

15th November, 2024

To,

National Stock Exchange
Exchange Plaza,
Plot No. C/1, G Block,
Bandra (E), Mumbai-400051
(NSE Scrip Code: SPMLINFRA)

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai-400001
(BSE Scrip Code: 500402)

Sub: Transcript of Earnings conference call for the second quarter and half year ended 30th September, 2024

Dear Sirs,

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith the transcript of Earnings Conference Call organized by the Company on 12th November, 2024 post declaration of un-audited financial results for the second quarter and half year ended 30th September, 2024.

You are requested to take the above on record.

**Thanking you,
For SPML Infra Limited**

Swati Digitally signed
by Swati Agarwal
Agarwal Date: 2024.11.15
15:12:07 +05'30'

**Swati Agarwal
Company Secretary**

Encl.: As above

SPML INFRA LIMITED

CIN : L40106DL 1981PLC012228

22, Camac Street, Block-A, 3rd Floor, Kolkata 700 016

Ph : +91 33 4009 1200 / 1247

E-mail : info@spml.co.in | Website : www.spml.co.in

Regd. Office : F-27/2, Okhla Industrial Area, Phase-II, New Delhi - 110020





SPML Infra Limited

Q2 & H1-FY25 Earnings Conference Call

November 12, 2024

Management:

Mr. Manoj Digga – Director Commercials & Chief Financial Officer

Mr. Malay Kanti Chakraborti – Executive Vice President

Moderator:

Ladies and gentlemen, good day and welcome to SPML Infra Limited's Q2 and H1 FY'25 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" and "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Pranay Premkumar from Adfactors PR, Investor Relations team. Thank you and over to you, sir.

Pranay Premkumar:

Good evening, everyone. From the senior management we have with us, Mr. Manoj Digga - Director Commercial and Chief Financial Officer and Mr. Malay Kanti Chakraborti - Executive Vice President. Before we begin the conference call, I would like to mention that some of the statements made during the course of today's call may be forward-looking in nature, including those related to the future financial and operating performances, benefits and synergies of the company strategies, future opportunities and growth of the market of the companies' services. Further, I would like to mention that some of the statements made in today's conference may involve risks and uncertainties. Thank you and over to you, Mr. Manoj Digga.

Manoj Digga:

Thank you very much. Good evening and thank you all for joining the Q2 and H1 FY'25 Earnings Conference Call of SPML Infra Limited. I will give you a brief overview of the industry trend, business update, and will also walk you through the company's financial performance.

With regards to the water sector, India is among the most water-stressed regions in the world, with almost 40% of the population suffering from extreme water shortage. With this challenge, there are opportunities as well for water infrastructure development companies. With the Government of India's focused initiative in the water sector, coupled with visible opportunities, we expect that the central government and various state government agencies will come out with sustainable tenders in this financial year and in the future. The flagship scheme of Jal Jeevan Mission is likely to be extended until 2030, coinciding with the United Nations Sustainable Development Goals to achieve clean drinking water facilities to every household in the country. With a sustainable upside budget, this scheme may attract further allocation as near to the target in 2030. Recently, the Hon. Prime Minister announced Mission Amrit, the next step in the Swachh Bharat Abhiyan, which involves setting up a water and sewage treatment plant in all cities in an effort to make cities clean across the country. It will further generate additional business opportunities and will boost wastewater treatment facilities to improve the quality of water and to address issues of flowing sewage and effluent into the water bodies, thus reducing water contamination. As per available data on various government sites, irrigation and river interlinking projects will provide approximately Rs.19 lakh crore worth of opportunities. The National Water

Development Agency has identified around 30 projects of which 4 projects namely, Ken-Betwa, Kosi-Mechi, Parbati-Kalisindh-Chambal, and Godavari-Cauvery links have been selected for early implementation.

