

WEL /SEC/2022

August 5, 2022

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Dear Sir/Madam,

Sub: - Transcript of Q1 FY23 Earning Conference Call.

Please find attached herewith transcript of Q1 FY23 Earning Conference call.

Kindly take the above mentioned on record.

For **Welspun Enterprises Limited****Priya Pakhare**
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TRANSCRIPT: Welspun Enterprises Limited Q1 FY23 Results Conference Call
02:00 PM IST, 29 July 2022

MANAGEMENT: MR. SANDEEP GARG, MANAGING DIRECTOR DESIGNATE, WELSPUN ENTERPRISES LIMITED
MR. AKHIL JINDAL, GROUP CFO & HEAD STRATEGY, WELSPUN
MR. SANJAY SULTANIA, CHIEF FINANCIAL OFFICER, WELSPUN ENTERPRISES LIMITED
MR. ABHINANDAN SINGH, HEAD - GROUP INVESTOR RELATIONS, WELSPUN GROUP

HOSTING ANALYST: MR. MOHIT KUMAR – ANALYST, DAM CAPITAL

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Moderator

Good afternoon, ladies and gentlemen. I am Kritika moderator for this conference call. As a reminder, all participants will be in 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 touch tone telephone. Please note this conference is recorded. I would now like to hand over the floor to Mr. Mohit Kumar, from DAM capital. Over to you, sir.

Mohit Kumar

Thank you Kritika. On behalf of DAM capital, I welcome you all to the Q1 FY23 Earnings Conference Call of Welspun enterprises. We will start with a brief introduction, followed by Q&A. To start the proceedings, I am handing over the call to Mr. Abhinandan Singh, Head Investor Relations, Welspun Group, over to you sir.

Abhinandan Singh

Good afternoon, everyone, I welcome all of you to the Q1 FY23 earnings call of Welspun Enterprises Limited. Present along with me today on this forum are Mr. Sandeep Garg, Managing Director Designate and someone most of you would already be familiar with; Mr. Sanjay Sultania, Chief Financial Officer of the company; and Mr. Akhil Jindal, Group CFO and Head - Strategy, Welspun. You would have received the company results and that is also available in our filings with the BSE and NSE as well as the company's website welspunenterprises.com, which has additional disclosures and information in the "investors" section there. Do note that anything said on this call, which reflects the outlook towards the future, or which could be construed as a follow up statement must be seen in conjunction with the risks that the company faces. As usual, we will start the forum with some opening remarks by our leadership team, and then we will open the floor for your questions. Should you have any queries that remain unanswered after this earnings call, you can reach out to us. With that I would now like to hand over the floor to Mr. Sandeep Garg, over to you.

Sandeep Garg

Thank you Abhi. Good afternoon, everyone. I am pleased to share that our operating and financial performance in the quarter reflects the still unfolding outcomes of our efforts and investments over the past few years. This includes the recent asset monetization transaction that you would be already aware of, where we have signed definitive agreements with Actis for the sale of six assets in our road portfolio. This transaction is in line with our stated strategy to operate with an asset-light model.

We have also witnessed a significant uptick in our order book, both in terms of quantitatively and qualitatively. The order-book, as on 30th June 2022 stands at Rs 11,900 crore out of which, approximately Rs 1,500 crore is towards O&M and balance towards the EPC.

The most important point to note is that with the addition of Dharavi waste-water treatment facility project, our average contract value is more than Rs 2,000 crore. The project, Dharavi, which was received in this quarter, we have received the letter of acceptance, is our single highest order with a total consideration of Rs. 4,636 crore. This amount is inclusive of GST. I am particularly happy that with this project, which is one of the largest wastewater treatment facilities in India, Welspun will make an important contribution in this city's journey to achieve Swachh Mumbai, which also strengthens the Swachh Maharashtra and Swachh Bharat mission. This large order provides good visibility for sustainable growth.

Coming to our Q1 results, as you would have noticed, our performance during the quarter has been strong as far as revenue growth is concerned, it is up 96% or nearly doubling on a sequential basis, but with subdued margins. Looking ahead, the status of our order book, which is fairly balanced between the water segments and the road segments, water segments being close to Rs. 6,450 crores and the balance being from the roadway, approximately Rs. 5,450 crores. There's a clear visibility for growth both in the water and the road sector and the revenue of the company.

