Date: 20th February, 2025

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 third quarter and nine months ended 31st December, 2024

Dear Sir(s),

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 17th February, 2025 post declaration of un-audited financial results for the third quarter and nine months ended 31st December, 2024.

Kindly take the same on records.

Thanking you,
For SPML Infra Limited

Swati Agarwal
Digitally signed by Swati Agarwal
Date: 2025.02.20 17:12:05 +05'30'

Swati Agarwal
Company Secretary

Encl.: As above

SPML Infra Limited

Q3 & 9M-FY25 Earnings Conference Call

February 17, 2025

Management:

Mr. Manoj Digga – Director Commercials & Chief Financial Officer

Mr. Sujit Kumar Jhunjhunwala – VP Fund Management & Banking

Moderator: Ladies and gentlemen, good day, and welcome to the SPML Infra Limited's Q3 and 9M FY '25 Earnings Conference Call.

As a reminder, all participant lines will be in 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 touch tone 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. Sujit Kumar Jhunjhunwala, VP Fund Management and Banking.

Before we begin the conference, 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 company 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: Thanks, Pranay. Good evening, and thank you for joining the Q3 and 9M FY '25 financial results conference call for SPML Infra Limited. I would like to extend greetings for a prosperous new year, as we are meeting for the first time in 2025. I will give you a brief overview of the industry trend, business updates, and we will also walk through the company's financial performance over this period.

Regarding the water sector, the central government remains focused on building robust infrastructure with a specific focus towards the water infra segment. Given that the water crisis has now reached a very critical point and disturbing implications, it is much more imperative and urgent to act now to protect this vital resource. NITI Aayog has also reported that 25 major cities in India, including Delhi, Bengaluru and Chennai face the imminent danger of groundwater depletion by 2025. United Nations has also projected India to become water stressed by 2025. There are other factors also affecting water resources like global warming, leading to erratic monsoon and accelerated water evaporation, and the increased urbanization and inefficient infrastructure to increase the burden of water supply.

With existing and emerging challenges, a well-designed and resilient water infrastructure system is an urgent need. As you are aware, the Jal Jeevan Mission was initiated in 2019 with an estimated outlay of Rs. 3.6 lakh crore in partnership with the State Government to provide safe water through individual household tap connections by December 2024 to all rural households. This scheme has resulted in providing 15 crore-plus households with functional tap water connections covering almost 80% of the Indian rural population.

It is very admirable to see the continuous emphasis on water infrastructure through Jal Jeevan Mission, which has now been extended till 2028 in order to achieve 100% coverage. The outlay of Rs. 67,000 crore for the current financial has been announced in the Union Budget this year. We completely support this initiative and look at this as an opportunity to further contribute towards building an efficient water infrastructure network in India.

Apart from these initiatives, our honorable Prime Minister has gone a step further as he plans to dedicate a project worth around Rs. 40,000 crore to link 11 rivers in Rajasthan, which is currently facing a severe water crisis. He also laid the foundation stone of the Ken-Betwa river linking project, which is estimated to cost Rs. 44,605 crore in Madhya Pradesh, which aims to solve the water issues in Bundelkhand region, spread across parts of Uttar Pradesh and Madhya Pradesh. Overall, the current government of India is very serious in securing the country's water future through strategic policy, sustainable initiatives, and robust infrastructure development.

SPML business and operations

Coming to our business and operations, as we have highlighted that we operate in three major segments of water supply, out of which river to reservoir, which is a bulk business segment, is our preferred business area, which basically includes laying large diameter pipelines for water transportation, while the other two segments are reservoir to tap and home to rivers. Q3 has been a muted quarter in terms of the revenue growth, not only for us, but also for the entire industry. The quantum of order awarded is quite low valued due to delay in approval at the end of the central and state governments.

With the new budget and fund allocation in place, we are confident that fresh tenders will start floating which could help build a strong revenue projections. Our order book currently stands at Rs. 2,500 crore and orders around Rs. 2,800 crore are in L1 stage. We are expecting them to get materialized into profitable orders for us in Q4 FY '25 and Q1 FY '26 in tranches. We are bidding for a substantial number of projects valued at almost Rs. 9,000 crore, which are currently at the bidding stage. We are very confident that our strong pre-qualification credentials and vast experience will enable us to successfully convert those into order wins.