SPML Business and Operations:

We have successfully completed 43 years of operation as on August 2024 and are among a very few companies having such a huge experience in this space. Being one of the leading integrated water management companies in India, we take pride of having one of the best pre-qualification criteria which will enable us to not only participate in the high value project but also collaborate with various other companies in joint venture to undertake large ticket projects. As I have spoken in my earlier interactions, we seek to focus more on the bulk water business which involves the distribution of water from river to reservoir wherein a substantial portion of this business involves laying pipelines for transportation of water. We have good association with leading pipe manufacturers and also have a paneled expert subcontractor who could execute it faster. We have plans to execute such orders under the escrow mechanism to reduce the strain of our working capital which will give the companies substantial advantage as compared to other companies.

I would like to inform you about one major update during this quarter. We have reached a settlement agreement of an Arbitration Award with Power Grid Corporation of India under the Vivad se Vishwas II scheme for an amount of Rs25.06 crore. With the successful settlement, I am pleased to announce that we have received a total of Rs.268 crore through arbitration from Vivad se Vishwas scheme and the balance amount of Rs26 crore is also expected within the current financial year.

We have successfully raised an amount of Rs.346 crore through the preferential allotment of shares and warrants out of which Rs.290 crore will be received in cash and balance through conversion of loan to NARCL as per their terms. The other part will be from the promoter which will be utilized towards taking advantage of growing opportunity in water sector. Out of the aforesaid preferential allotment, we have already issued Rs.170 crore from equity and warrants and balance of Rs.1 crore is expected within next 18 months. On the aforesaid amount raised, promoter has contributed Rs.190 crore in addition to the Rs.160 crore already contributed since past three years to improve the liquidity which reinforced the strong focus and confidence that we have towards the company and its business. With the continuous efforts of the promoter, the net worth of the company stood at Rs.602 crore as of September 30, 2024. With the aforesaid infusion of equity and warrants along with money realized from Vivad se Vishwas scheme and infusion from promoter earlier, total FD as on date stood at Rs.280 crore and from the further issue of equity and expected Vivad se amount, the total FD is expected to be around Rs 460 crore in future which will be utilized only for the business.

Quarterly financial performance:

On a stand-alone basis, we achieved a revenue of Rs.200 crore in Q2 FY'25 as compared to Rs.254 crore in Q2 FY'24. The earnings have been impacted in Q2 & H1'FY'25 due to monsoon season and slowing down of operations due to general election and state election in different states. The company emphasized along with new order that the operation after Q2 onwards will improve gradually. Our EBITDA has recorded Rs.26 crore compared to Rs.3 crore in the last quarter. We recorded a path of Rs.14 crore in Q2 FY'25 as compared to Rs.0.5 crore in the same quarter last year. For Q2 FY'25, EBITDA margin and PAT margin stood at 13% and 7% respectively, which is at par with our targeted EBITDA margins. The aforesaid growth is mainly on account of JV earnings.

Half-yearly financial performance:

We recorded a revenue de-growth of 31% to Rs.422 crore in H1 FY'25 as compared to Rs.608 crore in H1 FY'24. Our EBITDA stood at Rs.53 crore as compared to Rs.6.5 crore in H1 FY'24. We recorded a PAT of Rs.27 crore in H1 FY'25 as compared to Rs.1.2 crore in H1 FY'24. We also reported a healthy balance sheet with a net worth of Rs.622 crore with NARCL debt of Rs.376 crore. We have also dissolved an inactive subsidiary to alleviate consolidated financial pressure, which will be our continued effort going forward to focus on the core business.

Currently, the sector is facing its own headwinds. Tendering in the water sector has been delayed this year due to state election and government changes in several states, which have temporarily slowed down decision-making. Although new tenders were expected after the election, they have not been released as planned. As the need of water projects remains high, especially under the Jal Jeevan mission, tenders are expected to be floated from Q3 onwards. Currently, the company has participated in a bid of Rs.5,000 crore orders against the total available tender of Rs.11,000 crore based on the company's criteria of bidding for the selected tender and we are expecting some orders to be received against this tender as it is finalising.

With this, we conclude our opening remarks. Thank you for listening to us. We now open the floor for questions and answer session.

Moderator:

Thank you. The first question is in the line of Prathamesh Dhiwar from Tiger Asset. Please go ahead.

