

SPML secures Rs 600 crore water supply orders in Karnataka, eyes more EPC projects

Gurgaon-based SPML Infra Ltd is looking to bag several water supply projects as state Governments plan huge investments to create fresh infrastructure in coming months.

The company is keen to further bolster its position as a leading water infrastructure developer and is eyeing projects that combine engineering, procurement and construction (EPC) with operation and maintenance (O&M) contracts.

A company has recently secured approval of shareholders to raise funds upto Rs 75 crore through the qualified institutional placement (QIP) route.

It has also been exploring ways to divest some of its non-core assets and the process of divestment is currently on.

The divestment, along with any other equity raised, is to be used for increasing the company's business on the EPC side, said its Chief Operating Officer (COO) Rishabh Sethi.

SPML Infra announced in early December that it won three new water supply orders worth Rs 267 crore in Karnataka. The orders are part of Asian Development Bank (ADB) funded projects to improve urban services in 14 towns in north Karnataka.

SPML said it got the orders from Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC) for 24X7 water supply system for three cities -- Sindhanur, Gadag-Betageri and Haveri with a combined population of 3.7 lakh.

The largest of the three orders is for Gadag-Betageri for Rs 107.86 crore. The Sindhanur order is for Rs 99.01 crore while the one for Haveri is for Rs 59.92 crore.

The projects will be executed by January 2015 and the construction period will be about two years, followed by five years of O&M.



Rishabh
Sethi

Almost a month later, the company announced it had bagged three fresh water supply system orders worth Rs 334 crore, again in Karnataka.

The three 24X7 water supply system projects are for three cities - Bellary, Hospet and Raichur with a combined population of 8.5 lakh. These orders are also part of ADB-funded projects.

The order for the Bellary project is worth Rs 136.41 crore while the Raichur order is for Rs 117.95 crore. The Hospet one is for Rs 79.5 crore.

The scope of work for Bellary involves 281 Kms of new distribution network and 69,159 house service connections. The Raichur order is for 528 Kms of new distribution network, two raw water pumping stations and 37,117 house service connections.

The scope of work for the Hospet project involves 204 Kms of new distribution network, rehabilitation of two water treatment plants of 18.16 million litre per day (MLD) and 4.54 MLD capacity and 42,705 house service connections



with operations & maintenance for five years.

SPML has received these performance-based management contracts to design and construct the infrastructure of the distribution networks, provide metered connections and operate and maintain the facilities for five years after completion.

Sethi said the projects will bring these cities 24X7 water supply with a pressured network and these will be one of the first of its kind projects executed in the country.

According to Sethi, typically the margins on most of these EPC contracts are about 12-14 per cent EBITDA level on a three year timeframe, while about 50 per cent of these orders are on the O&M side.

SPML is looking to bag similar orders in some other states and wants to concentrate on the EPC side, a core focus of the company in its earlier days.

"There is huge investment being planned across India on both water and sewage side and we feel that we are significantly interested in these kind of works", Sethi was quoted as saying in an interview to a TV channel recently.

Over the past three-four years, the company has also seen a significant increase in its order book on the water side, from about Rs 2000 crore in 2012-13 to almost Rs 5000 crore of water supply orders currently.

The company is keen to focus on water supply and distribution management contracts, a core competency it has acquired in recent years and in which it is already executing a number of projects across some Indian states. IWR