

SPML Infra plans to focus on EPC deals

KOLKATA, SEPTEMBER 7:

Will look at prudent divestment of non-core assets, free up financial resources for reinvestment

Infrastructure developer SPML Infra Ltd – which is into water, sanitation and power – is planning to focus on engineering procurement and construction (EPC) contracts only rather than built-own-operate-transfer (BOOT) projects.

In EPC contracts, the contractor is responsible for activities that include design, procurement, construction, to commissioning and handover of the project to the owner.

The company, as a strategy, will look at bidding for projects where one-time EPC engagement is coupled with ongoing maintenance contracts, thereby, enhancing the proportion of annuity revenues.

According to Subhash Chand Sethi, Chairman, with banks not ready to take risk and fund large BOOT projects, financing has become an issue. BOOT projects require a larger upfront investment. Moreover, the number of clearances required for these projects makes them prone to delays, thereby increasing the cost burden on developers.

“We could either become a developer or an EPC contractor. Since, EPC was our core competence, we decided to focus there,” he told *BusinessLine*.

SPML Infra’s annual report further mentions it will look at prudent divestment of non-core assets (especially hydropower) and free-up financial resources for reinvestment in its core business.

In fact, the company has also initiated the process of shifting its headquarters and registered office from Delhi to Kolkata. The process is likely to be completed within this fiscal.

Outlook

With a standalone order-book size of ₹4,000 crore and a consolidated one of ₹6,000 crore, SPML Infra is eyeing at least 10 per cent growth in turnover this fiscal.

The orders, spread across West Bengal, Gujarat, Maharashtra, Tripura, , UP and other States, are mostly expected to be completed over the next two to three years.

In FY-17, the company reported a turnover of ₹1,611 crore and a net profit of over ₹14 crore.

“We expect a 10 per cent growth in turnover this year with the orders being ready for completion in another two-three years’ time,” he said, adding that while the company did face some teething problems and supply issues with GST roll-out, the issues have now been resolved.

Delayed payments

SPML, Sethi said, was also hopeful of reducing its debt burden with faster resolution of its dues. The company has a standalone debt of ₹1,000 crore (for FY-17) with dues from the Centre and various State government running worth of ₹600 crore. The dues are in various stages of resolution, including arbitration awards.

“Delayed payments are an issue in the infrastructure sector. If we receive our dues quickly, then the debt burden for the company will go down substantially. It will also help in future projects,” the Chairman said.

According to Sethi, the Union Cabinet’s decision – that requires government agencies to pay 75 per cent of arbitral awards – needs to be followed even by the State governments for faster redressal. At present, the scope of this is restricted to Central PSUs only.