



**Annual Report  
2019-20**

**SPML INFRA LIMITED**

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# ABOUT SPML

SPML Infra Limited is India's leading infrastructure development company with focus on sustainable development for providing access of essential services to all (water, electricity, sanitation, and municipal solid waste management).

The vision for growth is driven by operational compliance, service quality, efficient project execution and continuous business process improvements. SPML strives towards excellence in all operations through compliance with world-class quality systems in its specific fields of activities, ensuring a continuous improvement in project execution and quality management. SPML has also been gaining an edge by devising and adopting new technologies essential for growth.

SPML continues its dedication to promote sustainable water management solutions, a task that is increasingly becoming essential and complex as the supply-demand management is plagued by water source depletion and water scarcity. In its 40 years of existence in India, the company has acquired a thorough understanding of water and wastewater sector. The company's extensive experience and knowledge of the water sector has led it to be among the top water management companies in the country and the first Indian company being featured in the list of World's Top 50 Private Water Companies.

In each of its chosen areas, SPML has its stamp on numerous completed and on-going projects. Presently, SPML is executing a number of projects for water supply and management, wastewater treatment, sewerage network, power transmission and distribution, and municipal solid waste management.



# CHAIRMAN'S SPEECH

*Dear Shareholders,*

It is my pleasure to present to you the Company's Annual Report for the financial year ended March 31, 2020. During the financial year, the global economy remained volatile and when it was showing some signs of recovery, the spread of pandemic hit it very hard. In this globally uncertain time, India's growth story has also been impacted and the country registered a GDP of 4.2 per cent in 2019-20 fiscal. But the outlook for the country remains positive as the country's economic fundamentals are sound and government is determined to remove impediments to economic development and social empowerment.

The current economic and business scenario is entirely different as the nation is grappling with the global pandemic, while simultaneously gearing itself for a phased reopening of the economy, and preparing for life beyond Covid-19. Further, simmering tensions along our northern border have triggered an anti-China sentiment within the country and seeking viable alternative sources of supply. I believe this is the opportune moment for Indian industry to act in unison to reduce our external dependencies and enhance self-reliance and aggressively promote "make in India".

Our Hon'ble Prime Minister's call for 'Atmnirbhar Bharat' has resonated across the country. We have to ensure that the PM's thrust on self-reliance and self-dependence achieves the desired outcomes speedily and in concrete manner. It is essential to create conducive environment for achieving our goals and for the government to introduce much-needed reforms in several areas including infrastructure development, health and hygiene, land acquisition, environment clearances, swift dispute resolution, competency & skill building and matching funds for all development activities. In tandem, the administration would do well to streamline processes and accelerate the pace of decision making.

We are confident that if these measures are adopted and if the nation remains focused, our determination and resolve will certainly empower us to overcome the challenges and achieve our goals. Your company is determined and stands by the country and its leadership in this hour of need to make a remarkable difference.

## Infrastructure Development

Infrastructure is the back bone of economy and instrumental for productivity, growth, social well-being and a nation's progress. The importance of it can be seen in the context that

we rely on infrastructure for our daily activities. The structures and wires delivering electricity to our homes to light and use essential gadgets, pipes carrying water to our taps, telecom infrastructure connecting us to the world, roads we travel to and bridges we cross, railway tracks to run the trains, to the runways our planes land on and many more. The Government of India has realized the importance of infrastructure towards the economic and social growth and it has become the biggest focus area.

With the goal to realize the \$5 trillion economy, government is working on developing the infrastructure sector for increasing the growth momentum towards reaching the target by year 2024. The National Infrastructure Project Pipeline of ₹ 111 lac crore over a 6 year period is an effort towards the target. This project pipeline consists of around 6,500 projects to be collectively funded by Central Government and State Governments to the extent of 79 per cent. The remaining 21 per cent is envisaged to come from the private sector. A reading of the NIP indicates that the next few years are likely to see increased public spends in areas of drinking water, irrigation, metro rail networks, roads, renewable energy, power transmission and distribution as well as urban infrastructure. Since infrastructure investments serve the twin benefits of improving productivity and generating employment, we believe that the underlying macro drivers for investments in India remain intact and your Company is poised to take advantage on these emerging opportunities in the future.

