

PAANI BIJLI PARYAVARAN



SPML INFRA IS HELPING CREATE
A NEW INDIA FROM THE
GRASSROOTS UPWARD



SPML INFRA LIMITED
ANNUAL REPORT

2017/18



Contents



Forward-looking statements
This document contains statements about expected future events and financial and operating results of SPML Infra Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of the annual report.

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Board of Directors



Subhash Chand Sethi
Chairman

Chairman of SPML Infra, Mr. Sethi leads the Company with the same visionary approach and business acumen with which he led the Company to become a leading infrastructure development company with interests in water, power and sanitation.



Sushil Kumar Sethi
Managing Director

Responsible for growing the water and environment management verticals, he has enabled the Group to foray into several EPC, BOOT projects in the areas of water, wastewater and sewerage management.



Deepak Sethi
Director

An MBA from Deakin University, Australia, he has been instrumental in the development and execution of several waste management projects, new ventures and startups.



P. S. Rana
Independent Director

A B.Tech in civil engineering from IIT, Delhi, and Ph.D. in transport engineering and management from University of Newcastle, United Kingdom, he has served as the chairman of the Housing and Urban Development Corporation, the Construction Industry Development Council and Patron Institute of Urban Transport along with being a member of the advisory council of IIT, Delhi.



Sushil Kumar Roongta
Independent Director

A B.E. in electrical engineering from BITS Pilani, he has served as chairman of Steel Authority of India Limited and MD (Aluminum & Power Business) of Vedanta Limited, chairman of the Board of Governors at IIT, Bhubaneswar along with being a member of the Board at JKL University, Jaipur.



Sarthak Behuria
Independent Director

A B.A. in economics from St. Stephen's College, Delhi, and an MBA from IIM, Ahmedabad he has served as the chairman of Indian Oil Corporation Limited and Bharat Petroleum Corporation Limited along with receiving the SCOPE Award for Excellence & Outstanding Contribution to Public Sector Management (2007-08).



Dinesh Kumar Goyal
Independent Director

An IAS passout of the 1981 batch belonging to the Rajasthan cadre, he completed his Ph.D. from the Birla Institute of Technology & Science, and his M.Sc. from the London School of Economics, United Kingdom. He has served as an Additional Chief Secretary for the Rajasthan Government.



Archana Capoor
Independent Director

An MBA in finance and market research from the University of Allahabad, she has served as a chairperson of the Tourism Finance Corporation of India, and a project advisor to the Indian Trust for Rural Heritage and Development.



Supriyo Kumar Chaudhuri
Nominee Director

An MBA from IIM, Calcutta and a CAIIB from the Indian Institute of Bankers, Mumbai, he has served a long stint as Chief General Manager of State Bank of India, handling corporate banking, network, credit and commercial operations.



nal ka

Lakshmi used to reach school late three days a week because she was required to queue for water at the village well. She now turns the tap on for as much water she needs.

paani

Just three words – *nal ka paani* (piped water availability) – have transformed the lives of millions of rural Indians.



Making it possible to replace hours of fetching water with a turn of the hand.



Making it possible to replace the daily squabbles over water with some peace.



Making it possible to achieve superior family hygiene and lower medical costs.

A new way of living facilitated by water infrastructure companies like SPML Infra. Touching the lives of 40 million Indians.

How SPML is transforming lives

600+

number
Infrastructure projects
executed by SPML

10,000

kilometres
Length of cross-country
pipelines laid by SPML

5,000

million litres per day
Capacity of water
pumping stations
constructed by SPML

1,000

million litres per day
Capacity of water
treatment plants
constructed by SPML

700

million litres per day
Capacity of wastewater
treatment plants
constructed by SPML

40

million
Number of people
provided with drinking
water by SPML

50

status
Among the world's
top 50 private water
companies

Rani would study by the light of the adjoining road, making her vulnerable. Now she studies under the electricity bulb in the security of her home.

chaubees

ghanta bijli

**Just three words –
chaubees ghanta bijli
(24-hour electricity)
have literally brought
light into people's lives.**



Making it possible to replace the *haath-pankha* with a fan in summer.



