



**Infrastructure
Development
for the
Future**

**Annual Report
2020-21**

SPML INFRA LIMITED

CONTENTS

CORPORATE OVERVIEW

Chairman's Message	06
--------------------	----

STATUTORY REPORTS

Directors Report	11
------------------	----

Management Discussion and Analysis	27
------------------------------------	----

Report on Corporate Governance	33
--------------------------------	----

FINANCIAL STATEMENTS

Standalone Financial Statements	49
---------------------------------	----

Consolidated Financial Statements	120
-----------------------------------	-----



BUILDING INFRASTRUCTURE FOR THE FUTURE

Established in 1981, SPML Infra Limited (BSE: 500402 / NSE: SPMLINFRA) has completed 40 successful years in Building Sustainable Infrastructure for a future India. In a rich legacy of four decades, this leading public listed infrastructure development company in India has implemented over 600 projects across the country. During the period of multidisciplinary experience, the company has executed world class infrastructure for water treatment and transmission, waste water treatment & recycling, urban & rural water supply scheme, underground sewerage network, sanitation & solid waste management, power transmission & distribution, technologically advanced power substation, rural electrification, smart cities and civil infrastructure development. The ISO-9001:2015 certified, SPML Infra is providing clean drinking water facilities to more than 50 million people in India & it is the first Indian company featured among the World's Top 50 Private Water Companies as per Global Water Intelligence, London. It also features among India's Top 500 Largest Corporations as per Fortune India.

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

Core Values

Customer orientation
Wealth creation
Employee empowerment
Systems and processes
Teamwork and cooperation
Pro-activeness and innovation



SPML INFRA LIMITED

Key Strengths & Achievements

- ❑ More than 600 infrastructure projects completed
- ❑ Among World's Top 50 Private Water Management Companies
- ❑ ISO 9001:2015 certified company; Also has ISO 14001:2015, ISO 45001-2018 and OHSAS 18001:2007 certification
- ❑ 50 million people provided with drinking water facility
- ❑ In-house engineering and design capabilities
- ❑ Visionary Board and experienced Management Team
- ❑ Long-team support of business associates
- ❑ Significant presence across India
- ❑ Amongst 1000 High-Growth Companies in Asia-Pacific as per Financial Times, London
- ❑ Ranked 10 in India's Top 50 Infrastructure & Construction Companies as per Construction Week
- ❑ 20,000+ villages connected with electricity
- ❑ 10,000+ kms of cross country pipeline
- ❑ 5000+ MLD of water pumping stations
- ❑ 2000+ MLD of water treatment plants
- ❑ 1000+ MLD wastewater treatment plants
- ❑ 1500+ kms of roads and highways
- ❑ 800+ tonnes of handling municipal solid waste per day
- ❑ 500+ kms sewerage network
- ❑ 500,000+ Smart water meters installed
- ❑ Executing 24x7 urban water supply projects in Delhi and 6 cities in Karnataka
- ❑ Executing over 40 projects in water, power, irrigation and sanitation sectors



CHAIRMAN'S MESSAGE



SUBHASH SETHI
Chairman
SPML Infra Ltd.

"We have realized that the projects we execute have greater impact on people's lives by providing basic necessities like water and electricity. So, we have moved into being a very impact oriented company with deeper social conscience."

Dear esteemed shareholders,

Before I discuss the economy, business and company affairs, let us remember the people we lost during the coronavirus pandemic. It is a big humanitarian loss globally on such a large scale, severity and geographical spread that has never been seen before in a century.

Some of our valued employees have suffered and we lost them during the second wave of pandemic. I, and my colleagues on the Board and Company Management offers our heartfelt condolences to all those in our SPML Family who have lost their loved ones. Prayers and fond memories are what we have to remember our dearly departed.

For us the financial year 2020-21 was marked not only by its challenges due to COVID-19, but also by how people in your company came together to fight it. After the initial lockdowns, your company continued to operate its project sites and offices in accordance with the guidelines issued by the Central, State

and local Governments, while strictly adhering to the prescribed safety protocols.

