# "Welspun Enterprises Q4 FY2017 Earnings Conference Call"

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**Moderator**: Ladies and gentlemen good day and welcome to the Welspun Enterprises Q4 FY2017 Earnings Conference call, hosted by Edelweiss Broking Limited. 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 the operator by pressing "*" then "0" on your touchtone phone. I now hand the conference over to Mr. Abhishek Jain from Edelweiss Broking. Thank you and over to you Sir!

**Abhishek Jain**: Thank you Lizaan. On behalf of Edelweiss Broking Limited, I would like to welcome all of you to the Q4 FY2017 conference call of Welspun Enterprises Limited. From the company, we have Mr. Sandeep Garg, Managing Director & CEO, Mr. Srinivas Kargutkar CFO Welspun Enterprises Limited, Mr. Akhil Jindal, Group CFO & Head Strategy, Welspun Group. Now, I am handling over to Mr. Sandeep Garg for the further comments. Thank you Mr. Garg.

**Sandeep Garg:** Thank you. Good afternoon everyone. As you know, on the conference along with me is Mr. Akhil Jindal, the Group CFO & Head Strategy, Mr. Srinivas Kargutkar, Welspun Enterprises CFO. Duly assisted are this is the IR team ,Harish and Subir from IR and Mr. Kevin Daftary from Accounts team on this call. Let me start with the current status on the company. For good news the Delhi-Meerut package one, which you had, recall got the appointed date on November 2016. The work on that project is in full swing. We completed more than 20% of the progress by March-2017 and at the end of the April the progress was more than 30%, which was a milestone on the concession, which we achieved about 250 days in advance, which gives us the confidence to tell you that we are expecting to complete this project well ahead of schedule, which is the schedule completion of the project being May 26, 2019.

In terms of our future businesses in hybrid annuity projects, we did a project in Aunta-Simaria (Bihar) HAM project of value of 785 Crores approximately, the bid was submitted in May 2017 and is awaiting opening . As you would recall, we have six BOT assets, 5 in roads, which includes the substantially divested Dewas-Bhopal road, 4 - 100% owned toll roads and 1 water project. On the other side as you know, we are also operating a BOT asset of water called Dewas Water. This project as you may recall it is under restructuring was supposed to be done at a Swiss challenge. The Swiss challenge bids have been received and opened and the bid accepted of the highest bidder. Now the process of its acceptance by the cabinet and our right to exercise ROFR will start.

On the Oil & Gas side, we are in a joint venture with Adani. We own 35% and 65% is owned by Adani Group . We have five relevant blocks. Two in Kutch, one in Mumbai, and one in Gujarat, which is a onshore block and then recently won DSF, which is once again an offshore block. Out of these five blocks, four blocks, we have already stuck the Oil & Gas and are in various stages of its development. Among the four blocks where we have stuck Oil & Gas are two blocks in

Kutch where we are in consortium with ONGC and the appraisal wells are being drilled. Currently, we are interpreting the information received from our earlier drillings and planning to fine tune the second appraisal wells in these two blocks.

In terms of the other block, which is already assigned, which is in Gujarat (Palej), we are in active consideration with DGH and MoPNG to treat this block as alive and allow us to go ahead with the appraisal program, which is currently under discussion. The fourth block where we have already got the Oil & Gas is the recently won cluster B-9, which is about 20 km away from our existing Mumbai block. This cluster consists of three fields namely B-9, B-7, and BRC as you know this is in the prolific block of Mumbai High. The B-9 is a gas-bearing block, BRC is an oil-bearing block and B7 is also a gas field. The PML of this block has been transferred to us. We expect the zero date for this new project is to begin in June 2017.

Now coming to the Welspun Energy, which was a stake sale. We have sold our 15.49% stake sale for a consideration of three times the book. The money has been received already. I am also pleased to inform you that we have completed our buybacks. There were 22.7 Crores shares surrendered under the buyback scheme, which meant about 15.5% approximately share capital at a book price of Rs.62 per share. The total outflow in this case was 167 Crores. Post the buyback, the outstanding shares are approximately 14.7 Crores shares. The original shares were 17.4 Crores.

I am also pleased to inform you that the rating agency "Care" has upgraded our ratings. For the long-term it has been upgraded from A to A+ and for the short-term it has been upgraded from A1 to A1+, which is the highest rating possible for the short-term. I would also want to share with you that the board has the confidence in the company's performance going forward that on the back of the buyback we have announced a dividend. The board has recommended a dividend of 7.5%.