The long term outlook of infrastructure sector is looking optimistic with a number of projects that were announced earlier by the government will be implemented. A recent report by Kearney suggests that there will be an investment opportunity of US\$ 575 billion (₹ 4.35 Lakh crore) in transport infrastructure sector in India in the next five years driven by investments in flagship projects such as Sagarmala, Bharatmala, dedicated freight corridor, high speed rail, and metro project etc. Then there is planned investment of ₹ 1 lakh crore in setting up 100 new airports by 2024 to connect smaller towns by adding 1,000 new routes. The ₹ 3.6 lakh crore funding announced for Jal Jeevan Mission to supply piped water to every rural household by 2024 is another large water infrastructure development scheme that is being implemented across the country and your Company is already a part of this scheme by executing several rural water supply projects in Uttar Pradesh, Manipur and other states.



The Atal Bhujal Yojana with an allocation of ₹ 6000 crore for five years with principal objective of strengthening the institutional framework for sustainable groundwater resource management in seven States, viz. Gujarat, Haryana, Karnataka, Madhya Pradesh, Maharashtra, Rajasthan and Uttar Pradesh. Implementation of the scheme is expected to benefit nearly 8350 Gram Panchayats in 78 districts in these States. With the above schemes, apart from the initiatives such as Housing for All, Swacch Bharat Mission and Smart Cities Mission, the government is working on developing the infrastructure sector for increasing the growth momentum towards achieving the desired outcome.

#### **Company Growth**

During the year, your Company has received new project orders from different states for bulk water supply, wastewater treatment, power transmission and distribution etc. These orders have come from our esteemed existing clients as well

as from new government agencies that signifies our strong credentials in project execution and deliveries to the clients. While executing projects, your Company ensures that the client's requirements are fulfilled without any compromise in quality and design with adherence to timelines.

Your Company has completed a number of projects during the period including the regional water supply projects in Rajasthan, wastewater treatment projects in Haryana and Maharashtra and power substation projects upto 400 kV capacities in West Bengal and other states. Presently, your Company is executing more than 45 projects in water, power and sanitation segment in all major states of the country.

During the year, your Company has also won a few arbitration awards including the ₹ 191 Crore interim relief under arbitration proceedings against State of Rajasthan by a subsidiary company, Bhilwara Jaipur Toll Road Pvt. Ltd. The learned arbitrators have issued the relevant orders on the merits we





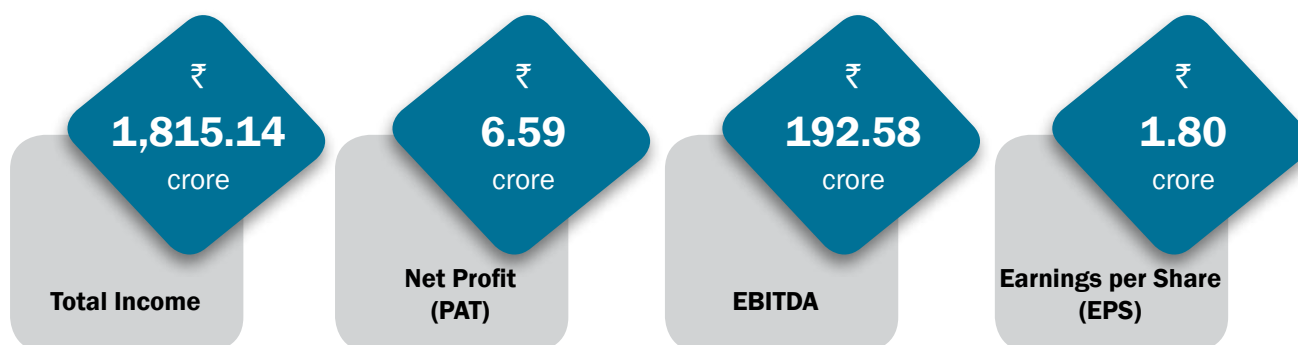
have been maintaining that the action taken against our projects were arbitrary, incorrect and violating provisions of the contract agreement. We are happy that our legitimate claims have been upheld in these arbitrations.