Making it possible for children to study in the light of a bulb instead of a candle.



Making it possible to switch on a TV and be connected to the world.

A new way of living facilitated by power infrastructure companies like SPML Infra.

How SPML is transforming lives

100+

number
Power projects
executed by SPML

8,00,000+

number
Power connections provided
by SPML

38+

MW
Capacity of power
plants constructed by
SPML

4,000+

MVA
Power sub-station
capacity installed by SPML

20,000+

number
Villages electrified

swachh sheher

(Clean city)

Aruna no longer needs to pass the city dump with a handkerchief to her nose. The municipality's waste management efforts have helped transform her commute into a tolerable experience.

swachh bharat

(Clean India)

Few words have captured the imagination of Indians in recent years as much as '**swachh**'.



Making it possible to dream of an India where municipal waste is responsibly managed.



Making it possible to dream of Indian rivers free of pollution.



Making it possible to dream of an India where 'clean' is a given.

A new outlook on national hygiene empowered by solid waste management companies like SPML Infra.

How SPML is
transforming
lives

2,000

tonnes
Amount of municipal
solid waste collected
per day by SPML

250+

kilometres
Length of the sewerage
management network
set up by SPML

627

Number
Cities tracked and
monitored for effective
solid waste management
in urban local bodies

9 things you need to know about SPML Infra Limited



1	RICH EXPERIENCE 	<ul style="list-style-type: none"> • Having executed 600+ infrastructure projects in the power, water, irrigation and wastewater treatment segments over the past three decades, SPML Infra is attractively placed to bag large and complex projects across India. • The Company is counted among leading water management companies in India and among the top 50 private water management companies in the world. • The Company is a leading player in the Indian water management sector with one of the largest market shares.
2	EXTENSIVE SCALE 	<ul style="list-style-type: none"> • SPML has provided drinking water to >40 million Indians through its various projects. • The Company has laid 10,000 kilometres of pipelines across India and enjoys the highest pre-qualification credentials in the Indian water management sector. • The Company has addressed > 100 power substations and set up > 8,00,000 power connections in the past five years.
3	STATE-OF-THE-ART TECHNOLOGY 	<ul style="list-style-type: none"> • SPML has integrated competencies across depth engineering, process technology, project management and resource management to carve out a distinctive identity. • SPML has integrated its processes by installing SAP making it possible to become more transparent, reduce delays and hasten project execution. • SPML developed SPML Aqua, an integrated management information system designed to address day-to-day water distribution issues across geographies. • SPML integrated the entire HR process with the implementation of 'Success Factor', its human capital management (HCM) solution, across the country.
4	PROMINENT CLIENTS 	<ul style="list-style-type: none"> • The Company has served >100 governmental departments across the country. • The Company's key clients in the water segment comprise Public Health Engineering Department, Rajasthan, Bangalore Water Supply & Sewerage Board, Chennai Metropolitan Water Supply & Sewerage Board, Delhi Jal Board, Karnataka Urban Water Supply & Drainage Board, Gujarat Water Infrastructure Limited, Karnataka Neeravari Nigam Limited, Karnataka Urban Infrastructure Development and Finance Corporation, among others. • The Company's key clients in the power segment comprise West Bengal Power Development Corporation Limited, South Bihar Power Distribution Company Limited, Haryana Vidyut Prasaran Nigam Limited, Gulbarga Electricity Supply Company Limited, Hubli Electricity Supply Company Limited, Jharkhand State Electricity Board, Odisha Power Transmission Corporation Limited, and Power Grid Corporation of India, among others. • The Company's principal clients in the infrastructure and environment segment comprise National Thermal Power Corporation, Delhi Mumbai Industrial Corridor Development Corporation Limited, Delhi Metro Rail Corporation, Bengaluru Metro Rail Corporation, Delhi State Industrial and Infrastructure Development Corporation Limited, Delhi Development Authority, South Delhi Municipal Corporation and North Delhi Municipal Corporation, among others.
5	RESOLUTE COMPLIANCE 	<ul style="list-style-type: none"> • The Company is ISO 9001-2015 certified and has created systems that provide safe drinking water to millions every day. • The Company offers end-to-end waste management solutions in compliance with CPHEEO and MSW Rules, 2000.