As regards to the future plans, we will continue to build our business in the hybrid annuity model of the road projects. We will continue to bid cautiously in the hybrid annuity space. We are also looking at the toll operate transfer or normally known as TOT model, which the road ministry or NHAI is right now bringing in, which should start very soon. On the Oil & Gas side, our current focus will remain on developing the B-9 discovered small field and convert it into producing asset in next two years. We will continue to explore possibilities with the cash available for creating opportunities to create value for our shareholders. With this I would hand over the mike to Mr. Akhil Jindal to take you through the financials of the company. Over to you Akhil!

**Akhil Jindal**: Thank you. I think you must have seen the company has achieved a remarkable growth. In this year, sales growth of almost 43% from 290 Crores level at last year to almost 415 Crores level at this year. More importantly, the earnings have grown significantly. We were doing almost 19 Crores of the PBT last year, which has grown to 38 Crores, so jump of nearly 98%. Going forward as Sandeep has mentioned since we have new projects, since we have new work I believe that this trajectory will continue and we will see a better growth. Important part is also on the balance sheet where we have because of the Energy business proceeds that are coming into the company and even after post buyback that the company added. The net cash position of the company has improved significantly from 782 Crores in FY16 to 928 Crores in FY17, that means the company is almost without any debt plus we have additional cash of 928 Crores to meet any further requirement by the company in terms of any new growth opportunities. If I just tell you gross debt number, the gross debt, which are 94 Crores in the last year 2016 is 150 Crores very, very easy for us to service in all respects. So I think all in all the balance sheet looks much healthier to us and much more stronger for us to be able to take up the new opportunity. I would not bore you with the other details, which are smaller minor details that can be discussed offline, but as Sandeep has mentioned that this has been the year of consolidation and lot of new initiatives and as a result we are seeing a much better balance sheet and a much better P&L for us to be able to take the opportunity forward. I think with this we can open the floor for any question and answers. Sandeep if you want to add anything further or otherwise we can address everything else in the Q & A?

**Sandeep Garg:** I suggest we open the floor and take the question. Thank you.

**Moderator:** Thank you. Ladies and gentlemen we will now begin the question and answer session. We will take the first question from the line of Dimple Kotak from SKS Capital. Please go ahead.

**Dimple Kotak:** Sir, What is the bid pipeline for the HAM projects?

**Sandeep Garg**: As currently we speak we have two projects are open bid; one is in bid, which is open and still live.

**Dimple Kotak:** That is 785, which you mentioned?

**Sandeep Garg**: One project is still not opened, but there is another bid, which has been opened where we are L2; there is a foreign company in association with the local company, which is the L1 bidder, but the project is still not awarded, the NHAI has requested to keep the bid alive because the international partners clearance is still awaited, security clearance issues there.

**Dimple Kotak:** Sir, this year did we bag any HAM projects?

**Sandeep Garg**: We did not bag any HAM projects in the last year, we were held to in two bids. However, since our first project Delhi-Meerut saw an appointed date after about 11 months we were cautious and now we believe having started to perform on the project that we won we want to be more responsive in our bidding.

**Dimple Kotak:** Sir, what is the kind of order book you are looking at closely of it?

**Sandeep Garg**: We expect the order book to be about 3000 Crores at the year-end.

**Dimple Kotak:** Sir, what is the kind of outlook since this quarter and this year pan out very well compared to last year so what kind of outlook you would like to give me, may be not in number, then just on a qualitative basis?

**Sandeep Garg**: We expect our performance to improve from where we are, as you know we do not give future guidance, I can only say we expect our performance because our executable order book is much healthier.

**Dimple Kotak:** Sir, what is the current order book?

**Sandeep Garg**: The current order book is in the range of 1000 Crores.

**Dimple Kotak:** How about was the inflow Sir during the year?

**Sandeep Garg**: As I said we did not win the last bid.

**Dimple Kotak:** Thank you Sir! That is all from my side.

**Moderator:** Thank you. The next question is from the line of Giriraj Daga from KM Visaria Family Trust. Please go ahead.

**Giriraj Daga**: Sir, couple of questions, first like we have this one project, which was of 840 Crores in Delhi-Meerut is it correct?