During the year, your Company has also received few coveted awards for outstanding contributions in development of sustainable water and power infrastructure in the country that has helped millions of people with clean drinking water facility

as well as lighting up rural and urban homes thus changing lives of people. Among the notable awards that have been received during the year includes ASSOCHAM Water Management Excellence Awards 2019 conferred to your Company as 'Best Water Management Practices' for the outstanding contributions in development of sustainable water infrastructure in India and it was presented by Mr. Gajendra Singh Shekhawat, Hon'ble Minister of Jal Shakti of India.

### Performance Review

I wish to share with you the highlights of our financial and operational performance (consolidated) during the year 2019-20.



## Covid-19 Impact

The period leading up to the lockdown and the subsequent stoppage of all economic activity from 25th March, 2020 has adversely affected your Company's operations in late FY 2019-20. The Company's project sites remained closed due to lockdown and partially re-opened after the relaxation announced by the Home Ministry, which has impacted its operations during April and May' 2020. The Company continued to incur all fixed costs and permanent labour safety costs at sites despite any progress of the projects. The project operations restarted at few sites adhering to the safety norms prescribed by the Government of India with limited number of work force under restrictions imposed by the local authorities.

The Company is taking utmost care of its staff and work force as per the COVID-19 safety guidelines. Currently most of the project sites are active, and execution of work is progressing with a reasonable level of workforce. Supply chain is also being monitored to ensure availability of materials at sites.

## Outlook

With the current scenario of disruption due to Covid-19 pandemic, economic volatility and imminent risks driven by socio-political factors makes it difficult to forecast the future with any degree of certainty. While we are hopeful that the 2nd half of FY 2020-21 will herald better economic and business activity in terms of tendering, good liquidity and revival of labour and supply chains, it would be premature to predict the Company's business outcomes for FY 2020-21.

The infrastructure sector has normally been the government's biggest focus area for economic growth and shall undoubtedly continue to remain for years. The increased impetus for accelerating infrastructure development will further open

up vast opportunities for construction companies and we are hopeful that your Company will surely be benefitted with good project orders and better financial returns. The company is putting enormous efforts to mitigate the impact of the pandemic, and register enhanced performance in FY 2021-22.

With the Company's core-competence in developing water, wastewater, power and sanitation infrastructure, we are well-placed and look forward to strongly capitalize on the opportunities in these segments. The Company will consistently ensure to see the growth is achieved in conjunction with sustainable profitability by driving the operational excellence to ensure our projects are delivered on time within the allocated budgets. Our focus is firmly on becoming the largest water infrastructure developer and with our attention entirely on EPC projects, we are set to create new benchmarks in excellence and quality by building new-age water infrastructure that will transform the drinking water scenario in India.

I would like to take this opportunity to thank our valued bankers, shareholders for their continued support and confidence in the Company. I also express my sincere gratitude to our clients, suppliers and service providers for their trust and support towards the Company. I also thank my fellow Board Members for their invaluable support in guiding the Company and enabling another year of growth. I am also thankful to the Team SPML and other stakeholders for their significant contributions to the Company.

Warm regards,

Subhash Chand Sethi  
Chairman

# **STATUTORY REPORTS**



# DIRECTORS' REPORT

## Dear Shareholders,

The Board of Directors of your Company is pleased to submit their 39th Annual Report on the operations and performance of the Company along with the audited financial statements for the year ended 31st March 2020.