Prathamesh Dhiwar:

Sir, I think you recently mentioned that the tenders will be flowing from Q3 onwards. We have bid for around Rs.5,000 crore worth of orders. How much time will it take for the tenders to come into the market in Q3?

- Manoj Digga:** Normally, out of these Rs.5,000 crore tenders, there are few tenders that have been floated before the state election etc., so, the bid has also been received, but normally, after the election, it takes slightly longer time. Normal tender time from the tender opening till the allocation of the work is roughly around 3 months and the tender work has started in August and September. By December, the tender results will start coming. It has started coming to a few states and now it will start coming to various other states as well.
- Prathamesh Dhiwar:** By December or by early January, we can expect order inflow?
- Manoj Digga:** Definitely.
- Prathamesh Dhiwar:** Sir, what is our average order ticket size?
- Manoj Digga:** Our focus is on the bulk business. Normally we are bidding from Rs.300 crore to Rs.400 crore to Rs.1,000 crore plus orders. Various tenders we have been floated in that size accordingly. All of that is there.
- Prathamesh Dhiwar:** Sir, out of this Rs.5,000 crore worth of orders, how much is the winning rate or how much can we convert it into our order books?
- Manoj Digga:** That we cannot tell you because it is not possible.
- Prathamesh Dhiwar:** Sir, any winning rate or any conversion rate you would like to give?
- Manoj Digga:** At the moment, I can say, for around Rs.1,400 crore, we are at L1 and there is a possibility to get something from this Rs.1,400 crore order. But it all depends on our competitive bidding and how the bidding will open. Within these 2-3quarters, we will have definitely receive a few tenders.
- Prathamesh Dhiwar:** Okay, got it sir. Last question will be on the margins. For the H2, how are we seeing the EBITDA margins?
- Manoj Digga:** In this tender?
- Prathamesh Dhiwar:** No, in the coming H2 FY'25.
- Manoj Digga:** With EBITDA margin, the thing is that one, it depends upon the tender. Q3 will be more or less same because Q3, I am not expecting anything regarding new tender. Q4, we will get some from the new tenders. Some income will be further generated. Q3 will be more or less in a similar line. Q4, there may be some business.
- Prathamesh Dhiwar:** Any guidance on topline for H2 FY'25 which we would like to give?

- Manoj Digga:** Till we get new orders, we will be on the similar line as we are currently. Q4 will be slightly high, but the top line will be on similar lines. From next year, the top line will increase along with the bottom line as it will include new orders.
- Prathamesh Dhiwar:** We can expect Rs.1,000 to Rs.1,200 crore for this year?
- Manoj Digga:** It's on the Q2 level because that's the same level which we will be in, unless we get new orders.
- Moderator:** Thank you. The next question is from the line of Shridhar Jadhav from JM Financial. Please go ahead.
- Shridhar Jadhav:** Sir, I just wanted to understand the current order position.
- Manoj Digga:** Currently we have an order book of roughly around Rs.1,800 crore, including SPML Infra and JV.
- Shridhar Jadhav:** What would be the typical execution timeframe for these orders?
- Manoj Digga:** This will be executed in this year, next year may be in the first half of the third year. You can say 2 years.
- Shridhar Jadhav:** I know that this was asked earlier as well, but just wanted to understand what would be our typical order conversion among the Rs.5,000 crore. I just wanted to get a sense of guidance as to the order book position at the end of FY'25.
- Manoj Digga:** It's very difficult to tell you the order conversion because it's a competitive bidding and we will not be able to say who has competed and at, what. But normally we should get a few tenders every quarter. That is our target we can give you because there is huge business opportunity available, whose tender opportunities are available. But it's very difficult to comment on the percentage because it's a competitive bidding.
- Moderator:** Thank you. The next question is from the line of Tej from Niveshaay. Please go ahead.
- Tej:** Thank you for the opportunity. Sir, correct me if I am wrong. In the last concall and probably in your few public appearances, you told probably we are L1 in about Rs.2,000 to Rs.3,000 odd crore, right and you told probably we would get, in India if you are L1, probably you are winning that order, right? And you told probably you would send a notification very soon. But now you are saying that probably we would be L1 in about Rs.1,200 to about Rs.1,300 odd crore. I just wanted to understand, are we really L1 in few of the orders or the results are yet to come? In the last concall you said that we are already L1 and the orders would come out soon, but still it's been November and then still we haven't received any notification from you. I just wanted clarity from your side. Have we bid for any projects? Are we L1 or are we

waiting for the results?