**Sandeep Garg**: Yes, that is right.

**Giriraj Daga**: What is the EPC part of that project, which we were developing?

**Sandeep Garg**: The EPC contract to the Welspun Enterprise is about 770 Crores.

**Giriraj Daga**: 770 Crores and what will be the breakup of that.

**Sandeep Garg**: Please add the escalations to that because that is a pass through.

**Giriraj Daga**: How the breakup of the 1000 Crores like 770 Crores is Delhi-Meerut are any other orders?

**Sandeep Garg**: Yes, we have some past orders in our book, which are Mohali projects, some BHEL projects; these are legacy projects, which are still on book.

**Giriraj Daga**: What kind of EBITDA margin we are anticipating on our EPC work?

**Sandeep Garg**: Because this is a developmental project, we are looking at higher teen returns on the project per se.

**Giriraj Daga**: Sir, just to clarify, are you talking about the project tie up or talking about the EBITDA margin?

**Sandeep Garg**: EPC we would say the project margins and the project margins that we are targeting are in the ranges of 10%.

**Giriraj Daga**: My second question is when we were looking to go for the TOT kind of model, do you think we will be partnering any of the other financial company because actually the more the game is the cost of capital rather than the developing or strength of the developers it is more the game of the financial cost of capital, so are we looking to partner any or how we are looking to participate in TOT models?

**Sandeep Garg**: Surely we will partner with some financial players alongside with us; however, to give our views on what is the nature of the business is you are right to certain extent, it is the function of the cost of money; however, there is lot of inefficiency built into the operation and maintenance and tolling. We have been operating six road toll road projects on the tolling basis and we have developed expertise of making the tolling efficient as well as making operation and maintenance efficient, so that is where we bring value and we believe that is a substantial value possible.

**Giriraj Daga**: Understood, in regards to our order booking 3000 Crores expectation, have we build in any TOT order expectation in this 3000 Crores?

**Sandeep Garg**: When I said we were taking about the order book we were only referring to the hybrid annuity model projects of 3000 Crores.

**Giriraj Daga**: My last question would be on Oil & Gas. In our segment performance we have shown EBIT loss of 12 Crores on the Oil & Gas side 12.6 Crores, so it is the part of development expenses.

**Sandeep Garg**: This is Ind-AS notional entry that you have seen on the segmental reporting. There is corresponding gain in the other income on the revenue side, so it is on the EBITDA level it is a neutral entry.

**Giriraj Daga**: Sir, there is a clarification on accounting since it is JV Oil & Gas, will be accounting line by line or will be just take the daily profit of associate level?

**Sandeep Garg**: It is an associate level; it will be a single line.

**Giriraj Daga**: I understood. Thanks a lot.

**Moderator:** Thank you. Next question is from the line of Gautam Bahal from Mauryan Capital. Please go ahead.

**Gautam Bahal**: Thanks for taking my question. Sir, there is not much to complain about in the numbers, everything looks quite good, one of the thing is going forward I wanted to ask is on the 3000 Crores order book that we are looking at, does that include the current order that we already have?

**Sandeep Garg**: The order book when we are talking about is future order book and not the existing order book, so we expect the book orders of about 3000 Crores in this financial year.

**Akhil Jindal** : In any event I think our current order that we are executing will be more or less over by the end of this year, so what Sandeep mentioned was the new order, so that would be our endeavour to have that kind of a order book on a rolling business.

**Gautam Bahal**: Yes, that was my confusion, I thought this order would be close by then so great, so 3000 Crores of fresh order and Sir could you just walk me through very sort of quickly, how does the 3000 Crores order book translate into earnings for us, that the EPC of 10% you just mentioned, there is the equity returns of mid to high teens I think you said, is that mid to high teens already leveraged on the 3000 Crores or would it be on 3000 Crores the mid to high teen?

**Akhil Jindal**: No, basically the way we look into the business is we are certainly very cautious in our bidding and what we make sure is that certain internal board guidelines are adhered to when you are bidding for these projects and no wonder some of the projects that we bid last year were we were not successful, but still we have not diluted the guidelines because we believe that there are enough projects that are going to come at a reasonable level where we can make our kind of a return, so the mid teen number that we just mentioned to you is at a project level, it is a project IRR that we strived for, but of course the leveraging allows us to have a better return on the equity, so we deal at a project level and then of course equity return become higher in both levels.