6

ETHICAL
PEDIGREE**Vision**

Creating with passion and innovation, world class infrastructure to make human life comfortable

Mission

Profitable growth through superior project management, innovation, quality and commitment

Values and philosophies

- We value our customers and are driven towards meeting the commitments we make through better project delivery
- We value our people, their teamwork and internal systems and processes to perform ahead of others
- We offer to promote better living through innovation, which has been ingrained into our business model from the start
- We prioritise principles of adhering to high quality standards to make a

greater impact in the lives of people

- We pursue to grow as the most acceptable company providing turnkey solutions with added values that makes life comfortable

Aims

- Make safe and affordable drinking water available to all
- Help municipalities manage water cycles and resource recovery
- Protect the environment
- Ensure customer satisfaction
- Develop skills of employees
- Share knowledge and expertise



7

MANAGEMENT
EXPERTISE

P. C. Sethi founded SPML Infra Limited in 1981, capitalising on the growing need for adequate water infrastructure in the country.

Subhash Chand Sethi, Chairman, has graduated the Company into one of the most respected water and power infrastructure companies in India.

Sushil Kumar Sethi, Managing Director, focuses on acquisitions and business growth while leading the urban infrastructure and environment management verticals.

Deepak Sethi, Director, leverages his immense sectoral expertise to bolster SPML's technological foundation.

Abhinandan Sethi represents the third generation of promoters and possesses the credentials to take the Company to the next level.



8

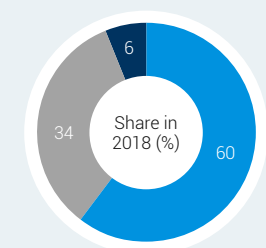
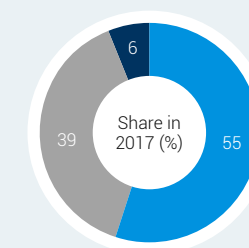
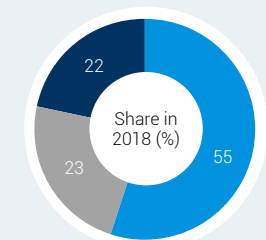
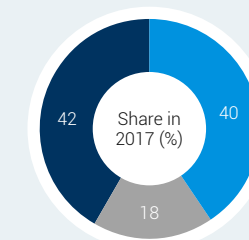
BUSINESS
VERTICALS

9

AWARDS AND
ACCOLADES**EPC**

SPML Infra Limited has emerged as one of the leading names in the water and power infrastructure segments in

India by focusing on EPC projects and making its presence felt across the project lifecycle – from procurement to delivery.

Order book**Revenues**

■ Water and environment ■ Power ■ Civil Infrastructure and others

2017

- CIA World Builders & Infra Awards 2017 for Best Water Management Company of the Year – EPIC Media Group

- Technology Champion – Smart City Award 2017 for IMIS – Cyber Media Group

- Data Centre Green DC Initiative Award 2017 – UBS Transformance

- India's Most Ethical Companies Award 2017 – World CSR Congress

- Aqua Foundation Excellence Award 2017 to SPML Infra Chairman for his

Valuable Contribution in Infrastructure Development in India

- Construction Times Award 2017 for Best Executed Technology used for Water Management Project

2018

- Water Leadership Awards 2018 for Excellence in Water & Wastewater Management – ET Now-World CSR Day