Manoj Digga: Well, as I told you last time also, out of around Rs.1,500 crore, we are in L1, for two orders in Rajasthan. We are still L1 on this tender. In Rajasthan, there was an election issue, so the tender was not opened. Now there is a sub-election, there is Achar Sanhita, so again they are not opening the tender. Hopefully we should get the tenders to open this quarter and then, you see the tender opening and tender finalization get delayed. Although we have the L1 position, but the L1 has not been converted into LOI. We are expecting that in this quarter some tenders will be converted into LOI

Tej: Okay got it, but earlier you said we are L1 in probably about Rs.4,000 crore and now you are saying Rs.1,500 crore.

Manoj Digga: We have participated in around Rs.5,000 crore tenders. I have been saying from the beginning I am saying that financial bid has opened for two tenders in Rajasthan, so we got the L1 position. There are other tenders where we participated, but their financial bid has not opened and hence, we are not able to understand whether we are L1 or L2. For two tenders in Rajasthan 2 tender we are in L1, but because of several election issues, they are not issuing the LOI. That should happen in this quarter.

Tej: Is it correct to say that, let's say by the end of this financial year probably we would get those Rs.1,300 odd crore of orders in which we are L1, right?

Manoj Digga: For all practical purposes it should be unless there is further change, as some uncertainty will remain from L1 to LOI. But normally if I am L1, then I should get the LOI.

Tej: Got it. We raised our funds at the start of September, right? When I see the cash inflow, we raised around Rs.300 odd crore, but our cash inflow is probably just Rs.30-40 odd crore. Have funds come in October or am I missing something here?

Manoj Digga: Fund came in October because we have allotted them on 24th of October. We got the in principle approval on 11th of October and after that we have started getting the fund from all the prospective investors. As on today, we have the FD of around Rs.280 crore.

Tej: Got it. How much would we be utilizing it for, let's say repaying our debt or will we be utilizing it for the tender bidding? Since we require FD for the bank guarantees, right?

Manoj Digga: The money which is there around Rs.280 crore and further money roughly around Rs.180 crore, which we will raise by way of warrant and further this Vivad se Vishwas, all of Rs.460 crore will be utilized for the business. Nothing will be for the repayment. Repayment, is very clearly attached with the arbitration award. Whenever the arbitration award money will come, it will be utilized for the repayment of debt, out of which 75% we pay to the lenders, 25% will further improve the liquidity. All the money which we are raising at this moment by

way of preferential offer and whatever is coming from Vivad se Vishwas will be utilized for the business purpose.

Tej: Is it correct to assume that the whole Rs.800 crore of order book which we have right now would be completed by FY'26?

Manoj Digga: You can take 2 years from here.

Tej: Can margin inch up to let's say 8% in let's say FY'26? Probably you are saying that in current FY, probably it would not, let's say it would be around 5-6%, right? But in FY'26, is it possible that it can go up to 8% because new orders would come in and those executions would also contribute to revenue, right?

Manoj Digga: It should be because we are bidding for the higher margin orders and it should come in that way.

Tej: How much higher, sir? Can you give a number if possible?

Manoj Digga: We are targeting the new order at a 10-12% margin, but that finally depends upon what rate will come. Nevertheless we are targeting at 10-12%.

Moderator: Thank you. The next question is from the line of Subash from Value Investments. Please go ahead.

Subash: Out of the Rs.1,800 crore order book that you mentioned, including the JV book, could you mention what is only SPML's order book, excluding the JV?

Manoj Digga: It is at Rs.1,800 Crore, it is 50-50.