**Gautam Bahal**: So how much equity would be involved in this 3000 Crores order book, just for my understanding?

**Akhil Jindal**: Usually from our project prospective if you are bidding for let us say 1000 Crores of a project the equity is anything between 12% to 15% of that quantum, so usually you can say out of 3000 Crores of the total order book, in a worst case 15% of that would be the equity requirement, but clearly that equity requirement would not be infused on day one it would be over a period of time.

**Gautam Bahal**: Given our cash balance, which is quite large, is that 3000 Crores order book is that a sort of conservative number would you say or we have capacity for a lot more right?

**Akhil Jindal:** No, we have but clearly this is a sector, which has seen lot of difficult time, lot of delinquencies, lot of NPAs and issues by other developer we are very, very cautious and conservative and the board has made a very clear workable guidelines, which we adhere to, we are in no hurry to built up. As you rightly said capacity is there, but certainly not the desire at this juncture, wherever we bid we want it to be a profitable bid for us and that is the reason why we have kept 3000 as a target for us.

**Gautam Bahal**: No, it is just that I remember in the last conference call I think you had said we had bid for four to five projects, I guess we didn't win any of them, I just want to make sure that we are not being too cautious either, we should have some progress on that process?

**Sandeep Garg:** You are right that we did not win three of those projects, and one of them is still open. The point is we would want to build our order book, which is both profitable and sustainable and we can execute. There are three key parameters in our consideration when we bid that we should book the orders, which we can effectively and efficiently execute profitably and the model has to be sustainable. As you rightly pointed out the balance sheet can support, the cash can support much bigger order book, but we could not want to have a ramp up rather than kind of a jump up growth and which is sustainable over the period, so that is the rationale of restricting ourself to 3000 Crores.

**Gautam Bahal**: I mean it always makes sense to have some kind of balance in this, so fair enough and Sir, just my last question. The Oil & Gas assets that we have, how should the shareholders think about it in terms of monetizing that, when should we sort of see it in the P&L or get some actual cash out of those assets?

**Sandeep Garg:** As I said we are currently invested of about 500 Crores in this Oil & Gas business. We expect another 200 Crores to be invested over the next couple of years before they start to produce, so the reasonable expectation as an investor would be this money to start reaping benefit in the year 2019-2020.

**Akhil Jindal**: Just one small correction. The CWIP of Oil & Gas that we have on the Welspun side is 300 Crores, The 300 plus 200 what you just mentioned as a future expenditure, so the CWIP on this would be 500 Crores roughly.

**Gautam Bahal**: Would it be sort of fair to assume so that the book value from our side on that project is about 500 Crores or will be 500 Crores?

**Akhil Jindal**: It would be 500, so currently being 311.

**Gautam Bahal**: So the value of it just if we say one time book is about 500 Crores once we inject the extra money?

**Akhil Jindal**: That is right once we monetize that.

**Gautam Bahal**: That is only 35%?

**Akhil Jindal**: That is only 35%.

**Gautam Bahal**: Great. Thank you very much.

**Moderator:** Thank you. The next question is from the line of Ankur Shah from Quasar Capital. Please go ahead.

**Ankur Shah:** Thanks for the opportunity. I just wanted to understand from the competition scenario because I have been constantly hearing I have gone through the last two concall transcripts we have not been winning any projects, only the first HAM project, after that constantly unsuccessful in the bid, so just in continuation, is the competition intensity is very high or is it the other way round that we are keeping a very high IRR expectation from the projects?

**Sandeep Garg:** Let me answer this question in two parts. First part could be what is the competition scenario? There could be competition can be on a very low-tech business or plain vanilla job, you could see severe intense competition; however, for a technically challenging or a good project there would be limited bidders, the intensity of the competition is much lower. As put it in a perspective the last bid that we have put in for Aunta-Simaria (Bihar) HAM project there are only two other bidders, so there are only three bidders on the date. So that is the kind of targeted projects that we would want to target and hence we are kind of very focused bidders rather than bidders all over the place. Now to another part that I would want to cover is how the industry is kind of in the situation that it is. If you look at the pragmatic bidders like GR Infra, Oriental, Ashoka and ourselve, IL&FS or ITNL, you would find their success ratios are around either in single digits or in very low two digits, so it will be 10%, 12%, 13% so I think in this industry if you are bidding all the projects that you win then there is something, which is you bid, then one should be left wondering whether it is a right strategic bid. So we would want to remain in that bracket of cautious bidders and rather than joining the matches.

