Most EPC orders have 12-15% EBITDA margin: SPML

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SPML has bagged orders worth Rs 267 crore from Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC). The orders are for 24X7 water supply system for three cities, Sindhanur, Gadag-Betageri and Haveri with a combined population of 3.7 lakh, says Rishabh Sethi, executive director of SPML.

He says most EPC orders will have 12-15 percent EBITDA margin over three years. The company's total water supply order currently stands at Rs 5000 crore.

"These projects are part of Asian Development Bank (ADB) funded projects to improve urban services in 14 towns in north Karnataka. The project would help improve the quality of life in underdeveloped areas of the State with uninterrupted clean drinking water supply," the company had said in its filing.

SPML plans to raise Rs 75 crore through QIP.

Below is the verbatim transcript of Rishabh Sethi's interview with Anuj Singhal and Ekta Batra on CNBC-TV18.

Ekta: Can you take us through the new orders that the company has won? Where is it from and how many orders and when does execution start?

A: We have recently received two orders for Karnataka Urban Infrastructure Development Corporation for setting up a water distribution system in three cities for five years totalling about Rs 267 crore and the execution will start immediately at the beginning of January and the construction period is about two years and five years of maintenance after that. What is great about these orders is it will actually bring these cities 24X7 water supply with a pressured network and this will be one of the first of its kind projects executed in India and financing of this project is by Asian Development Bank.

Anuj: What would it do to your profit and loss (P&L) account? What kind of margins would you enjoy on these orders?

A: Typically most of these EPC contracts for us are about 12-14 percent EBITDA level on a three year timeframe, but about 50 percent of these orders are on the O&M side.

Ekta: You also have some fund raising plans, can you take us through that? We do understand that they are looking to raise Rs 75 crore via qualified institutional placement (QIP)?

A: It is an ongoing plan that we had also discussed a few months back regarding divestment of some of our non-core assets along with raising funds of QIP. While we are in the process of divestment, we are looking to raise between Rs 50 crore and Rs 75 crore on a QIP mode and we want to take the shareholders approval in January.

Ekta: What would the funds be used for?

A: The divestment along with any other equity raised will be used for increasing our business on the EPC side.

Ekta: Do you expect many more orders from the governments or state governments to come through with regards to the recent order that you spoke about with regards to water systems?

A: We have already seen a significant increase in that order book in the water side from about Rs 2,000 crore in FY12, we are doing almost Rs 5,000 crore of water supply orders currently and there is huge investment being planned across India on both water and sewage side and we feel that we are significantly interested in those kind of works.

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