Jindal: So, let me also answer this part. The gross debt in the books of Welspun Enterprise as on date is INR 630 crores, including the working capital, including the CP, NCDs, all kind of gross debts was INR 630 crores. So naturally, some of the proceeds will be used to retire as much debt as possible.

And as regards to two projects are concerned, we have got two not BOT projects as we said, but two HAM projects left. So out of the two HAM projects, I think, in Aunta-Samaria, correct me if my team has any other view, we have already fulfilled our equity commitment. It is only in the SNRP, which is a Tamil Nadu project. We have further equity required of around INR 225 crores. So that is the commitment further on the road portfolio that we have. Other than that, we have fulfilled all our commitment till date.

Moderator: Next question is from the line of Sudarshan Bavaria, an Individual Investor. Please go ahead.

Sudarshan Bavaria: My question is, after doing this deal, what will be the tax outflow and how much cash you will have in the books? And out of that, how much you will use to repay the loan and after meeting the current equity commitments, how much would be left?

Akhil Jindal: I would just request Sanjay to address this, Sanjay and Kevin who has done the tax working.

Sanjay Sultania: As far as tax outflow to go that we are working with our consultant Price Waterhouse and hopefully it looks like that it should be in the range of INR 35 crores to INR 40 crores as a tax outflow in the whole deal in the next financial year.

Sudarshan Bavaria: So how much cash will be left after meeting the current commitments?

Sanjay Sultania: As Mr. Akhil Jindal has said, regarding we will retire the outstanding loan that we have currently in our books, which is close to about INR 600-odd crores.

Sudarshan Bavaria: Sorry to interrupt, but he mentioned as much as possible, not the entire loan?

Sanjay Sultania: See, what is happening. there are certain loans which we have a time commitment, which is completed in the next 4 to 6 months. We keep that money to retire and whatever we can retire immediately as per our loan agreement that we will retire. The idea is that to become a zero-debt company on the standalone basis.

If we retire that and the tax outflow and the deal expenses and all put together, we are expecting close to about INR 700 crores to INR 750 crores as outgo at this point of time. And then we have a further equity commitment for our HAM projects, which is under construction at the movement, which is close to about INR 225 crores as of now, that is a commitment.

We should put together the INR 1,000 crores is already visible at this moment and whatever is left out, I would request to Mr. Akhil Jindal or Mr. Garg to explain about it, what would be the decision of the Board when we take it to the Board?

Sandeep Garg: So as Akhil presented, we have in the bank right now, INR 2,338-odd crores, out of this INR 1,000 crores was explained by Mr. Sanjay Sultania. The balance money is available for future growth of the company and capital allocation as decided by the Board.

Sudarshan Bavaria: No, fair enough Sanjay, but only thing is that these cash will have cost of money and this was very much expected that this will come this financial year. So I'm very sure, you would have some timeline to deploy this money? Whether you are going to deploy next 6 months, next 12 months, you must be having some broad guidelines?

Sandeep Garg: For sure, we have opportunities where we can deploy the cash and we will present it to the Board for further guidance of capital allocation.

Sudarshan Bavaria: But by when as an investor we will come to know?

Akhil Jindal: I think the reasonable expectation should be to declare the Q3 number sometimes in late part of January. And by that time Board would have authorized the further deployment of the funds. So just have a bit of a patience till that point of time. And I hope we would be able to give you a very clear picture after the Board has approved the deployment plan.

Moderator: The next question is from the line of Saurabh Kumar Agarwal, an individual investor. Please go ahead.

Saurabh Agarwal: Thank you very much sir. Congratulations on the closing of the deal. I have few questions regarding the future revenue, since we have now given up these projects to Actis, what is the expected drop in the revenue because we have given these projects?

And what would be the saving of the interest, I mean, you can average figure of -- on the quarterly basis, how much interest are you going to save since we are becoming debt-free, could you give these two figures?

Akhil Jindal: So if I understood your question, you are asking how much is interest saved? So naturally along with the debt -- along with that equity, INR 3,500 odd crores debt is also transferred in the books of the new buyer. So basically, on the conclusion of the deal, our balance sheet would be lighter by INR 3,500 crores on the gross debt basis.