**Akhil Jindal**: I think just to add on to what Sandeep as said I think it is important for us to make sure that whichever project we bid we should be confident enough to achieve the financial closure for that, because ultimately many of these projects got awarded at a lower cost, but when the lenders are doing appraisals for these projects they realize there is not enough contingency, enough cushion, enough leeway and they are very, very tightly priced and because of that the lenders are not very forthcoming in supporting these bids because the lenders are also getting very, very cautious and conservative in their approach they want to make sure that they just want few projects, but which are viable projects. I think the caution is also there on the lender side, which we try and replicate and make sure that whichever project we win we achieve financial closure very, very shortly perhaps in over next 90 days time, rather than some of the other bidders who have taken even a year or more than a year and they still not have achieved the financial closure. I think there is a perfect balance that we try and built in.

**Ankur Shah:** Just to understand again like even the technical side of the project where there are technically more challenging projects so wherever we have been L2 or L3 what was the kind of difference just to understand the high IRR expectation of the company and the winner?

**Sandeep Garg:** One of the projects that we lost was less than half a percent variation.

**Ankur Shah:** So we got unlucky?

**Sandeep Garg:** We got unlucky. That is the kind of situation. On the second bid where we are L2, there is a substantial difference; however, the bidder as I said is foreign entity, which is known for very low-ball bidding. If you look at the Indian bidders we are in a space of less than 1% apart from each other.

**Ankur Shah:** Understood. Thank you Sir! All the best.

**Moderator:** Thank you. The next question is from the line of Nirav Shah from GeeCee Investments. Please go ahead.

**Nirav Shah**: Hello Sir just one question on the Oil & Gas JV you mentioned that your investment is around Rs.311 Crores for the total equity should be around Rs.900 Crores so what is that debt lying in the books in the JV Company?

**Akhil Jindal:** No it includes everything because no external debt, which are let us say attributable to us, so our total investment is 311 Crores and that is all I mean.

**Nirav Shah**: I am talking about the JV Company?

**Akhil Jindal:** I am talking JV only. There is some debt in the JV Company, but that is separately being guaranteed by Adani group for which we are not responsible so to that extent it is not something, which is part of our commitment.

**Nirav Shah**: So the capital employed sort of in the JV Company should be around Rs.900 Crores plus some very little debt backed by Adani group?

**Akhil Jindal:** That is right.

**Nirav Shah**: How much investments from the JV making in 2018 and 2019?

**Akhil Jindal:** Sir Rs.200 Crores is our share, 2x3 is total Rs.600 Crores would be invested by the JV.

**Nirav Shah**: So last part of the investment will be funded from equity only, you would remain lastly debt free?

**Akhil Jindal:** Yes, so at this juncture we are not thinking of raising debt at this level for a simple reason we have enough treasury support within the company, so once the project reach a certain level of maturity that is when we would start separate otherwise. It is no point enough raising your debt level and providing corporate guarantee from the Topco, so that is not required I think just 200 Crores we will fund mostly from our own sources.

**Nirav Shah**: And revenue generation as you mentioned would start from FY2020 onwards?

**Akhil Jindal:** That is right. The revenue will start from FY2020.

**Nirav Shah**: And last question I mean all the five blocks or wherever we have received the appraisal what would be the approved our share of reserves?

**Sandeep Garg:** The reserves can only be ascertained after the appraisal program is completed so earlier than that it is all resource, we can only comment on it once the appraisal program is completed.

**Nirav Shah**: Perfect. Got it Sir! Thanks a lot and all the best Sir!

**Moderator**: Thank you. The next question is from the line of Kamakhya Prasad an Individual Investor. Please go ahead.

**Kamakhya Prasad**: Profit is on the sale of energy business is 730 lakhs, but somewhere in the press release it is sold at 3x of the return and the total investment is Rs.91 Crores so where is the mismatch Sir?

**Kevin Daftary:** Basically the profit as you rightly mentioned in the results, it is actually Rs.7.3 Crores and 3x what was mentioned in our earlier discussions was from cash flow perspective, so if you look at the cash outgo, which we did or investment, which we did in the past it was Rs.91 Crores, which under Ind-AS we fair valued it and book value as on the date of sales was around Rs.278 Crores, which was sold at Rs.285 Crores. If you look it at from cash flow perspective it is 3x that we have got, but from book perspective the profit, which we have accounted is around Rs.7.3 Crores.

