



Subhash Sethi
Chairman, SPML Infra Ltd.

“SPML Infra poised to increase order book and revenue”

Having strategically maneuvered the company out of the financial predicament, SPML Infra Limited, India's leading Water and Infrastructure Development Company, has charted out a strong and clear vision for the future with plans to capitalise on the growing requirements of water infrastructure. In this interview, the company's Chairman, **Mr. Subhash Sethi** discusses about the rejuvenation process and the growth prospects for the future.

Can you elaborate on SPML Infra Limited's journey in India's infrastructure landscape?

Amidst India's dynamic infrastructure landscape, SPML Infra stands out as a symbol of steadfast perseverance, adaptability and unwavering dedication to excellence. From humble beginnings to navigating turbulent waters, SPML Infra's journey is a testament to the power of resilience, innovation and strategic foresight. Since its inception in 1981, SPML Infra has been a trailblazer in the realm of infrastructure development in India. Its journey is characterised by a relentless pursuit of excellence and a commitment to delivering impactful solutions. The company has successfully managed and executed over 650 projects nationwide displaying grit and trust among its stakeholders.

It has earned accolades for its technical prowess, project management capabilities, and adherence to international quality standards. With a diverse portfolio spanning water supply and distribution, wastewater management, solid waste management and other activities related to water, SPML Infra has built projects that have created an indelible mark on India's infrastructure landscape. Through its innovative solutions and unwavering dedication, the company has demonstrated its commitment to progress and sustainability.

How was the journey amidst various challenges in the infrastructure development sector in India?

In an ecosystem marked by approval delays, funding constraints, regulatory complexities and logistical hurdles, navigating the path to successful project execution necessitated resilience, innovation and adaptability. SPML Infra has established credibility through a combination of factors and navigated these obstacles with determination.

Through meticulous attention to quality, adherence to timelines and unwavering integrity, the company has earned the trust of clients, partners and stakeholders alike, laying the foundation for its ascent as a trusted leader in the industry. The company has been lauded on several occasions by its stakeholders for the dedication and timely delivery without compromising on quality of project.

What type of business do you focus on?

Since inception, SPML Infra has played a pivotal role in India's water sector, which is currently worth about ₹10 lakh crore and is witnessing exponential growth backed by urbanisation, population increase and better awareness of water quality and public health. However, our target business volumes will mainly be high-margin water projects funded by reputable organisations such as central and state governments, or funded by the World Bank, ADB and JICA, ensuring reliable payments. We bid for projects that include both EPC and O&M for consistent income.

Given our legacy and experience in this sector, we prefer projects with favourable commercial terms and fewer execution hurdles, focusing on bulk water projects with firmed-up and detailed project guidelines for faster execution. We prioritise high-margin projects and target financially stable states to reduce financial pressure. With no cash flow constraints or interest payment pressure, our primary focus is on maximising the profit for our stakeholders.

What kind of opportunities does SPML aim to capitalize in India's water sector?

The Indian water sector has gained immense traction over the last few years with the importance for climate resilience and responsible investing. India's water sector under the dynamic leadership of our Hon'ble Prime Minister is poised for unprecedented growth, fuelled by ambitious initiatives like the Jal Jeevan Mission, AMRUT schemes, Namami Gange programme, Pradhan Mantri Krishi Sinchayee Yojana, Dam Rehabilitation and Improvement Project, National River Linking Project, National Watershed Project, Atal Bhujal Yojana, and National Hydrology Programme. Against this backdrop of immense opportunity, SPML Infra stands tall as a formidable player, ready to harness the potential and drive transformative change in the sector. With the central government earmarking a staggering ₹9.46 lakh crore for water and sanitation-related projects, the market landscape is ripe with opportunities.

Armed with proven track record of large project execution capabilities and technical prowess, is uniquely positioned to capitalise on these opportunities and emerge as a frontrunner in

India's water infrastructure revolution. SPML Infra's extensive experience and expertise in the water sector make it a trusted partner for executing complex projects across various domains, including water supply and distribution and wastewater management. As one of the leading market players, SPML Infra is ready to take on new projects and with its capabilities in technical bidding and project execution; sets it apart in a competitive field.