We are reasonably confident of delivering consistent and robust growth going forward. As regards the pressure on the margins in Q1, this is primarily due to the unusually high commodity price cycle, and as we see the inflation normalizing, the signs of which are as per now, we believe that this pressure will ease off.

I would also want to touch upon one of the major operating highlights of this quarter, which is the commencement of toll inflows from Mukarba Chowk-Panipat. This project alone will contribute in the consolidated books an approximate EBITDA of Rs. 250 crores, on an annualized basis till the time the exit transaction, which was referred by me, with Actis does not close. Post which, the company will have corresponding cash inflow which will make the company a debt free company, and with substantial cash on the book. This project, that is the Mukarba Chowk - Panipat and Chikli-Tarsod project, are the two road projects which were dedicated to the nation during Q1 FY23. Post this monetization transaction our road asset portfolio will comprise of two under construction HAM projects, namely Sattanathapuram-Nagapattinam road project and Aunta-Simaria road project. The balance of Mukarba Chowk - Panipat road project is close to completion. This will leave us with the EPC contract of Varanasi-Aurangabad Road project. As you would recall, both the water segment projects, that is UPJMM and the BMC project of STP, are EPC contracts and hence require no investments from us.

I am also happy to share with you that during the quarter the Gold Award was conferred upon Welspun Enterprise Limited by the Union Ministry of Road Transport and Highways at the National Highways Excellence Award 2021. The award was presented for Excellence in Project Management under Public-Private mode for the 14-lane Delhi Meerut Expressway Package 1. You may recall that this expressway was completed in record breaking 19 months as opposed to the projected 30 months, setting a new standard for operational efficiency and project management excellence and reflects our execution capabilities.

I would also want to mention that we have been working hard and building our order book strategically with focus both on roads and water and wastewater segments and shall continue to do so. We are very optimistic about our growth strategy and trajectory to come and are confident of capitalizing upon the ongoing thrust by the government on improving and developing the country's infrastructure sector.

With this, I hand over the call to Mr. Sanjay Sultania, our CFO to share the key highlights of our financial performance. Over to you, Sanjay.

Sanjay Sultania

Thank you, Mr. Garg and a very warm welcome to all of you in this Q1 FY22-23 earning call. I am sure you must have noticed that we have delivered a very strong revenue growth in this quarter on either on Q-o-Q basis or on Y-o-Y basis. We have significantly surged our revenue growth by 96% on Y-o-Y, and 44% on Q-o-Q basis. We also witnessed some major events including the monetization of our portfolio of operating road assets as mentioned by Mr. Garg in his speech. We have demonstrated a strong skill in terms of undertaking infrastructure assets and executing them efficiently. We believe this asset monetization is a remarkable achievement by the company, reposes the confidence of our asset light model and recycle

philosophy. Thus, this will provide us enough liquidity to move forward and explore newer opportunities available in the ever-growing need of infrastructure development in our country.

Hopefully, this will also help us to be a zero-debt company on a standalone basis and having marginal debt on consol financials. As Mr. Garg said, during his address to you that our order book is at around Rs 11,900 crores which is a very balanced order book between water segments and road segment. And you will also notice that, we have started as a developer company, but now, our order book is going towards the external order book and which is taking pace than the captive order books. As we know that we have also won one additional contract of Rs 1,600 crores which is a repeat order from the same client of National Highway 2 and this order book, this new order will definitely boost up our individual speed and help us to rationalize and optimize our execution costs as well. In the area of wastewater, you all know that we have received this MCGM order from the city of Mumbai that is what Mr. Garg has already explained about the size and the completion time schedule for this order.

Sitting on the strong execution in all our projects, we were able to maintain a strong revenue momentum during the quarter. On a standalone basis the company's revenue for Q1 was Rs. 675 crores, a 96% year-on-year growth as compared to Rs.344 crores in Q1 FY22 on the back of a strong pace in execution front. EBITDA was at Rs. 50 crore in Q1 FY23 as against Rs. 41 crores in Q1 FY22. EBITDA margin was at 7.2 % compared to 11.7% in corresponding quarter of the last year. The decline in EBITDA margin was mainly due to unprecedented headwinds, including inflationary pressure, leading to high input cost, and some supply chain disruption, such as seizure of mining operations in Jharkhand, along with the commencement of work on our new orders. We believe the margin to improve going forward with the softening up of raw material prices and the pace of facilitated execution in this newer order. We have achieved PAT of Rs. 25 crores in Q1 FY23 as compared to Rs. 20 crores in the corresponding last financial year.

