

SPML bags Rs 721 cr order; sees Rs 1.8k cr topline in FY15

Mar 10, 2014, 04.18 PM IST | Source: CNBC-TV18

Rishabh Sethi, ED, SPML said the company's total order book currently stands at around Rs 6000 crore. Its order inflow in FY14 stood at Rs 3500 crore, Sethi said. The company is currently focusing on water and power sectors.

Infrastructure development company SPML has received two new orders worth Rs 721 crore. It bagged an order worth Rs 590 crore from Bhavnagar Irrigation Project Division, Gujarat, and another Rs 130 crore order from South Bihar Power Distribution Company, Patna, said Rishabh Sethi, ED, SPML. The company's total order book currently stands at around Rs 6000 crore. Its order inflow in FY14 stood at Rs 3500 crore, Sethi said. The company is currently focusing on water and power sectors, he added. Most of these orders have a 3-4 years horizon. Sethi said revenue inflow from these projects will begin in FY15-16 and go on till FY18. He is expecting a topline of Rs 1,800 crore in FY15. The company's current consolidated debt stands at around Rs 550 crore. Sethi said it is because of high interest rates that the company's finance cost is so high. Below is the verbatim transcript of Rishabh Sethi's interview with Sumaira Abidi & Reema Tendulkar on CNBC-TV18.

Sumaira: There is a 721 crore order win that was reported by your company earlier this morning. Can you take us through what are the details on that? What will be the margins that you will be enjoying on?

A: These are two separate orders. One is for the Gujarat government for irrigation work for pipeline of 3 meter diameter and the other order is for the Bihar government for Bihar State Electricity Board for transmission distribution line in Bhagalpur. The value is around Rs 590 crore for Gujarat project and Rs 130 crore for Bihar project.

Reema: With this where would the order book stand at and if you could tell us what the margins will be on this order?

A: Currently we have an order backlog of Rs 6,000 crore. This is the highest company's order backlog and overall across the order book we expect about 13 percent EBITDA level margins.

Sumaira: Are there any other projects or developments that you would be bidding going forward?

A: We have seen good order inflow in the last year. We have got in about Rs 3,500 crore of new orders in 2013-14 and in addition to that we are L1 currently in about Rs 2,000 crore of orders which we expect to become orders after the election now. On the other side the major development in the company is our focus on the water sector and the power sector, diversified infrastructure player is making a difference in helping us getting orders.

Reema: When will all these order wins flow through into your profit and loss (P&L) because I was seeing that in Q3 the revenue growth was about 3 percent, for the first nine months of this fiscal year as well as on standalone basis your revenues are up close to about 2.5 percent on a year on year basis. So, it looks like FY14 is going to be a flat year for you in terms of your revenue growth. If you could tell us what will be the kind of revenue growth trajectory that you expect in FY14 as well as in FY15?

A: Most of the orders have come in the second half of the year and the execution cycle in the first year of the order is typically slow but we expect a significant revenue inflow from these orders in FY15-16 up to FY18. Most of these orders are three year execution period. So, we expect a significant revenue growth in FY14-15.

Reema: What would that be, if you could quantify it?

A: We are looking at Rs 1,800 crore topline in the year FY15.

Sumaira: Even your finance costs are quite high, at Rs 36 crore-38 crore and looking to be heading higher because even on year on year basis in Q3 it has gone up to Rs 38 crore. Are there any plans that you have regards your debt reduction etc and what does your current debt stand at?

A: The current consolidated debt of the company is around Rs 550 crore but as the infrastructure sector is not being favoured by the banks currently mostly due to the interest rates that we have to pay for money that has been lend to us. We feel when the economy gets little better as well as our debtors, who are constantly targeted by us, we should see a reduction in the cost of the company.

Reema: There were some arbitration claims that you had recognized as income in the quarter. We understand that the final outcome of the appeal is still not out, at least that's the latest update that we had in the company. Could you provide us whether you have won the final appeal on these arbitration claims?

A: These are claims which are part of the regular business which have been approved through arbitration as part of the contract but realisation of that take little time because it goes through the legal process of the course but based on our past experience in the past year also we have received about 35 crore in arbitration income and the money has been realized also. So, we expect that over a period of time this to be coming in the company as well.