**Kamakhya Prasad**: One more thing Sir! This is not Rs.91 Crores as per the balance sheet audited balance sheet of March 2006 total investment was about to Rs.326 Crores?

**Kevin Daftary:** That amount is a fair valued amount so it is not representing the cash outflow.

**Kamakhya Prasad**: So does it mean that out of Rs.326 Crores investment, this company earns only Rs.7 Crores from the sale of energy business?

**Akhil Jindal:** See Rs.91 Crores is the cash that we as Welspun Enterprise put into the Energy business ,Against that Rs.91 Crores cash that we put in we got almost three times a return so that is one part of it. The second part of it is how do we value Rs.91 Crores as per the Ind-AS as per the fair value, so after doing that fair value and as per Ind-AS the return or the profit is Rs.7 Crores.

**Kamakhya Prasad**: So actual percentage Rs.7 Crores out of Rs.326 Crores investment?

**Akhil Jindal:** Yes from a cash perspective we have made 3x of the return, but from a fair value perspective the profit is 7 Crores.

**Kamakhya Prasad**: For all practical purpose this company as a shareholder?

**Akhil Jindal:** The company has a shareholder we have made 3 times return, on the investment that we made I think that is the important bottomline as far as this Ind-AS and book entries are concerned these are more on a fair valuation basis, so I would say this is a very smart investment that as a company we have done where we have got three times return on the cash infused into some other business.

**Kamakhya Prasad**: Can you please focus the light under GAAP how much the profit in this transaction Sir?

**Akhil Jindal:** That is why I am saying you do not have to, the GAAP we have just mentioned as per Ind-AS it is around Rs.7.10 Crores, the GAAP would be nearly the same number I guess it would not change see we have two choices, one either we keep our investments at a book value only the way we have invested like O&G. O&G today is 300 Crores that is investment in cash also in the book. While in case of energy we invested Rs.90 Crores as cash, but in the books the carrying value or a fair value was Rs.320 Crores as you just mentioned. When we re-casted it the Rs.320 Crores as per Ind-AS it became Rs.278 Crores roughly.

**Kamakhya Prasad**: Against the property Rs.7 Crores only Sir?

**Akhil Jindal:** That is right.

**Kamakhya Prasad**: I could not get it because I am a Chartered Accountant. What the carrying amount is the amount, which is incurred by the company and this is a transaction to the related party and the profit is only Rs.7 Crores out of the investment of Rs.326 Crores?

**Akhil Jindal:** Suppose if we buy a land of let us say Rs.10 Crores, you sell the land at Rs.30 Crores, we make a 3x return, which is what we have done, but if the Rs.10 Crores land is revalued in our company or our book as Rs.28 Crores, you would actually make the profit of only Rs.2 Crores as per the books.

**Kamakhya Prasad:** So you meant to say this investment Rs.326 Crores was the revalued investment it was not the actual investment, actual cost of the company?

**Akhil Jindal:** That is correct.

**Kamakhya Prasad:** I got it. Thanks a lot Sir! That is all from my side.

**Moderator:** Thank you. The next question is from the line of Asn Raju from Network Stock Broking. Please go ahead.

**Asn Raju**: Good afternoon Sir! I want to ask couple of questions to only Mr. Akhil Sir! Akhil Sir from December 2015 we are listening the same commentary no other additions in the commentary of business, which we are doing. My second question is we booked a loss of Rs.44.9 Crores in water pipelines to North Madhya Pradesh and the third one is annuity projects from day one what we won Delhi-Meerut Road, the bids are coming down, competition is gearing up and the rates are coming down from the debt. We are having enough cash why we are less competitive. Financial team is working for Welspun from last 2011, I think so because the company has been only restructured, the balance also has been completing, no new business is going under and Oil & Gas rates are coming down slowly and the future is dark for oil business for the last three years, how we can compensate this?

**Akhil Jindal**: Yes I think let me break your question.

**Asn Raju**: I will complete my questions. All the construction company's margins are coming down from last year to low because they show some good profits and slowly the profits are coming down I may say that due to rise in taxes or rise in employee costs or rise in financial cost is gearing up for those companies, their balance sheet is not shining in the bottomline and why we are not bidding 3000 Crores above projects where the competition is less? What is that L2. Can we change the scenario to L1 as some problem is with the L1 why cannot we keep influence on the national highway that we are good competitors and good progresses we can show that and gear up now and what is the actual investment, currently you are talking about the actual investment is 91 Crores and we will get 3x what is the actual investment in Oil business? These are my questions Sir! Sir I feel that this is interaction session between the top management and the small shareholders I do not feel this is the question hour where we earn to keep questions and answers.