Now, moving to the consolidated performance. Consolidated revenue for Q1 was Rs. 822 crores as compared to Rs. 413 crores in Q1 corresponding last year, a growth of 99% year-on-year. Consolidated EBITDA for Q1 stood at Rs. 151 crores as against Rs. 72 crores in Q1 FY22. EBITDA margin for Q1 FY23 was 18.3%. Consolidated PAT was Rs. 49 crores in Q1 FY23 as compared to Rs. 26 crores in corresponding last year. I would like to further highlight that from this quarter onwards we will have substantial income adding to our console financial on account of our toll operations, which will be upward trend, also on quarter-on-quarter basis and thus substantially contributing the EBITDA margin at console level. As a company we are growing consistently. And with robust order book and enhanced financial strength, we expect the growth momentum to continue in the coming quarters as well. This is all from my side. And we can now open the floor for questions and answers session, thank you very much for the patience.

Moderator

Thank you, sir. Ladies and gentlemen. We will now begin the question-and-answer session. If you have a question, please press * and 1 on your telephone keypad, and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again. We will wait for a moment while the question queue assembles. First question comes from Nikhil Abhyankar from DAM Capital, please go ahead.

Nikhil Abhyankar

Thank you, sir for this opportunity. I had a few questions. What is the status of the road sale transaction and what will be the cash inflow for us?

Akhil Jindal

Okay, let me just answer this, basically, the definitive agreements were signed in the month of June, and that's where we have shared with the investors and analysts, you know, the commencement of the deal. Basically, we are in a process of getting the CPs complied, which primarily involves the lenders and the NHAI/ PWD regulators' approval. So, we believe that all of this should be over by, say, you know, end August, early September. And that's the time when this deal you know the money would start flowing in. That's Part A of your question, the part B of the question is that how much money as a company you will be getting? The total consideration along with NCA is expected to be in the range of around Rs. 2,350 plus. In addition, it will also enable around Rs. 300 crores of the working capital ease out in Welspun Enterprise level. So, all in all, I'm looking at a fund acquisition or a fund transaction of in excess of Rs 2,600 crores.

In addition, the debt will also be then transferred to the new owner. And to that extent, our support will also reduce if not, if not extinguish completely, because our support will be extinguished after completing of all the approvals, which includes the Mukarba Chowk, our road project, where we have a 49% approval likely to come shortly and 51% with a policy change. So, over a period of time, our support on the debt side will also come down and also the fund infusion or the new funds into the company in excess of Rs. 2,600 crores as I mentioned. I hope I've answered your question.

Nikhil Abhyankar

Yes sir, just a small follow up how do we intend to use the cash.

Sandeep Garg

So, the order book as you see is a substantially large order book. So, we will become debt free which we have a debt of about Rs. 500 crores at the parent level. So, that is something that we will and then the balance cash will be available for supporting the current operations as well as future growth.

Nikhil Abhyankar

Understood Sir. And in the initial comments, you mentioned that the margins were low. So, can you give us a specific like any specific commodity because of which the prices were high or and what are the protections that you have taken so that we can tackle this problem going forward.

Sandeep Garg

So, as you would most of you will recall, practically the whole commodity cycle was upward, whether it was petroleum products, bitumen, steel, and as was talked about that Jharkhand mining closure, so which has led to some input costs going up. As you see there are decisions being taken at the governmental level to ease out, the inflation is down, the steel prices have relatively eased up. Relatively cement is also eased up to some extent. So, the relative pressure drops on the commodity cycle, so we look forward to that. And with the monsoon becoming weak moving forward, there'll be further ease off on the cement and steel prices is what we anticipate. So, we believe that this this temporary blip is a quarter or two quarter issue.

Nikhil Abhyankar

Okay sir understood, and one final question, there is one large order from BMC. So how will it affect our revenues in the near future and do you see any other large opportunities like that in the next one year?

Sandeep Garg

So, this large order of MCGM is a five-year contract for the EPC. The first year is going to mostly be devoted to preparing the ground for work as well as the engineering. The real work would begin possibly about 9 months to 10 months after the project is awarded. And so, this year I don't see it substantially causing much of a revenue. However, we have major projects like Varanasi Road projects, SNRP project, and the UPJJM, which are which are on a fast track. Those will be large revenue contributors going forward.