We are pleased to announce that post the successful evaluation of our financial performance, our long-term fund-based term loan of Rs. 477 crore has been assigned a rating BBB-minus Stable. While the long-term/short-term proposed non-fund-based of Rs. 200 crore has been assigned a rating of BBB-minus Stable by ICRA. This has given us an opportunity for taking the regular limit with the bank at a lower margin and raise further debts for our future expansion.

I am also pleased to inform you all that SPML Infra has achieved an all-time best rank of 14 in the latest GWI world top 50 private water companies list. It is an accomplishment for us that we are among the top 15 companies worldwide dealing in water management. Our arbitration proceeding from which our repayment of debt is linked are progressing satisfactorily. The company is very much confident that a substantial amount of cash flow will be received from the arbitration award for the growth of the company after repayment of all the NARCL dues.

Q3 and 9M FY '25 performance

We will now move towards our quarterly financial performance. On a standalone basis, we recorded a revenue of Rs. 201 crore in Q3 FY '25 as compared to Rs. 259 crore in Q3 FY '24. As mentioned earlier, revenues have been impacted in this quarter due to lower order inflow in the market, but as I mentioned earlier, there are orders in L1 status which provide us revenue visibility.

Our EBITDA was recorded at Rs. 23 crore compared to Rs. 5 crore in last quarter. We recorded a PAT of Rs. 10.4 crore in Q3 FY '25 as compared to Rs. 1 crore in the same quarter last year. For Q3 FY '25, our EBITDA margin and PAT margin stood at 11.5% and 5.2%, respectively, which is in line with our targeted EBITDA margins.

With regards to our 9M performance, we recorded revenue of Rs. 622.7 crore in 9M FY'25 as compared to Rs. 867 crore in 9M FY '24. Our EBITDA was recorded at Rs. 75.7 crore compared to Rs. 11.4 crore in the same period last year. We recorded PAT of Rs. 37.5 crore in 9M FY'25 as compared to Rs. 2 crore in 9M FY'24. We are confident that going forward our margin profile will keep on improving as we have been bidding for selected projects which would improve our overall profitability.

Before I conclude, I would like to mention that we are actively exploring opportunities in the battery energy storage system market considering the huge focus of the government and the incoming business volumes as we have adequately pre-qualified to participate in this tender as well, and this highlights our expertise in the growing field of large-scale renewable energy activities.

With this, we conclude our opening remarks. We now open the floor for the question-and-answer session. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Kevin from Siddharth Partners. Please go ahead.

Kevin: Good evening, sir. First of all, congratulations for a good set of numbers and year-on-year improvement. Currently the guidance is given for L1 projects and the future pipeline. I missed that number. If you could repeat that number, like Rs. 2,500 crore is the current order book. We have been awarded projects, what would that number be?

Manoj Digga: It is at Rs. 2,853 crore. There are four tenders where we are at L1. That is one, and roughly around Rs. 9,518 crore of projects which we have targeted to bid into going forward, have been already announced and the tenders are going to start soon.

Kevin: Second question, Sir, can you help us with the cash and cash equivalent position and net position as on date, let's say, up 12 months?

Manoj Digga: We roughly have around Rs. 270 crore cash balance as on 31st December, and we roughly have around Rs. 2,500 crore order book.

Kevin: Debt-wise, the only debt which we have is something which is structured with?

Manoj Digga: There is roughly around Rs. 460 crore of debt which is there in our book. This is along with the interest which we have to pay in various tranches from the arbitration award up to 2028. This means that the arbitration award will keep on coming which will be used to pay off the debts. Nothing will be paid from the cash.

Kevin: Sure. I know that when we last had this discussion. Just one question on cash and cash equivalent. Sir, we had seen some number around Rs. 470 crore in your earlier presentation, where some money was to come.

Manoj Digga: This is the last time when we have issued certain warrant and certain equity, so roughly around Rs. 150 crore approx further warrant is going to come. Certain amount of roughly around Rs. 26 crore from Vivad se Vishwas is also expected. If we add this together, then it will be around Rs. 450 crore.