Subash: 50 is with the JV, right? Without the JV, how much is the order book?

Manoj Digga: Around Rs.900 crore.

Subash: I think last quarter you had guided us saying that you would achieve 50-60% of the total order book, that is Rs.1.1 crore what you had during Q1. If you convert that into revenue, we would get around Rs.600 crore and then if any new order, which will be added to the revenue. It is around same as last year, right? Plus if you win any orders in Q3 and Q4, that will be added to the revenue. Am I right?

Manoj Digga: We are having roughly around Rs.2,000 crore to Rs.2,100 crore by 31st March and then we have executed 2 quarters, and the balance will be executed in further 2 years.

Subash: Right. I mentioned Rs.1.1 crore only SPMLs, not JV because you mentioned that the JV's revenue will not come to the top line, right?

- Manoj Digga:** JV revenue will come to the top line. .
- Subash:** Also, out of the total finance cost of Rs.8.98 crore, in the last quarter you had explained to us saying that you recognized other income and also some finance cost as provisional entry, right? What is the actual finance cost for the second quarter?
- Manoj Digga:** There are hardly any finance costs because there is a small amount which we have to pay towards the BG commission, etc. Rest is only the IndAS adjustment, roughly around Rs.8.5 crore which we have to make. Rest is mainly the provisions on BG charges. Finance cost is currently nothing.
- Subash:** It's almost like Rs.40 lakhs or something.
- Manoj Digga:** That Rs.30-40 lakhs is the BG commission, etc. which we are paying every quarter.
- Subash:** Okay. What is your order pipeline as of today? The orders that you have bid for, is it Rs.5,000 crore that you mentioned?
- Manoj Digga:** It is approximately Rs.5,000 crore and the bid will start opening in next 1 or 2 months or next 3 months.
- Subash:** You expect to win Rs.1.5 to Rs.2,000 crore of order every year, right?
- Manoj Digga:** Every week, there are few tenders for which we will keep on bidding. There are enormous opportunities in water sector and lot of tenders keep on coming. We will keep on bidding for our selected tenders.
- Subash:** You expect to win around Rs.1,500 crore to Rs.2,000 crore order every year going forward, right? I think that was your guidance.
- Manoj Digga:** It should happen because we have a lot of business opportunities and looking into our position, at least that much we should get.
- Subash:** Okay. Thank you. I attended even the other water infrastructure company conference calls, even they mentioned the same thing about the election slowdown, but they were able to manage at least one or two or three orders. I mean, can we assume that because of the past, where your funds were stuck from the government project, is it because you have certain conditions and that is why you are not taking all the projects?
- Manoj Digga:** No, it is not. It may be that the various tenders where they have bided, the tender has opened and the LOI has been converted into order. It is like we are L1 in Rajasthan, where the election etc. is there. That may be the reason our tender has not been finalized. They may be in UP, where there is nothing to happen. They may have opened the tender and the LOI has been converted. It is not like we have certain problems and they have certain strengths. The

bid where we have made the tender and then if that opens, then within one month and half month, that gets allotted to the LOI.

Subash: Okay. Thank you so much, sir. That's all I have and all the best for your future order wins. I think everybody is waiting for the next order win, which could come in late December or January. We will be waiting for it. All the best.

Moderator: Thank you. The next question is from the line of Dheeraj Ram from Ashika Institutional Equities. Please go ahead.

Dheeraj Ram: Congratulations for a good set of numbers. My first question is a follow-up from the previous participants. We know that 50-50 is our order book with joint venture versus SPML share. In joint ventures, what is the SPML share in it, which will be recognized in top line?

Manoj Digga: On an average you can take 30%. It depends on joint venture to joint venture, but average you can take 30%.

Dheeraj Ram: Okay. My second question is, what is the expected amount of money that we are expected to receive in H2 from Vivad se Vishwas Scheme?

Manoj Digga: There is Rs.26 crore which is still left which we are pursuing for and that is the targeted amount that either both the Rs.26 crore or at least one of the award we will receive before 31st March.

Dheeraj Ram: Okay. So, at least Rs.13 to Rs.15 crore we can expect, sir?