Nikhil Abhyankar

Understood, Thanks a lot that's all from my side.

Moderator

Thank you, sir, next question comes from Chirag Singhal, from First Water Fund, please go ahead.

Chirag Singhal

Yeah, Thanks for the opportunity. So, first question is on the physical progress across project, could you please share the number, as of 31st of March, and as of 30th of June, what is your physical progress across all your projects?

Akhil Jindal

I think just to answer, start with it, we have five projects on the HAM side which have already achieved PCOD/ COD. In fact, out of five, two have already achieved COD, the third one is likely to get COD soon as well. On the BOOT project, we have achieved the PCOD and likely to get COD achieved in the third quarter or so. And on the balance 2 HAM projects, which is SNRP and Aunta-Simaria, these are the two HAM projects which are left, and we will just give you the physical progress done on it.

Sandeep Garg

So, the SNRP road project, it's currently at 8.3%. And the Aunta-Simaria is at 43% or there around at the end of June. And the completion periods expected for SNRP is June 2024. While that of Aunta-Simaria is December 2023.

Chirag Singhal

Okay. Yes, this was for 30th of June for the HAM project. And if you could share the same data for the projects, as well as the corresponding numbers as of 31st of March.

Sandeep Garg

I don't have those ready. If you could get in touch with my team, they would be very happy to answer those.

Chirag Singhal

Okay, alright, sir, we have seen that the delay has been happening in the execution especially in those 2 projects: Aunta-Simaria and SNRP. So, can we, you know, let's say assume that projects will have a speedy execution going ahead as in the current fiscal as well as next fiscal.

Sandeep Garg

That is correct. The SNRP, the de-bottlenecking of as you know that all the Tamil Nadu projects were having problems relating to the earth work and the pond ash with the intervention of the government, central government and the state government the things have started to ease up and we are just now started getting work, we are quite hopeful that in next few months the pond ash issue is also going to get resolved. So, the structure work has been progressing at SNRP. The question was earth which is getting resolved now. So, we are very confident that SNRP will start turning substantial revenue going forward. As regards the Aunta-Simaria, the bridge section has already substantially moved ahead. However, as you know, because of the work being on water, the time period available for working on the water is somewhere around six months. So, it will be a bit slower on the bridge side, but they will be much faster work on the approaches which have started, on which we have started the work because, now the funds are available to connect the bridge from both sides. Another thing that I would also want to say that Aunta-Simaria there are certain changes, because of railway requirements. So, certain RUB requirements have come in, for which the approvals are now in place from Railway and hence that particular section is also stands de-bottlenecked.

Chirag Singhal

Okay, no but I believe that the date for Aunta-Simaria was FY23 and now I think we have the stated December '23, So, what is the reason for you know, delay? So, I think in the last quarter only we mentioned that Aunta-Simaria will be completed in FY23 itself. Now you're saying December '23.

Sandeep Garg

Because like, the reason is because as I said there was a requirement of a ROB/ RUB from Railways and Railways approvals have come now. It's a major railway track, because of the configuration of railway tracks, there is a requirement to convert one of the ROBs to RUB's, otherwise the access is not available, and it was with the intervention of Pragati, that this resolution could take place between Railways and Ministry of Road Transport and the NHAI. So, now with this having come, we are entitled to an extension of time of approximately 500 days, which we will get, and since this is not de-bottleneck is why I am telling you that we are expecting this to be completed by December 2023. Because there is a process of building the RUB which has now been approved, which is a time-consuming process.

Chirag Singhal

Yeah, I'm saying what is the total L1 at this point of time, and if you can please give some guidance on the fresh order inflows for the current fiscal year?

Sanjay Sultania

I think as far as L1 is concerned; we have only LOA in this MCGM project which we talked about.

Chirag Singhal

Okay, and any guidance on fresh orders.

Sandeep Garg

So, we have substantial orders and as I said, we are very selective in our order book, we want to take strategic orders. So, we have substantial, as you would know, we are with a substantive growth, we have a clear visibility of orders for at least three and a half years. So, we will be very selective in picking up the orders, However, strategic orders we will take.