## Financial Results:

The brief summary of the financial performance of the Company for the year under review along with the comparative figures for the previous year is summarized herein below:

(₹ In Lacs)

PARTICULARS	Standalone		Consolidated	
	2019-20	2018-19	2019-20	2018-19
Revenue from Operations	97,190.26	1,43,336.06	1,70,647.73	2,01,152.08
Other Income	10,118.43	5,989.50	10,866.24	6,511.72
<b>Total Income</b>	<b>1,07,308.69</b>	<b>1,49,325.56</b>	<b>1,81,513.97</b>	<b>2,07,663.80</b>
Total Expenses	91,932.82	1,26,967.51	1,62,255.67	1,84,293.58
<b>Earnings before Interest, depreciation, tax and amortization (EBIDTA)</b>	<b>15,375.87</b>	<b>22,358.05</b>	<b>19,258.30</b>	<b>23,370.22</b>
Less :- Finance Cost	14,655.45	15,252.35	15,692.41	16,063.53
Less :- Depreciation	562.13	371.97	1,118.07	1,087.56
<b>Earning before share of profit/ (loss) of associate and joint venture, exceptional items &amp; tax</b>	<b>158.29</b>	<b>6,733.74</b>	<b>2,447.82</b>	<b>6,218.93</b>
Share of profit/(loss) of Associates & Joint Ventures	-	-	(388.82)	302.67
Minorities share of profit/(loss)	-	-	(53.34)	63.66
<b>Earning Before Tax (EBT)</b>	<b>158.29</b>	<b>6,733.74</b>	<b>2,112.34</b>	<b>6,457.94</b>
Tax Expenses				
Less: - Current tax	259.15	1,539.36	553.53	2,149.43
Less: - Deferred Tax	(342.66)	232.55	899.70	335.17
<b>Profit After Tax</b>	<b>241.80</b>	<b>4,961.83</b>	<b>659.13</b>	<b>3,973.34</b>
Other Comprehensive Income for the Year (Net of Taxes)	458.01	(437.47)	449.97	(423.56)
Total Comprehensive Income for the year	699.81	4,524.36	1,109.10	3,549.78
Earnings per share (in ₹) - Basic and Diluted (Nominal value ₹ 2 Per Share)	0.66	13.54	1.80	10.84

## Financial Performance

### Standalone

During the financial year ended 31st March, 2020, the Operating Revenue of your Company stood at ₹ 97,190.26 Lakh dropped by 32.19% as compared to ₹ 1,43,336.06 Lakh in the previous year. The Net Profit for the year is ₹ 241.80 Lakh declined by 95.13% over the previous year Net profit of ₹ 4,961.83 Lakh.

### Consolidated

During the year under review, the Operating Revenue of your Company stood at ₹ 1,70,647.73 Lakh as compared to ₹ 2,01,152.08 Lakh in the previous year. The Consolidated Net Profit in Financial Year 2019-20 is ₹ 659.13 Lakh compared to

the Net Profit of ₹ 3,973.34 Lakh in the previous year 2018-19.

Basic reasons for the above were delay in payments from clients due to allocation of funds to other vote-bank purposes than using for projects, working capital shortage, and inadequate financial support from lenders.

### State of Company's Affairs

SPML Infra is India's leading Public Listed Infrastructure Development Company with about four decades of business experience in the public as well as private sector. The Company has executed and managed over 600 infrastructure projects across India and created significant value for the Country, thus touching lives of millions of people with provision of drinking water facilities, wastewater treatment, integrated

sewerage network, better municipal waste management, power transmission & distribution and lighting up homes. Your Company features among the World's Top 50 Private Water Companies and amongst India's 50 Best Real Estate & Infrastructure Companies. Your Company has been featured at 10th position in the list of top infrastructure companies in India. Your Company operates on engineering, procurement, construction (EPC) segment and as on date, there is no change in the nature of business being undertaken by the Company.