Kevin: Understood. That's still awaited, those warrant subscription in Vivad se Vishwas?

Manoj Digga: Yes.

Kevin: Is it expected in Q4, sir?

Manoj Digga: No. We will expect some sort of Vivad se Vishwas money from Q4. The entire Rs. 26 crore can come or at least Rs. 15 crore is expected in Q4. For Warrants based on the need, we will demand from the shareholders. At the moment, we are having Rs. 260 crore and then again we are expecting the bank guarantee at a lower margin. We may not need this warrant money immediately.

Kevin: Understood. Last question, sir. The warrant money, which is to come, is it primarily from NARCL or somebody or who are these large investors?

Manoj Digga: The large investor is majorly the promoters. Last time we have made a preferential issue of roughly around Rs. 294 crore, out of which roughly around Rs. 118 crore is going to come from the warrant money and Rs. 37.5 crore was our earlier warrant which we have issued to the promoter. Money will come from these two warrants.

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

Raman K. V.: Sir, in the previous quarter, you guided that we'll do the revenue equivalent of FY '24, but there has been an unexpected slowdown this quarter as well. Can we do the same revenue, or it will be less than FY '24?

Manoj Digga: As I mentioned in my previous conversations, the deployment of funds by the government has reduced substantially this year because of various factors, including the election and various other issues of the government, and as I told in the first quarter itself, that Q2 and Q3 will remain under pressure, which has happened. It is almost for all the companies' that Q3 Results are not that good. In our case, we are able to more or less match the numbers compared to our last quarter. In Q4, again, I feel there is some betterment, but there will be some pressure with some betterment from Q3 performance. Going forward, in the next year from Q1 onwards, the performance should be better.

Raman K. V.: Okay. We are expecting that the business will normalize from Q1 onwards, right?

Manoj Digga: I think Q1 should be normalized. By that time we will have new order revenue also come into the picture. From Q1 onwards the revenue and profitability side should perform much better.

Raman K. V.: Can you also give us the revenue guidance for FY '26?

Manoj Digga: For this year, Q4?

Raman K. V.: No, next year, the whole year what are you aiming for?

Manoj Digga: Next year will be better in comparison to this year. We have the target for a revenue jump from 30% to 50%, which should happen. It depends on how quickly we get the order book, which are going to start coming in tranches from Q4 and maybe slightly in early part of Q1. What happened is that, in the last six months, there was a slowdown in the order position, the order tendering and the order allotment. I think that Q4 and Q1 'FY26 will be better off because a lot of tenders are going to come. That will give more visibility on closing the orders, and that result will get reflected in the next year performance.

Raman K. V.: Okay. Basically there was a slowdown in the tender in this year which will be reflected in the next year, right?

Manoj Digga: I think part will be covered by the government in the next year Q1 and Q2.

Raman K. V.: Okay. With respect to Q4, can we expect the margins to improve, or will it be in the range of 4% to 5%?

Manoj Digga: As we explained in every presentation, our focus is not on the top-line, our focus will be on the bottom-line. Number two, there are no enough orders in the market. We are also a very prominent player due to which we can be very selective in taking orders, so our target is getting orders between 10% to 15% margin and we are still continuing with that. We are targeting only those orders where we will have a 10% to 15% margin.

Raman K. V.: Okay. Sir, I have a doubt with respect to the repayment of NARCL dues and arbitration. Can you please explain to me the repayment of NARCL dues using arbitration awards which you were saying earlier?

Manoj Digga: Out of our total NARCL dues Rs. 700 crore, we have already paid roughly around Rs. 224 crore last year. This year, we have further paid roughly around Rs. 13 crore, and this year with the sale of one property for which the agreement has already been executed, we will further pay Rs. 30 crore. By the end of this year, there will be a loan book of roughly around Rs. 433 crore, which we have to pay in the next four years.

We also have an arbitration award of roughly around Rs. 625 crore with accumulated interest. This accumulated interest keeps on increasing every day, whereas our loan book has been frozen at Rs. 433 crore. Our target is to get the arbitration award in the next three to four years in tranches, like one of the arbitration award at the Supreme Court final hearing level of roughly around Rs. 200 crore. This we will keep on getting and we will keep paying this to the NARCL.