Moderator

We're having a question from Rohit Natarajan, from Antique, please go ahead.

Rohit Natarajan

Yeah, thank you for this opportunity. So, my first question is noted over this - top management change that we have seen. We are glad to see Mr. Garg get back into the business, but what seems to be this reason for it, and does this particular changes would impact our strategic thinking, execution, in the days to come. If you could throw some color on those aspects?

Sandeep Garg

We would have wanted Ajay to take this forward, whatever we're talking is something that Ajay and team have done in the last quarters, duly supported by the Board and the group. However, Ajay had his personal reasons to move on and the Board in its wisdom decided to recall me, the advantage being that I have practically for the last 10 years, barring for this short period, been with the company and seen its growth. So, hopefully, I will deliver the results as are expected.

Rohit Natarajan

Sure sir, apart from that is the role that is MD and CEO will be separate I mean what exactly does the new way of thought process going ahead.

Sandeep Garg

This we are right now continuing, however there can be always new opportunity going forward.

Rohit Natarajan

Sure sir, coming on to the company's specific questions, that is we have got a very good asset monetization in place. I understand in your opening remarks that you will be using it for future growth opportunities as I understand, but could you please directionally guide us as in where exactly this cash will be deployed, will it be more towards road projects, HAM projects, if not HAM will it be BOT projects or would you be you know going for an inorganic growth opportunities, any color on those aspects of it. It will be great.

Sandeep Garg

So, see as I said, we are looking for strategic building of order book, so, we are not, but it will be not be prudent of for me to say that it is it will be HAM or mix of there of any projects are in the sector of roads and water segments, which is strategic and gives us return in the ranges of 15% and above is something that we will look for with this cash.

Rohit Natarajan

Sure sir, in principally, currently we are focused on EPC business, we don't have, maybe strategically we have some asset heavy model, but largely we will be EPC business, correct? Is that the understanding, correct?

Sandeep Garg

We have we have all the HAM, the BOT, toll everything within the portfolio and open as a business opportunity. As I said, our governing principle is it should be strategically right for us to enter into that project and it should give us a return of more than 15%, these criteria's which whatever of the options of the models will allow we will be looking at that option.

Akhil Jindal

Also, look 15% is not just on our own invested equity, but on an overall project basis is what you know we will be mindful of because ultimately if there is any debt being taken on the books of the company, we believe that is also our exposure and on an overall basis we should be on a return of 15% plus, then only this money only would be deployed.

Rohit Natarajan

Sure sir, sir final question from my part. Given that we have got such a huge order backlog, 6x book bill, I understand that there will be a bump in revenue and you have been guiding may not be in the very immediate term it will take a little bit time. But could you just give us some like the peak revenue in the billing, would you be able to achieve peak revenue by FY24 will you be doing 3,000+ kind of number. Any color on those aspects it will be great help.

Sandeep Garg

Yeah, we should definitely be touching those numbers. For sure will be, for the current financial year ending next we should be touching above those numbers going forward.

Rohit Natarajan

Got it sir, but also on the margins part now that, I understand this was a transient issue that we have had in the last quarter. But would it mean that we will be back to 9% to 10% EBITDA margins once we do the peak number?

Sandeep Garg

Sure, I mean, we concur in that.

Sanjay Sultania

We should be in the range of double digit as we move forward. And we are very hopeful that we should be closer to this.

Rohit Natarajan

Thank you, sir, that's it from my side, all the best

Moderator

Thank you, sir. Next question comes from the Riddhesh Gandhi from Discovery Capital. Please go ahead.

Riddhesh Gandhi

Hi Sir. Hi, just wanted to understand after this Actis transaction, how much would be the cash on books, overall, at a consol level?

Akhil Jindal

See, today we are at a net debt of around Rs. 400 crores if I'm not mistaken the exact number, Sanjay can just tell me, but with this, you know, total free up of the cash will be in excess of Rs. 2,600 crore. So, I think on a net debt basis, we would be around Rs. 2,200 crores.

Sanjay Sultania

Rs. 2,200 crore plus, I mean the zero debt on the books and Rs. 2,200 crore plus, and on the consol side also, out of the six assets which are going getting divested, all the loan will go to the buyer, left out on the consol also at the moment we have will have only one company, I mean, one project, Aunta-Simaria which will carry debt. Otherwise, there's no debt after this transaction be implemented and SNRP is not at the moment, but going forward, it will come.