**Sandeep Garg:** Raju let me take this first question of yours that says that can we influence NHAI to consider we are L2 and L1 can we make a difference as a law of land situation if there is L1 bidder if it is qualified there is nothing we can do about it. Now in terms of our profit expectations as I said the differential between us and the one of the bidders that we were held to is absolutely nonsignificant it is just a kind of decision making that you do on every bid so that is something, which we cannot change it is in the nature of the business that you will win some and you will not win some. Thirdly that I would want to leave for your thought is that with the project that we won and which was not seeing an appointed date for rough reasons not attributable to us we were cautious in our bidding, we wanted to establish our processes of being able to execute the projects sufficiently because that is when we make money rather than winning the projects and I am happy to share with you that we have demonstrated operational efficiency of executing the project wherein a milestone we have achieved 250 days in advance, 30% progress was supposed to be achieved on a particular date, which we achieved on April 30, 2017 saving 250 days, so which we are trying to create a model wherein when we win the job we not only financially quickly close it, will also execute it at much faster rate so that it converts into our revenue quickly so rather than what I would want to request you to look at is that what is the order backlog of the companies, which had booked the orders, but are not executable I am sure you have heard L&T what they have done, so it is more about executable orders than the order book itself and we are very cautious about that particular issue.

In terms of your question on our investment as Akhil said our actual investment in Oil & Gas is Rs.311 Crores at this point in time, which is on the books and we have not revalued it to any other value until and unless we see that we will be able to get better value on it we will not revalue them and that is the way Ind-AS works, which is very transparent way of valuing the assets. We will not be able to bid for projects on our own of more than Rs.3000 Crores because we do not qualify for them. We have a qualification, which allows along with our own associate company to about Rs.1400 Crores. We will have to wait for some more time when we conclude the Delhi-Meerut revenue comes in, which will allow us to qualify for Rs.3000 Crores plus contract and we surely will take it into consideration because that is an elite club we would want to join in, but with that we will have to wait for another year.

**Asn Raju**: Rs.44 Crores loss in that water pipeline?

**Sandeep Garg:** It is a project, which was narrated when we narrated the company, which is what we have been trying to get it restructured and in my opening statement I said that the Swiss challenge method the bids have been received and accepted by the MPSIDC and they have to take it up

**Asn Raju**: What is the future loss?

**Sandeep Garg**: If you look at the way our accounting or any of that the accounting statements we would note that this particular asset has a more intrinsic value than the depreciated value as a standalone, because it is in the parent book and it is not being depreciated on a standalone basis; however, in the consolidation since it is part of the asset and it is being held for sale asset as far as the consolidation the Ind-AS is forcing us to depreciate it and we are depreciating it at an accelerated rate. The current value of the asset from a depreciation point of view would be about in standalone, which was not getting depreciated it is Rs.56 Crores and as on a consolidated basis where it is getting depreciated it is Rs.12 Crores. So if you want to make an assessment on a consolidated basis the only value of this asset remaining in our books is Rs.12 Crores. Our standalone business is not being depreciated and it stands at Rs.56 Crores and the intrinsic value of this asset is as per the approved cabinet note is higher than Rs.56 Crores, which is close to Rs.61 Crores and hence the depreciation is stopped on the standalone basis.

**Asn Raju**: What is your strategy to gear up this company? If I get more profit than the current thing, current profit is only Rs.5 Crores in consolidated balance sheet you are saying more than Rs.20 Crores salaries I think so.

**Sandeep Garg**: The consolidated balance sheet as you rightly say it is a minor profit, but consolidated basis as I said there is a depreciation taking place of an asset, which is absolutely notional in terms of the figures, which should actually not bother you because that is not getting depreciated on a standalone basis and as we have said that there is an intrinsic value, which is higher than the value, which is on the standalone books it should not be a concern as an investor to you.

**Moderator:** Thank you. We will move on to the next question that is from the line of Abhishek Jain from Edelweiss. Please go ahead.