NARCL total dues have to be paid in seven years, and these dues have to be paid from the arbitration award. Against the Rs. 433 crore dues which we have to pay, we have the arbitration award, which if we take four years, which is our targeted period, we should get roughly around Rs. 800 crore, so we are double covered in arbitration award, during the period, so I do not think there will be any problem. Whatever amount is going to come from the arbitration, we are paying 75% to the NARCL and 25% we are keeping for our cash flow purpose. Suppose we get the Rs. 800 crore, roughly around Rs. 433 crore we will pay to the NARCL and the balance will further infuse as cash to the company for doing the business.

Raman K. V.: This Rs. 433 crore which you said due towards NARCL by the end of FY '25, is it different from the debt component, like which you mentioned earlier of Rs. 460 crore?

Manoj Digga: As I told you, this year we have to pay around Rs. 44 crore, out of which Rs. 40 crore is by sale of identified property, for which we have executed an agreement as well. Rs. 4 crore is from the FD interest and the cash flow position. Out of this Rs. 40 crore we have already received certain amount as advance. That advance we have paid to the NARCL, so, as I told you, Rs. 224 crore we paid last year, Rs. 44 crore we are paying this year, minus from Rs. 700 crore is Rs. 433 crore.

Moderator: Thank you. The next question is from the line of Aditya Sen from RoboCapital. Please go ahead.

Aditya Sen: Thanks for the opportunity. Sir, I just wanted to confirm when you say you are targeting 10% to 15% margins, that is EBITDA margins, right, not PAT margins?

Manoj Digga: We do not have to pay any interest, only the IndAS adjustment we have to pay. Whatever the EBITDA is, that is the PAT because depreciation is also not there for us.

Aditya Sen: Correct.

Manoj Digga: Basically the gross margin are going from the plant, and now there are certain overhead expenditures which we will allocate to the various projects. A very small percent comes from every project in that, so gross margin will be 10% to 15%, net margin will be between 8% to 10%.

Moderator: Thank you. The next question is from the line of Prathamesh Dhiwar from Tiger Assets. Please go ahead.

Prathamesh Dhiwar: Just a couple of questions. So sir, first just wanted to know like what's the reason for the order delays in the industry, in the water industry? I think we are saying it from Q2 and now Q3, what is the main reason we are getting a lot of order delays?

Manoj Digga: If you see, the Jal Jeevan Mission itself, the renewal was pending. That's the reason all the orders which are linked with the Jal Jeevan Mission, either they have been tendered and the orders have not been allotted, or they are not doing the tender, which has done now, since Jal Jeevan Mission has extended up to 2028, and the various government tenders are stuck because the government was very silent in Q2 and Q3.

Now the entire tendering process has started, and we have applied for about Rs. 2,800 crore which is there in our hand. We are expecting, the maximum of these orders in March, or maybe by early April. Orders of Rs. 9,800 crore which is in the tender position are expected by the first quarter, from which we should get a substantial portion.

It's an issue with the water department. Since the renewal for Jal Jeevan Mission was pending, all the tenders were slowed, which is applicable to all the water EPC companies, but now we are expecting a substantial growth into the Q4 and Q1 with regards to the tender. Some part of the last slowdown will be covered up by these two quarters.

Prathamesh Dhiwar: Okay. Got it. Sir, my second question will be on the BESS side. What sort of growth and orders are we looking at from this segment? When are we expecting any orders from this segment? How much is it going to contribute to the top-line in coming time?

Manoj Digga: If you see the Rs. 3,000 crore, Rs. 2,853 crore specifically, these are the orders which we have in hand. This we are expecting in tranches this quarter and early part of the next quarter. For Rs. 9,800 crore, we are expecting a substantial on to that, but let's see how it pans out. Every order which we are targeting, it is going to be completed in three to three and a half years, so whatever order we will get, roughly around one-third is going to be executed every year. We are targeting 12% to 15% margin across these tenders, so whatever is the margin into the turnover that is going to come into the revenue and into the book. That's the growth which is going to come going forward, along with our existing turnover.

Prathamesh Dhiwar: Yes. I was actually asking about our battery energy storage system business. From there what sort of order and when are we expecting orders to come in?