Riddhesh Gandhi

Got it, sir it seems like that's a reasonable amount of cash on books. And I understand that while the order book is also actually large, you know, we are I mean meaningfully under leverage. So just wanted to understand, I mean, is this a plan to actually deploy it into infrastructure only? Or are there some new areas we're looking at? Or is it to return it as like a capital to effectively shareholder how you're thinking about it, because even though even based on the existing order book, we've got way too much cash on books.

Sandeep Garg

In the infrastructure as, as you will recall, the journey where when we started to grow in infrastructure, we had created a war chest of Rs. 1,000 crores, and we propelled the company to current order levels. So, if we have a war chest of this kind we can, we will have the next phase of growth. That's what our belief is and that is why we would want to retain this cash and as we said, and deploy it in, in projects where which can give a project IRR of 15% or there around. We believe that there are opportunities out there to deploy it successfully once the cash is on the book.

Riddhesh Gandhi

Got it. Sir, the other question was kind of going back to the journey which after the solar assets, we were like deploying into infrastructure, you know, at that time, our expected equity returns were closer to 18% with an aspiration to go over 20%, you know, just wanted to understand between what it was and what actually ended up playing off, actually what our learnings were, and, you know, is there a reason why we are happy now with 15% project IRR, or effectively, that's all that we actually should be able to expect in an industry like this.

Akhil Jindal

So, yeah, that's why I clarified in between that is not 15% equity IRR, this is 15% Project IRR, and with the project IRR of 15% with a gearing of say 2:1 or maybe 3:1, as maybe permitted in the infrastructure sector, our equity returns are in excess of 20%, you know, so, we have maintained on that path, which we guided you at the beginning and always had been mindful of cost of equity being the highest in the pecking order. And to that extent, we always respected it in the bidding and as well as in the exit strategy. So, you know the shareholders' interests always be kept aligned along with the return which you've projected for our bidding and for the exit strategy.

Riddhesh Gandhi

Got understood. But, effectively the capital heavy, because you know on one hand, we are indicating we are preferring to do actually capital light project, right, and on the other hand we are retaining Rs. 2,200 crores of a cash with a potential to gear up three times. So, let's say anywhere between Rs. 7,500 to 10,000 crores on project. So, just wanted to understand how should we sort of be thinking of the difference between the two?

Sandeep Garg

So, we are trying to, this is like as I said earlier also, is trying to create all sorts of, where we can stand on stable footing. So, there will be a developmental module to deploy the cash, however, there will be a stable EPC business, which gives us the return without the capital investments. And that's the diversification which is also made into water. So, as the company is going big, the intent here is to make it come to a stable platform and have offerings which can both work when there is liquidity on the balance sheet and also when there is limited liquidity as the employ the deployment of cash takes place. The growth has to continue and that's the business model that we have come up with. So, we will be working on two sectors - that's road and water, the offerings both of the EPC and the investment model. We believe will give us the stability that is required for sustained growth, yeah.

Sanjay Sultania

This is Sanjay here. In addition to what Mr. Garg has said our asset light model philosophy will always remain. Though we will get cash in our books by this Actis sale. But as we know that order book and EPC side is more than Rs. 10,000 crores. This will also require certain working capital side not from the asset side. And you see as a mindset we are not that aggressive, or we are very conservative in utilizing the borrowed funds as working capital. This money will also get consummated to some extent to retire our term debt liabilities as well as use against our EPC order book as a working capital, not to buy the capital assets. But as in when we get the opportunity as mentioned by Mr. Akhil Jindal, to our mindset of getting the right IRR, we will get into it into it.

Riddhesh Gandhi

Last question, historically and I think we've discussed this also that EPC is not typically have been extremely lucrative, just wanted to understand how that thought process has changed and effectively if you are now looking to use actually equity on books as opposed to even a leveraging it up how to how to the EPC returns then really accrue to actually equity shareholders because I mean, I would assume if you if you don't even use the leverage you may not be able to achieve your sort of adequate return on decent equity on a highly competitive EPC project.

