

# BUSINESS ECONOMICS

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ENLIGHTENED BUSINESS

## “Humanity, Ostentation, Wastage & Hunger”

World wastes 30%, India wastes 40% food produced





## Infrastructure

# India needs about \$1.5 trillion investment in its infrastructure sector in coming 10 years

◀ **Subhash Sethi**, Chairman, SPML Infra Limited

**E**stablished in 1981, SPML Infra Limited is a leading publicly listed infrastructure development company that has managed and implemented over 600 projects across India and is the only Indian water management company to be featured among the world's top 40 private water operators as per the survey of Global Water Intelligence, London. In a discussion with BE's Samarпита Roy, Subhash Sethi, Chairman, SPML Infra Limited dwelt mainly on SPML corporate expansion plans PAN India and the new project developments.

**Q.** Recent government data showed that India's annual infrastructure output grew at its fastest pace in five months in August this year, driven by higher coal and electricity production. How would this positive economic atmosphere further facilitate the expansion of your business?

A. Infrastructure is among the key growth drivers for Indian economy. The focus is on major infrastructure sectors such as power, water, sanitation, roads and bridges, irrigation, dams and other urban infrastructure. India's infrastructure output is gaining momentum and as per the latest report, 4.9% growth was registered in August 2017 due to higher coal and electricity production. To sustain the growth momentum, India needs about \$1.5 trillion investment in this sector in the coming 10 years. There is renewed interest from international investors with the changing infrastructure landscape in India. The investments in infrastructure development are coming from developed economies and major wealth funds across the world. A recent example was Delhi Mumbai Industrial Corridor where Japan has collaborated to develop one of the world's largest infrastructure projects in the country. India's faster economic growth and its steady rise among emerging markets have made it an attractive destination for investment.

The structural shift emerging in the country's infrastructure sector is incredible, something that I have not seen in my 36 years of being associated with this sector. The government

of India's focus on easing the policies and several schemes aimed at improving infrastructure with specific focus on urban and rural transformation like Smart City Mission, Atal Mission for Rejuvenation and Urban Transformation (AMRUT), Housing for All, Water Supply and Irrigation Projects, Roads & Highways, Metro Rail, and specific schemes like Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY), Ujwal Discom Assurance Yojna (UDAY), Integrated Power Development Scheme (IPDS), Unnat Jyoti by Affordable Lighting for All (UJALA), Sahaj Bijli Har Ghar Yojana (Saubhagya) has aided this growth.

SPML Infra has years of rich experience with over 600 executed infrastructure projects in power, water, irrigation and waste water treatment segments. We are looking forward to continuing our association with centre and state governments and other agencies. Currently we are focusing on completing the current projects on time and looking for about 10-15% top line growth in the coming years.

**Q.** You are the only Indian water management company to be featured in World's Top 40 Private Water Operators as per the survey of Global Water Intelligence, London. How was the journey?

A. Since its inception in 1981, SPML Infra has come a long way to become the leading infrastructure development and the largest water management company in India. We belonged to the state



125 MLD Water Treatment Plant at Pokhran

of Rajasthan where water is scarce and my father, (Late) Punam Chand Sethi decided to focus our efforts towards providing safe drinking water to the people. That was the beginning of our journey.

Our company consistently features among the world's top 40 private water management companies as per Global Water Intelligence, London and it is the only Indian company to be listed. The company continues its dedication to promote sustainable water management solutions, a task that is increasingly becoming essential and complex as the supply-demand management is plagued by water source depletion. In its 36 years of existence, the company has acquired a thorough understanding of water and wastewater sector. With a number of water projects in different states, SPML Infra provides drinking water facilities to almost 40 million people in India.

The vision for growth is driven by operational compliance, quality of service, efficient project execution and continuous business process improvements. SPML Infra strives towards excellence in all operations through compliance with world-class quality systems in its specific fields of activities, ensuring a continuous improvement in project execution and quality management. SPML Infra has also been gaining an edge by devising and adopting new technologies essential for growth such as use of ICT and Integrated Management Information System (IMIS) for smart utility management.

**Q.** How was your performance in the last year and what kind of expansion/investment plans are there for the upcoming years in the Indian market? What are the projects you are currently engaged with?



Kalisindh Concrete Gravity Dam-2

A. SPML Infra has recorded year on year growth of 14.5% in FY 2016-2017, which compared favourably with the 4.8% growth of the country's infrastructure sector. The company also reported 8.6% increase in EBITDA and 10% growth in its net profit. It also strengthened its business competitiveness through an increase in the pre-qualification limit for water infrastructure business by achieving revenue of ₹1,000 crore. Some of the important projects completed this year include the Phase 1 of Sauni irrigation project in Gujarat, which was inaugurated by Prime Minister Narendra Modi in April 2017. Phase 1 of Bangalore Metro Project was inaugurated by Pranab Mukherjee, the President of India in June 2017 where SPML Infra completed the electro-mechanical works. To augment the drinking water supply to Jaipur city, SPML Infra completed the 200 MLD Water Treatment Plant in Surajpura, Rajasthan. In wastewater segment, the company has completed the 42 MLD Sewage Treatment Plant and Sewerage Network in Kanpur, Uttar Pradesh that will help in cleaning the holy river Ganga. SPML Infra also completed technologically advanced 220 kV GIS substations in Alipurduar, West Bengal and 500 MVA Autotransformer in Mainpuri, Uttar Pradesh for quality power supply and distribution in the designated areas.