With the proven track record and successful execution capability for more than 4 decades, SPML Infra is eligible to bid for a water project worth ₹1,500 crore, a positive qualification allowing it to bid for large prestigious water supply projects, an exceptional opportunity for the company. The company's ability to leveraging its expertise and market presence, positions it as a key player in India's water sector.

How has SPML navigated through financial challenges and embarked on a path to revival?

In the face of difficult challenges, SPML Infra has demonstrated resilience and determination, navigating through financial stress with a steadfast commitment to sustainability and growth. Despite encountering hurdles in recent years, SPML Infra's strategic approach and unwavering resolve have paved the way for a transformative resolution. The financial strain experienced by the company was a temporary blip attributed mainly due to delays in receiving payments, arbitration awards and claims.

As SPML Infra embarks on its path to financial recovery, with a clear roadmap outlined in the resolution plan and a focus on leveraging the available resources for new business ventures, it is poised to emerge stronger and more resilient than ever before.

What developments have unfolded in SPML's financial restructuring efforts?

The National Asset Reconstruction Company Ltd. (NARCL) has played a pivotal role in the restructuring process since it was awarded the responsibility in August 2023. The subsequent sanctioning of the resolution plan by India Debt Resolution Company Ltd. (IDRCL) in March 2024 marked a crucial moment in SPML Infra's journey towards financial revival. This is one of the first acquisition and resolution of NARCL which has given the financial sustainability and removed the stress of the company. It demonstrates the evolution of our financial system and help build faith among growing companies in India.

Under the aforesaid resolution plan, IDRCL has given two options to the company, either payment of ₹700 cr in 8 years or ₹967 cr in 10 years, both without any interest. The majority of the payments are linked with realization from arbitration awards, which has already been awarded, and claims, which has already been filed. Out of the aforesaid repayment, the company has already paid ₹223 cr and targeting to pay additional ₹44 cr in the current financial year from the sale proceeds of identified

assets of the company. Notably, the plan stipulates no interest payments, with minimal cash-flow considerations allocated towards repayment to safeguard the company's financial stability and the liquidity for the business.

Whether the impact of the restructuring has been incorporated in your accounts?

Since the restructuring has already been implemented, as per the requirement of the statute, we have to incorporate the impact of the restructuring in the account of the financial year FY24. As per the provisions of IND AS, we have taken the one time impact in our assets and liabilities considering the on-going arbitration claims and awards, as per the requirement of the company's act. The aforesaid impact has already resulted in improved various solvency ratios, including Net Debt/Equity (now at 0.7x), Net Debt/EBITDA (now at 4.2x), and the Quick Ratio (now at 1.45x), which will further enhance our credentials and qualifications for participating in new tenders. Our endeavour remains to build a strong balance sheet and positive cash flows which will fuel our future growth plans in the following years.

Could you Share the experience of the recent developments that SPML Infra Limited has navigated through?

The realisation of arbitration awards under the Vivad Se Vishwas (VSV) Scheme sets the stage for SPML Infra's resurgence and expansion into new business avenues. The impending realisation of ₹294 crore from arbitration awards marks a significant milestone in our journey towards financial stability. Against the aforesaid realization, the company has already received ₹244 crore and the balance ₹51 crore will be realized shortly.

Further, to improve the liquidity and to increase their stake, the promoters have taken the commitment to infuse ₹80 Cr in the company by way of equity and warrants at the price of ~₹118. This financial commitment is evidence of the faith that the promoters have in the future potential of the business.

The aforesaid event along with the incorporation of the restructuring in accounts, have improved the ratios and financials, and the liquidity which will be helpful in sustaining the growth potential of the company. The aforesaid liquidity will be utilized towards the requirement of the bank guarantee for taking on the new business.

A brief about the Financial Performance?

With regard to our full year financial performance, we recorded a revenue growth of 50 per cent to ₹1,318 crore in FY24 as compared to ₹878 crore in FY23. The EBITDA was recorded at ₹78 crore compared to ₹55.5 crore in FY23. We also recorded strong growth in PAT in FY24 to ₹19.5 crore as compared to ₹2 crore in FY23. With the impact of the sanction of IDRCL, we have reported a healthy balance-sheet with positive net worth of ₹509 crore, debt of ₹557 crore (after taking the IND AS adjustments), current assets ₹885 crore including cash and bank balance of ₹227 crore. The current liability is of ₹583 crore. During the current fiscal, we have already reduced the debt by ₹223 crore. ■