Manoj Digga: BESS and its tenders have started recently. We are expecting at least one order of battery energy storage system in this financial year, 2025-2026. If we get more then it is better, but we are going to expect more orders in the water business.

Prathamesh Dhiwar: In value terms, can you define like how much that order will be for BESS?

Manoj Digga: In the BESS?

Prathamesh Dhiwar: Yes, BESS.

Manoj Digga: BESS is depending upon which order we will get. It starts from Rs. 500 crore to Rs. 1,000 crore, or Rs. 300 crore to Rs. 1,000 crore. We will keep updating you in every quarter regarding the orders that we receive.

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

Ajinkya: I just wanted to ask you what is the timeline and what is the revenue recognition of these orders you are getting? How are you recognizing revenue since you said you will complete the orders of three to three and a half years? I just wanted to know more about it.

Manoj Digga: This is the accounting standard, so there is a very clear cut guideline provided by the accounting standard on the revenue recognition. You can take thumb rule because the orders take three and a half years for completion, the last portion will generate very less revenue because it's mainly the touch up and final billing and final startup revenue, etc, but most of the revenue will be built into the next three years.

If it is Rs. 1,000 crore order, like in the Jharkhand, we are expecting roughly around Rs. 620 crore and maybe we will get that order in February. If we get that every year, we will get roughly around Rs. 200 crore orders converted into revenues. The next three years approximately Rs. 200 crore will get converted every year. In the same way, the other orders which we will keep on getting, approx. one-third of that will be converted. It may slightly be here and there, but for your calculation purpose, you can take that one-third of the order will be converted into revenue every year, if it is for three years. If it is for four years, then 25% of the order will get converted every year.

Ajinkya: Okay, sir. Another question, it's more on the financing part. What could be the break up for short-term and long-term debt? How are you planning to finance it, since it is a capital-intensive business, how are you planning to finance the whole order next year?

Manoj Digga: As I told you, for NARCL, it's all long-term. Basically, for this year we have to pay Rs. 40 crore and in accounts, we have to show short-term as Rs. 30 crore, which is left and which we have to pay in this year. Rest all are long-term because all are linked with the arbitration award, and for long-term we have to make the payment. Whenever the arbitration award comes, we have to pay 75% and 25% comes to the company as additional cash.

On the working capital, we have applied for certain BG limit. Whenever that BG comes, it will not come into the financial debt. It will be only the non-fund-based limit. We do not require any fund-based limit because we have sufficient cash flow in our book. Only the BG is required for bidding, and we are going to take that from Rs. 200 crore to Rs. 400 crore from the various banks. Whenever it comes, it will be only into the contingent liability, and not in the financial debt.

Ajinkya: Just a follow-up question. Do you see your finance cost going up in the coming quarter or year?

Manoj Digga: For the finance cost, Rs. 700 crore is inclusive of interest. Every quarter, we have to provide into the books of account. It's only the IndAS adjustment. We do not have to pay anything or any cost element into our book. It is roughly around that Rs. 9 crore, and there is some GCA, there is some operational mobilization advance, some interest we have to pay. That's the reason the finance cost has slightly increased. Otherwise, our finance cost will be roughly around Rs. 9 crore every quarter, which is the IndAS adjustment. We don’t have to pay this, it's only the provision.

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

Raman K. V.: Sir, what was the total warrant size which was issued to promoter? I think there were two times the warrants were issued, so what was the total warrant size, and what will be the funds used for?

Manoj Digga: The total warrant from the promoter and investor is roughly around Rs. 155 crore, which we have to receive, out of which Rs. 37.5 crore of the promoter, which has been issued earlier will come in Q4 or maybe Q1 of the next year. Rest Rs. 118 crore, which has been issued into the last preferential offer, will be received in this year, '25-'26, and maybe part into the '26-'27.

Raman K. V.: What will this Rs. 155 crore be used for?

Manoj Digga: It's a warrant which we have basically allotted two times. One time we have given Rs. 50 crore to the promoter, out of which they have given Rs. 12.5 crore and Rs. 37.5 crore is going to come, which I mentioned we will get in Q4 this year and the first quarter. The rest will be the new preferential offer which we have closed very recently, roughly around Rs. 118 crore of the warrant amount, out of which roughly around Rs. 80 crore, Rs. 85 crore of the promoter and rest from the public, are going to come into '25-'26 and early part of '26-'27.