So I mean, even if I consider saying 8% as an average cost over the INR 3,500 crores, we are talking of a good, how much around INR 300 crores? Between INR 250 crores to INR 300 crores as an annual saving on this portfolio.

In addition, as we mentioned, post conclusion of everything, the company would have got a cash of around INR 2,700 crores. So you can say, even if we on a treasury earn between 8%, 8.5% on an average, we are talking of another INR 250 crores to be generated out of the treasury.

I am not even talking of the deployment plan and what value we can create as we answered in the previous question, the Board has to decide that. But just on a pure math, these are the numbers.

As far as the revenue and the income forego, your question. So all of these were HAM projects, five were HAM and one was the BOT projects. And the five HAM were, you can say, because they were completed for substantial time now, all of them were almost in a self-sustainable mode. That means whatever NHAI was paying or PWD was paying, that was taking care of the interest and depreciations and loan repayments and the O&Ms and everything.

So all-in-all, basically our balance sheet would be lighter. We would generate more cash on the cash earned through this process. And ultimately, whatever value we can create out of this divestment is something that I'm sure all of you would be very keen to know, which we would be able to present post our quarter three numbers.

Saurabh Agarwal: The other question is Adani has got Dharavi redevelopment project. Has it got any impact on our Dharavi wastewater management project or is it totally mutually exclusive project?

Sandeep Garg: These are two mutually exclusive projects. Dharavi's sewer treatment plant is a separate identified piece of land and the SRA land is a different identified land.

Moderator: The next question is from the line of Sudhir Bheda from Right Time Consultant. Please go ahead.

Sudhir Bheda: Sir, I would like to know what would be the monthly run-rate? I saw in your television interview that it would be around INR 350 crore kind of thing in a month. So next year, is it possible we should cross INR 4,000 crores?

Sandeep Garg: See, as I said, we have a clear visibility of order book, which is for about next 2.5 years. We have an order book of INR 11,400 crores, so which is the run-rate that we should be targeting for the next year.

Sudhir Bheda: And any new orders in pipeline which we are likely to win in the next two to three months?

Sandeep Garg: There are enough orders in the market, are we aggressively pursuing them? The answer is no because we still believe that the competitive intensity in road is high, which we believe should settle down going forward.

Moderator: The next question is from the line of Vikash an Individual Investor. Please go ahead.

- Vikash:** Congratulations on the entire transaction. I have just one question. Just to understand on the oil and gas assets, is there any plan to liquidate the same? I think that as you mentioned previously. Any plans on that, sir?
- Sandeep Garg:** See, this is a pure Actis related call. I would request that if we stay with the Actis call, we will address this issue in the Q3 call that we will have in the January.
- Moderator:** We have one more question in the queue from the line of Anirudh Singhi from Dalal and Broacha Portfolio Managers.
- Anirudh Singhi:** Congratulation on the transaction. So you mentioned you expect 8% to 8.5% return on your treasury income. So how do we look to invest these proceeds?
- Akhil Jindal:** I think we answered that in our previous conversation. So, my submission again would be that we'd be able to give you a bit more detailing once we have a chance to meet at a board level with our Q3 numbers. Just kindly wait up till that.
- Anirudh Singhi:** And any possibility of returning some money to shareholders through dividend or buyback?
- Akhil Jindal:** I think it would be a cumulative decision that would be taken in the holistic manner. So I guess we all have to wait for that.
- Moderator:** Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Bansal from JM Financial for closing comments.
- Sudhanshu Bansal:** Yes Faizan. I thank the management of the Welspun Enterprises for giving JM Financial the opportunity to host the call. I thank all the participants for attending this conference call. Thanks a lot, and over to Mr. Bawa, if there is any closing remarks. Thank you.
- Sandeep Garg:** Thank you. This is Sandeep Garg. I would thank once again all of you for joining on this call. And I hope that we have been able to address all your queries. I must emphasize that as a company, we see a lot of opportunities and this deal provides us a strong foundation for our next phase of growth.
- Before I wrap up, I'm taking the opportunity to wish you all a safe and happy New Year in advance. I look forward to connecting with you in the New Year. Meanwhile, please feel free to reach out to Salil or his team for any questions or feedback. Thank you all.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of JM Financial, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.