Even amidst the 2nd wave of COVID-19 infections and thereafter, the employees of your company constantly worked closely with the clients, associates and suppliers to ensure continuing project executions and uninterrupted supply of water and power to the people of our country through many water supply and electricity distribution projects. The commitment and courage shown by the employees during these testing times has been exemplary. My sincere gratitude and appreciation to all of them.

I would also like to convey our deepest gratitude to all the doctors, healthcare professionals, police and administration officials across the country for the extraordinary fortitude displayed in serving the people during these trying times. Unprecedented efforts were witnessed as the country rallied together to provide crucial support in augmenting oxygen

supplies, ramping up healthcare infrastructure and extending relief to the people in need.

Government of India's endeavors to accelerate vaccination program brings optimism for the future. The determined efforts to vaccinate all citizens are undoubtedly the most crucial to restore normalcy at the earliest possible. The crisis however is far from over. The distress caused by the pandemic continues to be a concern for lives and livelihoods as well as for our economic growth. Despite uncertainties, the Indian economy holds immense promise.

Indian Economy

Indian economy that was witnessing a sharp drop in GDP following the impact of Covid-19 induced disruptions and lockdowns has started showing signs of improvement during the second half of FY 21. The GST collections got robust from November 2020 onwards. However, the second wave that started in March 2021 has come in the way of further recovery necessitating deployment of resources to protect lives, safety, and basic needs of large number of people besides augmenting healthcare infrastructure that was needed to fight the most deadly second wave. There have been restrictions and lockdowns again by all the states across the country causing shutdown and constraints for movements and activities.

Apart from the huge spends on covid relief measures, the Government is focusing on economic recovery with planned investment in various infrastructure projects and schemes. This can create employment as well as income sources that can boost economic activities in the coming months. With the vaccination program and focused approach of the government, I am hopeful that the Indian economy will bounce back at a higher rate leading to global supremacy towards achieving \$5 trillion GDP.

Construction Sector

According to a latest report, 'Global Construction Outlook to 2025' signifying that global construction sector will continue on a recovery path following the historic collapse in activity in 2020 amid the severe disruptions caused by the pandemic. From 2022 to 2025, global output growth is predicted to average 3.7% a year.

In India, the construction sector which suffered colossal losses is expected to bounce back from the perils. The Union Budget laid huge emphasis on the infrastructure sector, highlighting the commitment of the Government to the growth of the sector, which would have a multiplier effect on the overall economy.

On his Independence Day speech, Hon'ble Prime Minister of India has put the Covid shocks behind and places the economy on the fast-track, promising several initiatives. ₹100 trillion announcements for Pradhan Mantri Gatishakti Bharat Master Plan for integrated infrastructure growth will certainly see robust growth in the sector in coming years. He also set a target of making India energy independent by 2047 by replacing petroleum with other forms of energy produced indigenously and announced a National Hydrogen Mission noting the



country spends ₹12 trillion on energy imports every year. The National Infrastructure Pipeline Project announced earlier and re-emphasized again also aimed at easier interconnectivity between road, rail, air and waterways to reduce travel time and improve industrial productivity.

India is facing a vital challenge of fresh water. Already, 20% of the population lacks clean drinking water and 40% lacks basic sanitation. Over 43% population is suffering from acute water stress and more than 20 large cities in the country are facing extreme water shortage and possibility of 'day zero' water supply. Sustainable infrastructure development with awareness and behavioral change around water usage and management is critical in addressing this challenge.

The government is well aware about the emerging situation and has initiated a number of dedicated water supply schemes. The flagship, Jal Jeevan Mission will see huge spending worth ₹6.47 trillion under rural and urban water supply infrastructure development in the next 3 years' time. As on mid-August'21; 7.98 crore (41.57%) out of 19.19 crore total households in the country has been connected with functional tap water supply. Every rural household in over 1.08 lakh villages and 78 districts is getting assured tap water supply in their home.