Raman K. V.: I am asking what will be the funds used for? Like to fund, are we using this to pay the debt?

Manoj Digga: Don't have to pay anything to the NARCL, because all the funds what we are raising, it is only for the business of the company.

Moderator: Thank you. The next question is from the line of Aditya Sen from RoboCapital. Please go ahead.

Aditya Sen: Sir, as you mentioned that we have an order book of Rs. 2,500 crore and L1 of Rs. 2,800. By the end of Q1 FY '26, we will have roughly Rs. 5,000 crore of order book. And as you said that we do roughly 30% of execution each year. That will translate to Rs. 1,500 crore of revenue. Is this understanding correct?

Manoj Digga: It should be.

Aditya Sen: I am asking this question because this is not tallying with our revenue growth guidance. As you mentioned, 30% to 50% revenue growth, so that is ranging between Rs. 1,000 to Rs. 1,150 crore.

Manoj Digga: No. It should be. This year for all the water EPC companies the revenue was subdued. I also mentioned in the Q2 concall that Q3 will be under pressure. Q4 will be better than Q3 but it will remain tight, because very recently all the money and orders have started coming. In the next quarter, the impact of our existing order and the new order which we are targeting into the Q4 and Q1, will appear. You can take one-third of the total as a revenue to that year that is a thumb rule, plus/minus 5%, 10%.

Moderator: Thank you. The next question is from the line of Kevin from Siddharth Partners. Please go ahead.

Kevin: The non-fund based limit that we are using, there are a couple of players who are also trying to sort of use bonds or surety bonds, so to say. Are we not exploring that to sort of reduce the cost?

Manoj Digga: Now are exploring. If you see, the surety bond mainly started in the road projects. One or two water projects have come under the surety bond, but we are discussing with one or two insurance companies to get the limit into that. Whenever there are projects where the surety bond can be used as a performance bank guarantee, etc., we will use that, so that process is also going on. We are discussing with one or two insurance companies for getting the surety bond limit, but in water, not all the projects are with the surety bond. It is more in case of the road projects.

Kevin: Understood, sir. The second, question is on these warrants. These warrants whenever it is infused money, will it be convertible only at the pre-decided price, at Rs. 217 crore or something, if I remember it right?

Manoj Digga: There are two warrants, one is Rs. 118 crore and second is Rs. 215 crore.

Kevin: Okay. Sir, the left-out portion is at Rs. 118 crore or Rs. 217 crore?

Manoj Digga: Rs. 215 crore, which is the very last preferential offer we have issued. All the warrants which is coming into that preferential offer will be converted into Rs. 215 crore.

Kevin: Okay. The balance which we have to receive roughly Rs. 130 crore odd from promoter and investor will be at this price, right?

Manoj Digga: No. If you see the warrant, there are two warrants. One is Rs. 37.5 crore, which is exclusively promoter, which we have issued, passed back at Rs. 118 crore. The last warrant which we have issued to the promoter and various investors, is at Rs. 215 crore, so whenever there is money inflow, it will be at Rs. 215 crore.

Moderator: Thank you. The next question is from the line of Mayur Gathani from OHM Portfolio Equi Research Private Limited. Please go ahead.

Mayur Gathani: Sir, can you please explain what do we intend to do in the battery energy storage and how do we get the Capex from the same?

Manoj Digga: Battery energy is a part of the transformer and the government has made it mandatory that every company in the renewable energy segment has to utilize 10% into the battery storage because earlier, if you see, the battery power can't be stored, but now with this battery energy storage system, power can be stored and that can be utilized for the peak time and non-production time. That was the main purpose of this battery energy storage system.

At the moment, we are planning for the EPC of the battery energy system. We will take the order and we are converting and are making for the container to supply this along with the transformer as a battery energy storage system. We are going to do this at the EPC basis. In the future, we may plan for setting up the manufacturing of the battery container, basically the battery pack, etc., and to make the EPC. At the moment, we will do it as an EPC business for this battery energy storage system, where like any other EPC, capital expenditure will keep incurring the same capital expenditure and we will keep on getting the money by way of R&D.