**Abhishek Jain**: Thanks for taking my question. Three questions, how we envisage 2020 topline and bottomline. Second question what is the cash allocation. Third thing was about existing BOT project how exactly we see going forward when it will be over because these are relatively very small projects since we are executing right now and fourth the miniscule stake we are holding in Dewas project when we are planning to monetize that?

**Sandeep Garg**: Let me take the questions in the reverse order. As far as Dewas-Bhopal minority stake is concerned there was a policy, which needed to be formulated by MP Government, which has been formulated and announced in the month of May 2017, which allows us to divest this stake. We are in the process of applying for divestment of the stake. That is on the Dewas-Bhopal Road project. The second question that you have is regarding the small BOT road projects. There are two projects, which are getting over in 2018, one in January 2018 and other one is in August 2018, which we leave two road projects effectively, which are small projects, which go to 2020 and 2026 that is what the situation on the small BOT assets are. Then the deployment of the cash, Rs.200 Crores as I said is the amount for the Oil & Gas, we expect about Rs.300 to Rs.400 Crores to be invested into hybrid annuity project, which will leave us with about Rs.450 to Rs.500 Crores cash balance. We are looking at options where to deploy. One of the options we discussed is TOT. We are open to other options as well and we will soon be able to decide, which is the right model to go for us. We will be operating in the adjacencies to the existing role of the developer/road investors or something, which can create long-term value for the investors.

**Abhishek Jain**: What is topline and what we can see take in 2020 in a bottomline any proper light?

**Sandeep Garg**: As you know that we do not give guidance for the next year or the long-term, but we see as I said in my opening statement, the current growth I see the roads to be improving over the years rather than staying we are today, so the growth rate itself will be higher than the current road growth rate.

**Abhishek Jain**: Thank you Sir!

**Moderator**: Thank you. We will take the next question from the line of Asn Raju from Network Stock Broking. Please go ahead.

**Asn Raju**: Sir I want to ask you personally that are you observed the bidding percentage is coming down from what we won in Delhi-Meerut Road? The competition is gearing up, the bids are totally less compared to the first bid what we bidded are you observing that Sir?

**Akhil Jindal**: No, as I mentioned to you earlier we are very clear in the projects that we are bidding. Many of the people who are bidding and who are winning, are unfortunately they have not yet got the appointed date in place that means they have not been able to achieve the financial closure, so we are being very cautious and very, very clear in our mind. I understand that the progress may be a little slow to your liking, but the fact is that we do not want to expose the company with some uncompetitive bids where ultimately the other company we suffer as a lender, the counts become difficult. We have also got reputation at a group level with lenders.

**Asn Raju**: Sir we are purchasing pipes from your company, Welspun Corp I know the market a little bit, but what my request is this is the golden period Sir because everyone is cautious no one is getting financial closure, this is the golden period for the cash rich companies.

**Akhil Jindal**: If you see the projects, which are being bidded, why do not we have a one to one meeting where I would share some bidding data with you.

**Asn Raju**: I do not want to waste your time, but my request is this is the golden period Sir because every company is cautious, every company is in a dark shape, no financial closure for the new projects so the cash, which will perform at this juncture I think so, so please consider my request and try to see the glowing gold in the dark period Sir.

**Akhil Jindal**: We are aware of what you are saying and we respect your view. Only thing that I would like to say that while you say that the companies are into difficult situations, the bidding pattern and the bidding data does not show that. There are bidding being done at in our own mind we call it at a much slower levels, so that is why whenever you are in this part of the town we would love to meet you for any further quesries of yours

**Asn Raju**: Definitely Sir I want to come and my request is if we bid for Rs.3000 Crores more tenders the competition is very less why cannot we have JV where only plant is utilized for the bid not for the sharing of business in that manner L&T and many other companies are ready for that I think so?

**Sandeep Garg**: We will keep it in consideration Mr. Raju and take it forward.

**Asn Raju**: Thank you Sir! Thanks a lot Sir! Akhil Ji I am very happy with the company's progress, how you have restructured this company and made it as a cash rich company for a great opportunity, which is coming by this Modi Government or by the policy change by this government Sir! Thank you a lot.

**Moderator**: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Abhishek Jain for his closing comments.

**Abhishek Jain:** Thank you all. On behalf of Edelweiss that concludes this conference. Thank you for joining us. You may disconnect your line now.

**Akhil Jindal**: Thank you Abhishek.

**Moderator**: Thank you. Ladies and gentlemen with that we conclude today's conference. Thank you for joining us. You may now disconnect your lines.