Our company has an order book of approximately ₹ 6000 crore which will help us in steady top line and improved bottom-line growth. With several schemes for developing infrastructure for water supply and power distribution, we are expecting to add new projects in this segment in our account in the coming years. We are currently executing about 50 water, power and municipal solid waste management projects in India.

**Q.** To thrive in the fast changing times, there is need to be inspired, innovative and be illuminated with ideas turning vision into reality. Can you please describe the innovations in project management that can assure success?

A. We've all heard the old saying 'fail to plan, plan to fail' and it's always a good idea to have a plan in place for deciding the goals. In this fast changing world, innovation and technology are key drivers for growth. Many dreams and visions do not become realities because people do not expect them to be, but when you truly believe your vision is possible, you leave dreaming and prepare for action.

Technology has advanced in all segments of life and there are new technologies available for infrastructure companies as well. Design engineering has transformed from being a flat format to 3-dimensional, which helps in minimizing errors and improving productivity during the execution period. Procurement and transportation of equipment, machinery and materials are an important part of infrastructure development and the advent of advance technology for transportation, intelligent logistics, and faster mobility is making project execution more efficient.

There are a number of state-of-the-art technology solutions available for collection and dissemination of data during the construction phase of an infrastructure project. Project

tracker is another technological advancement that incorporates the use of smart phones in project execution that provides real time information for taking swift remedial steps that hampers the work.

From our own experience as an infrastructure developer, good companies are those which are creative in their thinking, innovative in their planning and daring enough to take the risks. SPML Infra being a leading player in infrastructure development in India puts very conscious efforts to quality and international best practices. The latest and innovative technology is being employed by us in execution of various large and sophisticated projects we are currently working. Our in house engineering team is on constant research and development to provide innovative and best engineering solutions without compromising on quality. Our company strives for speed and perfection in all projects with the help of well qualified and experienced project teams to deliver projects on scheduled time. In essence, our business model for success would be to maximize our strengths to achieve the overall objective.

**Q. What are the problems you are facing operating in India’s infrastructure sector? How can you compare the problems in India with other countries across the globe?**

A. India’s infrastructure sector is not without its set of problems that include inordinate delays in land acquisition, regulatory bottlenecks, statutory clearances (particularly environment and forest clearance), shortage of skilled manpower, timely availability of materials, difficulty in getting long-term and working capital funds among others. Availability of competent project management personnel is also an area of concern. The rising incidence of cost overruns, fluctuating input costs like that of steel and cement are the major contributors to the problems faced by Infra companies. The inordinate delays in payment by clients also put tremendous pressure and result in negative cash flows from operations. Fund raising is also a key challenge for infra companies. The issues are more or less the same in other developing countries where the support of a regulatory authority is not in place for protecting the interest of developers and resolve the disputes normally arises in large and complex development projects.

**Q. Are you looking for overseas expansion?**

A. We are already operating internationally with our coal mines



500 MVA Autotransformer, Mainpuri, UP



220 kV GIS Substation, Alipurduar, West Bengal

in Indonesia having coal reserves of 166 million metric tonnes and production capacity of 3 million metric tonnes per annum. Apart from coal, we are also executing a water infrastructure development project in Rwanda, Africa. We are open for water and power projects in African nations and other Asian countries.

**Q. As a business operator, how do you develop your corporate social responsibilities?**

A. Social responsibility has been the basis of our success right from the inception of SPML Infra. Our approach has been to make enduring social impact through programmes that build sustainability. SPML Infra has defined its core values – Care, Passion, Awareness and Improvement – to guide in all segments it caters. As a constructive partner in the communities in which we operate, our company has been doing real work to realise its social responsibility objectives.

We have conducted a series of social welfare programmes, a way to give back to society and its people, which started off with the Free Limb Distribution programme to distribute free artificial limbs to the needy to overcome their challenges. The Beti Bachao campaign is one such campaign amongst the list of many others, which was initiated to make awareness about the importance of girl child in the northern part of the country.

We believe in “save water is found water”, and to spread this message, regular outdoor and public awareness campaigns on “Save Water” and “Conserve Water” is running across Delhi and other cities. Regular healthcare and eye camps are organised for under privileged people providing them quality medical care.

Besides focusing primarily on the welfare of economically and socially deprived sections of society, SPML Infra also aims at providing economically viable and environment-friendly services for the benefit of millions of people across the nation, while at the same time ensuring the highest standards of safety and environment protection in its operations. We hope to keep touching the lives of millions of people positively by supporting environmental and health-care projects and social, cultural and educational programmes. ■