- 50 Most Impactful Leaders in Water & Water Management Awards 2018 to SPML Infra Chairman – World CSR Day

Milestones

1981

- Company incorporation

1982

- Ventured into water management projects

1984

- Went public

1995

- Rights issue

1999

- Completed 1st industrial water supply project - Bakreswar Thermal Power station (₹1,400 Mn)

2000

- Completed an EPC project in record time for the Saurashtra Water Pipeline Project

2003

- Ventured into power T & D projects; constructed and operated a sewage treatment plant for Delhi Jal Board (72 MLD)

2005

- Ventured into municipal solid waste management project in Delhi

2007

- Received private equity infusion from Citigroup

2008

- Ventured into a road project with Jaora Nayagaon Toll Road

2011

- Received the KPMG Infrastructure Award for being the Most Admired Infrastructure Company

2012

- Commenced an urban water supply project commences in Delhi

2013

- Received four prestigious Awards, Order Book Crossed 7,000 Crore

2014

- Received order for urban water supply for six cities in Karnataka
- Received a commendation at the Global Water Awards 2014 for the Pokhran water supply project

2015

- Began our first Smart City development project in Ujjain, Madhya Pradesh

2017

- Installed 220 kV GIS substation in West Bengal and 500 MVA auto-transformer in Uttar Pradesh

2018

- Installed 500 MVA auto-transformer in Rajasthan
- Received a ₹205 Crore international water project order from Ghana

Enhancing stakeholder value



SPML Infra. Making headlines



An article written on water management by Mr. Subhash Sethi, Chairman, SPML Infra Limited published in Everything About Water, June 2017



Article on power transmission and distribution by Mr. Subhash Sethi, Chairman, SPML Infra Limited published in T&D India, July 2017.



An interview of Mr. Subhash Sethi, Chairman, SPML Infra Limited, on the power sector in India published in Electrical Mirror, July 2017.



"Ambitious Targets: But some roadblocks remain to be addressed", an article written by Mr. Subhash Sethi, Chairman, SPML Infra Limited, published in Indian Infrastructure, August 2017



An article written by Mr. Subhash Sethi, Chairman, SPML Infra Limited, on water scarcity published in Express Water, December 2017.



An article written by Mr. Subhash Sethi, Chairman, SPML Infra Limited, on water published in Everything About Water, January 2018



An article on wastewater management by Mr. Subhash Sethi, Chairman, SPML Infra Limited, published in Construction Times, February 2018

'Financing Water Infrastructure', an article written by Mr. Subhash Sethi, Chairman, SPML Infra Limited, published in Water Digest, March 2018.



Chairman's article on T&D growth phase published in T&D India, March 2018.



An article on EPC potential written by Mr. Subhash Sethi, Chairman, SPML Infra Limited, published in Construction and Architecture, March-April, 2018

SPML's performance over the years

Revenues from operations (₹ in crore)

FY2014-15	1,390.75
FY2015-16	1,417.63
FY2016-17	1,701.25
FY2017-18	1,355.93

Definition

Growth in sales net of taxes and excise duties

Why is this measured?

It is an index that showcases the Company's ability to optimise business operating costs despite inflationary pressures, which can be easily compared with the retrospective average and sectoral peers.

What does it mean?

Aggregate sales decreased by 20.30% to reach ₹1,355.93 crore in FY2017-18 due to subdued market conditions.

Value impact

The Company made consistent effort to enhance market value.

EBITDA (₹ in crore)

FY2014-15	202.50
FY2015-16	215.56
FY2016-17	214.31
FY2017-18	258.19

Definition

Earning before the deduction of fixed expenses (interest, depreciation, extraordinary items and tax)

Why is this measured?

It is an index that showcases the Company's ability to optimise business operating costs despite inflationary pressures and can be easily compared with retrospective averages of sectoral peers.

What does it mean?

Helps create a robust growth engine and allows the Company to build profits in a sustainable manner.