Mayur Gathani: Okay. Has the government floated any tenders currently on this or it is expected to float next year?

Manoj Digga: Three-four tenders have come. We are floating this to all tender and are also participating. We are expecting at least one order in the next financial year.

Mayur Gathani: Okay. What you are saying is basically with the renewable energy or other thing, government has made it compulsory for having 10% as battery storage to store the power and you will be doing the EPC work for that part of the business?

Manoj Digga: That's correct. We are in any case, implementing the transformer for any power unit, because every power unit needs the transformer. From the last 40 years, we are supplying and constructing the transformer. Battery energy storage system is a part of that transformer, so we are qualified for all types of transformer and battery energy is a part of that. No separate qualification is required. We are qualifying for all the battery energy storage standard.

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

Raman K. V.: Sir, earlier you said you are also planning to set up a manufacturing plant for manufacturing of battery packs.

Manoj Digga: At the moment we are not doing that, but going forward, there can be a possibility. At the moment, we are doing only the EPC. We are planning to do the EPC business of the battery energy storage system.

Raman K. V.: Okay, sir. One more follow-up question is with respect to the order book. You said Rs. 2,500 crore of order book. Out of which, what's the L1 order book with respect to L1 projects?

Manoj Digga: At the moment, other than our existing order book of Rs. 2,500 crore, we have Rs. 2,853 crore of tender where we have already qualified as L1. The order LOI, will get converted in this fourth quarter and maybe in the early part of the next quarter in tranches because there are four or five orders as a part of this this Rs. 2,853 crore order. We have identified and are participating in roughly around 12 to 15 tenders of roughly around Rs. 9,000 crore, which are going to come into this quarter and early part of the next quarter. That will also get converted into LOI, part may converted into LOI. These are the order potential which we are going to get into this year and early next year. And as I told you, because there was a delay in the process of water tenders because of the Jal Jeevan Mission, so we are expecting a sizable further order going to come in the Q1 and Q2. From last 45 years, we are into the water and power sector and we are the qualifying company for almost all the water order.

Further we will participate intenders which will come. There are three. One is existing book of Rs. 2,500 crore. Second is the existing L1 of Rs. 2,853 crore. Third is the existing tender, which has already been floated, roughly Rs. 9,000 crore, which we are targeting. Fourth, the tender which was not floated because of the government slowdown are going to come going forward. We will cover these four elements into our next year order book.

Raman K. V.: From the Rs. 9,000 crore bid, which you have bid for, what's the conversion rate, like the win rate?

Manoj Digga: In Rs. 9,000 crore?

Raman K. V.: Yes.

Manoj Digga: We are targeting to bid. The tender has already been floated. It should come. Conversion of tender into the order, is very forward-looking, so I will not be able to comment on that. But we have qualified all the way. We are targeting to take few orders which are of the bulk segment, so we should get a reasonable amount, but indication of conversion may be the forward-looking.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to Mr. Manoj Digga for closing comments.

Manoj Digga: Thank you for participating in the Q3 conference call. As we told you, in the past, the water business was slightly difficult in the last two quarters. We are expecting the headwind to settle and that going forward, the next year should be better for all the water companies. There are a lot of tenders which are there, a lot of tenders where we are in L1, and a lot of tenders are going to be floated. This will give us a substantial opportunity to take the new orders, so we feel with these new orders and with the existing order book, we will have a good year going forward.

Along with the water, there is enough opportunity in the power sector because of the BESS and the government focus into the water, irrigation, river linking and the BESS will give the company enormous opportunity in the next five years to grow on a sustainable basis, both on the top-line and bottom-line.

As I told you earlier also, we have taken the target that we will not focus towards the top-line. We will be very focused in the bottom-line and we will target to have an order book which is good, profitable and which is easy to do, complete and which is meeting our target of taking the order. Our target is Rs. 5,000 crore to Rs. 7,000 crore every quarter, not that, whereas the opportunity is very high in all these sectors.

That's our target and that's the way we are moving forward. For any further information you can reach out to Kapil Joshi who is the Investor Relations officer for the company or Adfactors PR who is our Investor Relations agency Thank you.

Moderator: On behalf of SPML Infra Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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