Manoj Digga: If not Rs.26 crore.

Dheeraj Ram: My third question is, with our current cash holding, whatever the liquid asset we have, till how much projects can we bid for? We have to submit various bank guarantees, etc. So, what is the amount of projects that we can bid for?

Manoj Digga: It depends upon state to state because if you see Rajasthan, there is no performance bank guarantee. If you are going to MP, there is a 2% guarantee. If you are going to Karnataka, there is a 10% guarantee. If you go to Orissa, there is a 3% guarantee. Whichever tender we participate in will accordingly determine how much amount we can take, but normally you can roughly take 5 to 7% as the requirement of BG and working capital. You can take it average wise and then we can take that much business, roughly around 280 divided by 0.07, but going forward, we have we have warrants. Anytime we feel that the money is required, we can allot the warrant because majority of the warrant is with the promoter. Number three, we are also approaching to the bank. If we get the bank limit, then there is a further BG limit which will be available for taking big projects. There will be no issues in taking tenders.

- Dheeraj Ram:** Okay, so, bidding for the tenders is not a big issue. Once the tender starts, that's when we can expect a large amount of orders coming in. Is that correct, sir?
- Manoj Digga:** Only one thing is that we are very selective in taking the bidding. We don't bid in every tender because we have made certain criteria of fully funded project, where the DPR is completed, where there is a bulk water, there is a control and comfort with our escrow partner, pipe supplier. We will be bidding only for those projects. There is ample number of bidding opportunities in the water sector, but we are selective in taking them and we will not have any issue in whatever targeted tenders we want to achieve for this year or going forward.
- Dheeraj Ram:** Okay. Last two questions, sir. The first one is what is the percentage of old orders in our order book and what is the percentage of new orders in our order book?
- Manoj Digga:** We consider all the orders taken before the resolution as an old order. All the orders are old orders. Very recently, we have not received any order. Whenever we will receive an order now, this will be called as a new order. You can consider all the order, which we have as old orders.
- Dheeraj Ram:** Okay. My last question. Based on this old order, we were able to clock this amount of EBITDA margin. If we get new orders in H2, What is your guidance in FY'26? Can we go up to or across 8.5% EBITDA?
- Manoj Digga:** In the new order, we are targeting 10 to 12% margin. So, 10% margin is our targeted order. Although, it is a different issue of what we finally achieve in the competitive bidding, but our target bidding is 10% and then, we will get that 10%. Now, whenever the order will keep coming, we will keep increasing the percentage we get in this order.
- Dheeraj Ram:** One last question. So, if we want to achieve Rs.60 plus crore as PAT for the FY'25, we have to clock at least Rs.40 plus crore of PAT in H2. How do you see ourselves clocking Rs.40 crore PAT in H2?
- Manoj Digga:** It is difficult to say what amount will come into the full year at this moment, but I can only say that Q3, I am not expecting much because even if I get the order, it will not be executed. It will be more or less same line. In Q4 though, we should get some order, some JV order, JV commission, etc. Q4 should be better. Until then, we will keep on communicating with you whenever the order comes.
- Moderator:** Thank you. The next question is from the line of Mandira A from Investore. Please go ahead.
- Mandira A:** I have a couple of questions. What factors give you confidence in achieving double-digit margin, considering that the water tenders which are being floated in the market is not as per your expectation?

Manoj Digga:

Water tenders are expected, and there are so many water tenders. If you see currently, there are roughly around Rs.11,000 crore water tenders floated into various states and we are selectively participating due to our criteria. As I mentioned in the first conference call itself, we will be very selective. We are not in the mood to build up a huge order book. We would like to remain as a boutique. We will select orders which has a higher profitability, which is fully funded, which is in a good state, which are easy to execute, which are bulk, on which we have the support from our panel pipe manufacturers, who are ready to do the work in the escrow mechanism. These are the criteria's which we look into. Whichever tenders are fit that criteria, we keep participating in that. At the moment, we have participated in around Rs.5,000 crore of orders, which are fulfilling these criteria's. Every week we will keep on bidding, whenever the tenders keep on coming.