Value impact

The Company reported a 20.47% increase in its EBITDA in FY2017-2018 – an outcome of the painstaking efforts of its team in improving operational efficiency.

ROCE (%)

FY2014-15	30.07
FY2015-16	27.39
FY2016-17	27.37
FY2017-18	19.77

Definition

It is a financial ratio that measures a company's profitability and the efficiency with which its capital is employed in the business

Why is this measured?

ROCE is a useful metric for comparing profitability across companies based on the amount of capital they use – especially in capital-intensive sectors.

What does it mean?

Enhanced ROCE can potentially drive valuations and perception (on listing)

Value impact

The Company reported a 730 bps decrease in ROCE during FY2017-18.

Gearing (x)

FY2014-15	1.27
FY2015-16	1.43
FY2016-17	2.35
FY2017-18	2.91

Definition

This is derived through the ratio of debt to net worth (less revaluation reserves)

Why is this measured?

This is one of the defining measures of a company's financial health, indicating the ability of the company to remunerate shareholders over debt providers (the lower the gearing the better). In turn, it indicates the ability of the company to sustain growth in profits, margins and shareholder value.

What does it mean?

Adds value in the hands of the shareholders by keeping the equity side constant and boosts flexibility by progressively moderating debt costs.

Value impact

The Company's gearing stood at 2.91 in FY2017-18 compared to 2.35 in FY2016-17. This ratio should ideally be read in conjunction with net debt/operating profit (a reduction indicating greater ease in terms of servicing debt).

Net profit (₹ in crore)

FY2014-15	13.78
FY2015-16	13.06
FY2016-17	1.45
FY2017-18	43.12

Definition

Profit earned during the year after deducting all expenses and provisions

Why is this measured?

It highlights the strength in the business model in generating value for its shareholders.

What does it mean?

Ensures that adequate cash is available for reinvestment and allows the Company's growth engine to not run out of steam.

Value impact

The Company reported a 2,873% increase in its net profit in FY2017-18 – reflecting the robustness and resilience of the business model in growing shareholder value despite external vagaries.

EBIDTA margin (%)

FY2014-15	14.01
FY2015-16	14.77
FY2016-17	12.29
FY2017-18	18.29

Definition

EBITDA margin is a profitability ratio used to measure a company's pricing strategy and operating efficiency

Why is this measured?

The EBIDTA margin gives an idea of how much a company earns (before accounting for interest and taxes) on each rupee of sales.

What does it mean?

Demonstrates adequate buffer in the business, which, when multiplied by scale, enhances surpluses.

Value impact

The Company reported a 600 bps increase in EBIDTA margin during FY2017-18.

Debt cost (%)

FY2014-15	29.19
FY2015-16	27.38
FY2016-17	22.32
FY2017-18	15.44

Definition

This is derived through the calculation of the average cost of the consolidated debt on the Company's books

Why is this measured?

This indicates our ability in convincing bankers and other debt providers of the robustness of our business model, translating into a progressively lower debt cost (potentially leading to higher margins).

What does it mean?

Enhanced cash flows; strengthened credit rating for successive declines in debt cost

Value impact

The Company's debt cost progressively declined from a peak of 29.19% in FY2014-15 to 15.44% in FY2017-18. This ratio should ideally be read in conjunction with net debt/operating profit (an increase indicating higher liquidity).

Interest cover (x)

FY2014-15	1.18
FY2015-16	1.15
FY2016-17	1.04
FY2017-18	1.32

Definition

This is derived through the division of EBIDTA by interest outflow

Why is this measured?

Interest cover indicates the Company's comfort in servicing interest – the higher the better.

What does it mean?

A company's ability to meet its interest obligations, an aspect of its solvency, is arguably one of the most important factors in guaranteeing sizeable returns to shareholders.

Value impact

The Company strengthened its interest cover from 1.04 in FY2016-17 to 1.32 in FY2017-18.