Sandeep Garg

So, let me let me take this question. The EPC, if our offerings, primarily EPC in the road, your observation would be absolutely right. So, our focus on EPC on road is primarily on a strategic level rather than another you know bided level; we are more focusing on water segment where there is a differentiation through engineering and design optimization, where we believe that even the EPC gives us the desired returns, as opposed to predesigned road already straight-line road construction. So, we are really mindful of the bottom line. So, when we take the EPC contracts, they have to be strategic and have to meet the threshold return requirements as have been specified. So, in which is sacrosanct for us.

Riddhesh Gandhi

Got it understood. Congratulations on your transaction and all the best, I'll get back to you.

Moderator

Thank you, sir. We are having a question from Saurabh Agarwal an Individual Investor. Please go ahead.

Saurabh Agarwal

Hello, good afternoon, everyone. I just have a very basic question regarding that deal, which was, which was informed to us in June, last month, about the sale of these projects, and the tentative timeline has been given by 31st March the deal should be over. So, could you please give us any update on this tentative timeline? Is it going to be expedited, or 31st March is like the ultimate time period, we should take? Thank you.

Akhil Jindal

Yeah, I think we answered the beginning. In fact, we're looking at multiple rounds of closing in this transaction. And we believe that, you know, in around 31st March 2023, is when the full deal will be concluded, of course, subject to the NHAI approval for the balance 51% equity sale also, which currently is under evaluation at NHAI, not yet finalized. But I think all in all, we are looking at perhaps a June quarter or something, next year for the full commencement. But as I mentioned, the closing will happen, you know, in multiple rounds, and we are expecting the first round of money to be available sometimes, perhaps, if we are lucky, within this quarter, or at the beginning of the next quarter.

Saurabh Agarwal

Okay, thank you very much. Thanks a lot

Moderator

Thank you, sir. We are having a follow up question from Riddhesh Gandhi from Discovery Capital. Please go ahead.

Riddhesh Gandhi

Hi this is the follow up question, just to understand, how much was the equity IRR we were able to generate out of the projects, which we sold?

Akhil Jindal

All in all it was 1.5x of our invested capital. So, it was 1.5x. I am sorry, I don't have that IRR percentage handy with me just now. But I would ask my team to circle back.

Riddhesh Gandhi

Okay, got it. So overall.

Akhil Jindal

On a price to book basis it was 1.5 times.

Riddhesh Gandhi

Yeah, it's a little relief. So and the other question is, just wanted to understand with regards to how are you seeing kind of, competitive intensity and now on the HAM side and the water side and the EPC side and, and do we will feel given effectively, you know, the equity IRR, I think for the project, which we sold may have been slightly lower than our expectation, how are the things going to change going ahead and the learnings we've had from historical transactions?

Sandeep Garg

So first, answer the question of competitive intensity. I think the competitive intensity in the interim period on the road projects has been extremely high, which has now seen some reduction. We've stayed away from very highly competitive environment in the road because the pricing was practically going into negatives of ranging from 10% to 25%. Not an area that we want to play in. However, the recent awards, few of them are about 5 to 10% above the budget, so we think the control is coming back because there's orders which have not seeing financial closures. So, I think the competitive intensity is reducing and, in another quarter, or two quarters, I think the playing field should once again be established. In terms of the offerings, the government it is now realized that the BOOT model initially without it any you know guarantees on the traffic. Every traffic that's being taken by the developer is not a model that can sustain. So, there is a thinking going on, which I believe will you know make the risk and reward equation of it favorable. So, we will be looking at those developments as to decide if we can, it can give us the adequate returns. On the water side, plain vanilla small value contracts, intense competitive intensity in water, however, we've seen the higher value contracts have limited players and limited competitive intensity and that's the area that we would aim.

Riddhesh Gandhi

Good, understood sir, that's all. Thank you.

Moderator

Thank you, sir. And that will be the last question for the day. I would now like to hand over the floor to Mr. Sandeep Garg for closing comments.

Sandeep Garg

I would want to thank all of you for joining us on this call today. Your questions have been insightful, and I appreciate your interest in Welspun Enterprises. I look forward to speaking to you once again during the next quarter. Meanwhile, please feel free to reach out to Abhinandan for any clarifications or feedback. I also thank Mr. Ajay Hans the Managing Director for the support that he's given the company during his tenure. Thank you all. Good Day.

Moderator

Thank you, sir. Ladies and gentlemen, this concludes the conference for today. Thank you for your participation and for using Door Sabha's conference calls service. You may disconnect your lines now. Thank you and have a pleasant day.

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