Mandira A:

Got it, sir. What is the expected quantum of Arbitration Award for H2?

Manoj Digga:

We have that one award of roughly around Rs.180 crore, which is at the Supreme Court of Arunachal Pradesh, which we are expecting to receive in the current financial year. . The rest will keep on coming, because there is Rs.620 crore of arbitration award, against which we have to pay roughly around Rs.430 crore to the banks. The rest will be with us. That is our target to be received in the next 5 years, in tranches.

Moderator:

Thank you. The next question is from the line of Vijay Rawat from Vedant Capital. Please go ahead.

Vijay Rawat:

Sir, I just want to know at what stage the discussions are with banks for the BG limit?

Manoj Digga:

We are in the process of improving our rating. Although we have the BG limit, whatever bank FD we have, we are taking the BG against those FDs, which is not at all a problem. We are in the process of discussing with ICRA for doing the rating. Once we get the rating, then we will approach the banks for the BG limit.

Vijay Rawat:

Approximately how much time can it take?

Manoj Digga:

I will pass this for the next conference call, because the rating has to come first. We have already appointed ICRA, which is under process. Once that happens, then obviously we will approach the bank, and then I will be able to give you much more clarity in the next conference call.

Vijay Rawat:

My last question is that, you said you have bid for Rs.5,000 crore orders, so this Rs.5,000 crore was done in this Q2 only, or how is it?

Manoj Digga:

This is accumulated till date. As I told you, in the last 1-1.5months, tenders have been very low, because of various government issues. There is some Jal Jeevan Mission renewal etc. which was going on, few people are engaged in elections etc. Now the tenders have started

floating. Till date, we have bid for around Rs.5,000 crore of tenders, in which we are in L1 for around Rs.1,400-Rs.1,500 crore.

Moderator: Thank you. The next question is from the line of Heena Parikh, an individual investor. Please go ahead.

Heena Parikh: What makes us different from the other EPC players who look to enter this segment based on the huge business opportunities available?

Manoj Digga: EPC is a very peculiar business. You get EPC orders, EPC tenders and EPC work order only on the basis of PQ. PQ means your qualification, which you get based on the work actually done in the past. All those players who have recently started the EPC business don't have any track record of PQ. Without PQ, nobody gives any business. In the government, it is very clear that whether you have done similar type of work in past, which is PQ, pre-qualification, then only you will get the order. Now, when they give pre-qualification, to the water sector, it is a water pre-qualification that they see. When it is a road sector, they check the road pre-qualification see, when it is the power sector, they check the power pre-qualification. Since we are into the water sector from the beginning, our pre-qualification in the water sectors are enormous. We are pre-qualifying for atleast around 80-90% of the tenders. Company which is in the road sector and wants to start working the water sector, will not get any PQ in the water sector and they will not get the business. That's the added advantage all the companies who are there in the sector will have and that is where we have a much better advantage compared to other EPC companies which have recently started. Number two, we don't have any debt issue because all the debt have been resolved. Number three, we don't have any payout issue. I don't have to pay any installment, any interest. All are linked with my arbitration receipt. Number four, we have 43 years of experience. Our system and process are set up. Our employees are well trained. Our empaneled contractors and suppliers are very strong, and are not comparable to any new EPC company which will start operating in the water sector. That's the major advantage and we have the liquidity of roughly around Rs.300 crore.

Moderator: Thank you. The next question is from the line of Dheeraj Ram from Ashika Institutional Equities. Please go ahead.

Dheeraj Ram: We have received Rs.25 crore of Arbitration Award during the quarter. Is that right?

Manoj Digga: Yes, we received around Rs.25 crore.

Dheeraj Ram: How does it flow into EBITDA? What percentage of the arbitration award will have an effect on EBITDA?

Manoj Digga: Arbitration is not affecting the EBITDA because arbitration is received from the debtors. In the EBITDA, there is nothing on the arbitration income.