The brief highlights of the performance of the Company during the Financial Year 2019-20 are summarized herein below:

- Commissioning of Saurashtra-Narmada Avtaran-Irrigation (SAUNI) Yojana, Phase-II, in Gujarat that was inaugurated by the Hon'ble Prime Minister of India.
- Executed an important rural water supply scheme in Rajasthan as Gagreen Water Supply Project that envisage providing clean drinking water to over 3,00,000 people of 315 villages and 28 dhanies of Jhalawar district.
- Executed 400/220 Kv Sub-station extension project at Durgapur, West Bengal.
- Executing a power augmentation project under Deen Dayal Upadhyaya Gram Jyoti Yojna for Rural Electricity Infrastructure Development for Agriculture Feeder Segregation works in Murshidabad district of West Bengal.
- Executed 12.5 MLD Common Effluent Treatment Plant for Bahadurgarh Industrial Area in Haryana.
- The subsidiary company M/s. Bhilwara Jaipur Toll Road Pvt. Ltd received Interim Relief worth ₹ 191.00 Crore under Arbitration proceedings against the State of Rajasthan.
- During the financial year, the Company received the following new project orders:
  - Received a large bulk water supply project order worth ₹ 546.96 Crore from Bangalore Water Supply and Sewerage Board.
  - Order from Uttar Pradesh Jal Nigam, Varanasi worth ₹ 183.68 Crore, for interception and diversion of drain in Jaunpur, Uttar Pradesh for pollution abatement of River Ganga under the National Mission for clean Ganga in joint venture with Pulkit Projects.
  - Order from Haryana State Industrial and Infrastructure Development Corporation Ltd; Bahadurgarh worth ₹ 34.50 Crore for construction of 10 MLD Common Effluent Treatment Plant (CETP).
  - Orders from Jharkhand Urja Sancharan Nigam Limited, worth ₹ 107.65 Crore & ₹ 69.74 Crore respectively in the State of Jharkhand for power substation projects.

### Awards and Recognition

During the year under review, your Company has received various prestigious awards. Some of the key awards & recognitions are as follows:

- ASSOCHAM Water Management Excellence Awards 2019 as "Best Water Management Practices" for outstanding contributions in the development of sustainable water infrastructure in India.
- ASSOCHAM Energy Excellence Awards 2019 in the category of "Rural Outreach Award 2019" for outstanding contributions in the energy sector with execution of rural electrification projects.
- Certificate of Appreciation from Dholera Industrial City Development for valuable contribution towards Environment Health and Safety by achieving 0.52 Million Man Hours without any lost time injury in "Dholera WTP Projects".
- Conferred with Skoch Award 2020 Order of Merit Certificate for Kanpur Sewerage System.

### Business Disruption from COVID-19

The World Health Organisation (WHO) declared a 'Pandemic' to the Covid-19 disease. The pandemic has hit the economy, business and people around the world and has resulted in many restrictions, including nationwide lockdown, thereby greatly hampering businesses and day to day functioning of Companies. This pandemic has given rise to a new way of doing business.

In enforcing social distancing and to comply with the direction issued by the Government of India, the Company's Project sites remained closed from March 23, 2020 due to lockdown and partially opened w.e.f. May 04, 2020, adhering to the safety norms prescribed by the Government of India. The Company is taking utmost care of its staff and work force as per the guidelines like sanitisation, social distancing, mandatory mask wearing, thermal checking at the gate, maintaining proper hygiene and regular disinfecting the offices and work stations. Supply chain which got disturbed due to lockdown have been monitored to ensure availability of material at project sites under strict guidelines and following all required SOPs.

The on-going Covid-19 scare has hit us hard and disrupted regular business operations of the Company as the labour force got immobilised at sites due to lockdown and we have taken care of all their overheads and protection costs, food and stay arrangements and other fixed costs that have been incurred with no matching revenues. Company is going through liquidity crunch with mismatched cash flow and finding it difficult to meet its working capital requirements. Due to pandemic disruptions, the revenues and profitability of the Company are likely to be adversely impacted. However, Company being leading Water and Power EPC Company, sees good business prospects in going forward.

### Dividend

During the year under review your Company has faced financial stress and liquidity crunch and therefore, in order to support the financial credibility of the Company, and in view of the ongoing pandemic, your Directors recommended conserving