

## **Back to basics, SPML Infra sees wealth in water ops again**

NewsWire18, Tuesday, Apr 19, 2011: Dhirendra Tripathi

NEW DELHI - Sometimes small, innocuous changes portend much bigger changes. This is precisely what has happened in the case of infrastructure company SPML Infra Ltd, which saw not one but two such changes.

One was when the company bid adieu to Kolkata and shifted head office in 2009 to Gurgaon, Haryana, on the outskirts of the national capital. The other was the change to its current name from Subhash Projects and Marketing Ltd in April last year.

So, while the company made these little alterations, it also did something much bigger. It turned back focus to its roots--the water business. SPML, which had diversified from being a water solutions provider to a player in environment, power, special economic zones, ports and urban infrastructure, is again going back to sharpen its focus on water, waste water and solid waste management solutions.

"There were both internal and external factors behind us going back to water business...We realised margins in other infrastructure industries were lower as well as it is becoming very competitive," Rishabh Sethi, chief operating officer and member of the Sethi family that owns and runs the company, told NewsWire18.

"Internally, we have a very strong practice in the water sector, in terms of engineering, in terms of designing as well as the people we have and the past record also," he said.

"So currently, we feel the water sector is the place where we fit in".

Water business gives an EBITDA margin of almost 13-14% compared with 10-11% in other infrastructure businesses, Sethi said.

The company's renewed ambitions have got a boost with various state governments planning to set up or refurbish water delivery systems in cities.

"There are (water) projects coming up across India... There are projects in parts of Delhi coming up...Cities in Punjab are coming up and Patna city or Jharkhand, lot of cities are coming up (with such projects)," he said.

Under its plan to privatise water distribution system in the national capital, the Delhi government will go for a performance-based contract where the contractor will have to assure a certain quantity of supply while reducing leakages.

The Delhi government plans to initially launch its scheme in four zones in south and west Delhi--Vasant Vihar, Vasant Kunj, Malviya Nagar and Nangloi.

"We will be very actively pursuing these and all should happen this year...The collection will be our job, the risk will not be ours, but the responsibility and the service level agreement will be ours," Sethi, who leads the innovation drive in the company, said.

Delhi is looking at 20-25 year contracts and they are looking at large companies to come and participate because there are high profile areas as

well, he said. "In Delhi, more than 50% water supply is wasted right now but cities are targeting 15%...So that is a big gap and that per year reduction in water wastage is going to be a big parameter in such performance contracts."

A graduate in industrial engineering and economics from Northwestern University, US, Sethi said the family wants to make the company an all-India conglomerate in the water business and is also eyeing international ventures.

"We are participating in a couple of projects in Sri Lanka, Indonesia and West Asia, mostly Oman...We would have bid for a total order size of 10 bln rupees in these countries and have qualified in the first stage in all these countries," he said.

The orders should take three-four months to come, he said.

The company's 100% subsidiary, SPML Utilities Ltd, is its investment arm for undertaking water projects under private-public partnership and build-own-operate-transfer basis.

"We would like to keep the wholly-owned subsidiary as a separate business unit in terms of the project execution, project management, finance which will own all the BOOT projects that we are executing," Sethi said.

"We are trying to get a few more projects, look at where funding is required and post that, we will be looking at getting a private equity or a strategic partner involved," he said.

Sethi said a 5-bln-rupee topline will be a trigger for the subsidiary company to bring in an investor.

## **POWER PLANS**

While SPML trains its focus on water and related businesses, the growth in power sector too is keeping the company's management enthused. Here again, it is the balance of plant equipment for thermal plants and renewable energy sectors that the SPML management has spotlight on.

The company has moved away from small transmission and distribution contracts it used to do for state electricity boards.

A thermal power plant broadly comprises two sections--the main plant equipment that consists of boiler, turbine and generator and the balance of plant equipment that includes equipment for coal handling, ash handling, fire, water systems, etc.

"We have moved towards focusing on balance of plants works as well as certain large capacity transmission lines," Sethi said.

He said the company is currently executing, has qualified and is also bidding for BoP projects.

"We are doing one in Ramgarh in Rajasthan, which is a 160 MW gas-based power plant," he said.

"Based on that, we are looking to venture on our own only... We have the qualification of plant water systems and for coal handling and ash handling and are also bidding for a couple of 70-350 MW projects in Rajasthan," he said.

There is a significant opportunity in both solar and hydropower. "We are looking both as a developer and an engineering, procurement and construction contractor... We are looking at bidding for some larger hydro projects across the country as well as seeing how we can partner in EPC work for solar projects."

"We don't have a clarity where we are going to go in solar but that's a long-term vision to be in that area," he said.

SPML Infra currently has hydropower capacity of 40 MW across plants in Karnataka and Himachal Pradesh.

## **ROAD PROJECTS**

Road construction is another business of SPML that has undergone a change and led the company to undertake only those projects where it has a strategic interest.

"I won't say that we are not going to bid for more road projects but we are going to bid for strategic road projects where we already have some sort of presence," he said.

For example, the project the company won for Jaipur-Bhilwara. "We have significant work around that area and so we were aggressive and we targeted that project... Similarly wherever we are strong in terms of location advantage and regional work going on, there we will continue to be part of the road business," he said.

The company is also executing a road project in Bihar besides bidding for a few projects of National Highways Authority of India where again it has a strategic interest.

At 1508 IST, shares of SPML Infra traded at 168.60 rupees on the National Stock Exchange, almost flat from the previous close.

Edited by Vandana Hingorani