- Dheeraj Ram:** How do we account this Arbitration Award? In which line item does it fall under? Does it come on the top line or where does it come after EBITDA?
- Manoj Digga:** We will set up from the debtors. If there is any excess amount, it will go to the profit and loss account.
- Dheeraj Ram:** Okay. Any guidance on FY'25 closing order book?
- Manoj Digga:** We should have atleast Rs.1,500 to Rs.2,000 crore order book in next 6 months, but that depends on how it pans out due to the competitive bidding. But minimum, this much should be expected in the next 6 months.
- Dheeraj Ram:** Basically, around Rs.2,500 to Rs.3,000 crore we can expect as a closing order book. Is that right?
- Manoj Digga:** Old and new together.
- Dheeraj Ram:** I just attended another company's conference call, which again has a major presence in Rajasthan, which is Vishnu Prakash R Punglia. They are also very aggressive in bidding as per their conference call. Do you see any competition from these kind of players?
- Manoj Digga:** In the EPC sector, whichever field the government is spending, all the EPC companies will start putting efforts there. The government is spending a huge amount on water which is the best sector to bid. Hence all the EPC companies, will focus into the water sector whether they were in the sector earlier or not, and it's really a profitable sector. The water sector will remain in the business for 10 years. All the EPC companies will be there and, as I told you, the PQ will play an important role. Also the company's maturities, its team and its contractors and suppliers, will play a role in the result and delivery of that order. Therefore even if any strong company comes to the water sector, if they don't have the PQ, they have to go through the JV route with any of the companies which have the PQ, as they will not get any business. If they get the business, then there are different pre-qualification criteria's based on the size of the project. If it is a Rs.1,000 crore plus company, there are only 4 or 5 players. For Rs.1,000 crore plus order, there are only 4 or 5 players who can participate. If it is a Rs.500 crore order, there are 10-15% who can participate. If it is Rs.100-Rs.200 crore order, there can be 20-30 participants and accordingly the margins are applicable. But it is being observed that all the EPC companies are now focusing in the water sector because there is a huge government spending in this sector. I am not finding any competition because our PQ is much higher compared to any company. There are 4 or 5 major players which are equivalent. Our PQs are equivalent to them.
- Moderator:** Thank you. The next question is from the line of Shridhar Jadhav from JM Financial. Please go ahead.

Shridhar Jadhav:

You mentioned that one of our strong edges are pre-qualification to bid for orders. But what I can see is that in the Rs.5,000 crore order that you have bid, mostly you have taken the JV route. So, what is the disconnect over here?

Manoj Digga:

I am giving a theoretical number that if it is a Rs.1 lakh crore order book in a year, our qualification will be 90,000 and as I told you, we are for boutique orders, we will not in a rush to build the top line and the order book. Suppose we take a target to take Rs.5,000 to Rs.6,000 crore orders, there is an Rs.85,000 crore order book which is available which in any case others are bidding. If any strong party wants to have a JV with us, we agree to do that, where we will get 1.75 to 2.5% upfront, that's the equity money that is giving additional revenue to the company. We will continuously bid on our own and with the JV.

Shridhar Jadhav:

Okay and sir, in bigger orders, who are the major players that you are seeing as competitors?

Manoj Digga:

L&T, Megha, NCC, PMC, these are the major players.

Moderator:

As there are no further questions, I now hand the conference over to Mr. Manoj Digga for his closing comments.

Moderator:

Thank you all for participating in this conference. Before closing it, I would like to mention that with the active engagement of the company in relation to the project under Jal Jeevan Mission in rural and urban, the company identifies substantial opportunity in the water sector and there is a further potential to grow under river linking and irrigation project. The company foresees significant long-term growth in the water sector as demand for sustainable water infrastructure increases substantially. The company is ready to take targeted share of the future project in water EPC against the various already announced schemes of Rs.12 lakh crore of Government of India. Thank you very much.

Moderator:

Thank you members of the management team. Ladies and gentlemen, on behalf of SPML Infra Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.

This is a transcript and may contain transcription errors. The company or the sender takes no responsibility for such errors, although an effort has been made to ensure high level of accuracy.