Apart from the much publicized Jal Jeevan Mission program, there are other schemes in water sector like Pradhan Mantri Krishi Sinchayee Yojana- Har Khet ko Pani with an allocation of ₹9,050 Crore; Dam Rehabilitation and Improvement Project (DRIP) Phase 2 & 3 with ₹10,200 Crore for the period of 2020 - 2031; National River Linking Project - ₹22,495 Crore; Atal Mission for Rejuvenation and Urban Transformation (AMRUT) with ₹7,300 Crore for 2021-22; and National Hydrology Programme with ₹3,680 Crore upto year 2024. Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) - Accelerated Irrigation Benefit Project (AIBP) scheme with exclusive budget allocation of ₹11,588 Crore for the period of 2021-22; National Watershed Project with ₹2,611 Crore upto 2022; Atal Bhujal Yojana with ₹6,000 Crore upto year 2025 are the important government schemes that promises a better prospect for water infrastructure development in next few years' time.

On the capex side, the National Infrastructure Pipeline Plan has already taken up 8,158 projects and another 1,858 projects are under development stage. 217 projects worth INR 1.10 lakh crore are already completed. Another 678 projects worth ₹6 lakh crore have been in the stage of formulation and implementation.

Power, irrigation, roads and highways, urban infrastructure, railways, aviation, metro rail, bullet train, smart cities development, Swachh Bharat program, digital and telecom infrastructure and other sub-sectors together constitute the infrastructure development grid in India. The Centre and State Governments are the major funding sources with moderate participation from the private sector.

Water and electricity infrastructure is in focus of attention through implementation of the Jal Jeevan Mission and the new power distribution scheme. On road connectivity, significant work is being done under the Bharatmala Pariyojana and Pradhan Mantri Gram Sadak Yojana which are expected to deliver gains in trunk and rural connectivity. Efficiency of transport services requires attention. Use of technology proposed under the National Logistics Policy is expected to deliver good results. With several key initiatives in the relevant sectors, it holds promises of good business prospects for your Company.

Technology Intervention

World over, business enterprises are navigating their way to a better future by connecting their businesses with digital and cellular technologies and automation devices. The global information technology market is expected to grow from \$7.85 trillion in 2020 to \$8.37 trillion in 2021 at a compound annual growth rate (CAGR) of 6.6%. Almost every object around us is going to be connected; from streetlights, water & electricity meters, water pumps, supply network, household utility connections, cars, elevators, household appliances and all utility gadgets we can think about. The transformative potential technology holds for business and society is boundless, allowing us to solve problems like never before. The pandemic has further accelerated extensive digitalization and this transformation is happening faster than ever.

In order to execute successful projects at scale, we must organize our business with the perspective of long-term transformation that includes setting up operational fundamentals in a smart way. We need to think digitalization and embed appropriate innovative technologies into the core of our business with clear and smooth path to business growth. With end-to-end implementation in mind, we will need to ensure that we have or can source the right skill sets and capabilities.

Company Highlights

Since its inception in 1981, your Company has come a long way to stand tall as one of the largest water management companies in the country. Many years of dedication and sweat have contributed to this fruitful yet exhilarating journey. Over the years, we have created sustainable water infrastructures across the country to provide drinking water facilities to more than 50 million people and have been a valuable partner to the government and water utilities.

Notwithstanding the positives outlined above, there exists a fair probability of conditions remaining uncertain over a longer duration as the pandemic is yet to abate, both globally and locally with the emergence of newer strains. Large scale

disruptions have affected the growth pattern and continue to trigger aftershocks that weigh on the recovery. Your company had to deal with the following major challenges during FY 20-21.

- Lockdown that started in the second fortnight of March 2020 and continued during a major part of Q1 of FY 21 have adversely impacted the operations. Company's project sites remained closed with significant losses reported in revenues and profitability.
- The Company has gone through a difficult phase of liquidity crunch to meet its working capital requirements with mismatch cash flow due to payment delayed from the clients.
- Absorption of idle costs of machineries and employees incurred during Q1 as your company did not resort to employment cuts or kneejerk cost saving measures.
- Continuous increasing of key raw-material prices from the second quarter onwards and absorbing price increases without disturbing the projects execution had a significant impact on profitability.
- Making alternate indigenous supply arrangements for some key equipment and material that were being imported from other countries. This also caused project delays and loss of sizable execution opportunities during FY 21.
- In the financials, like many other construction companies, your Company also suffered a major loss in sales and profit. The turnover during the year reduced drastically to ₹ 658.58 Crore as against ₹ 925.42 Crore in the previous year. The Company's profit also suffered a major loss of ₹ 107.17 Crore during the FY 21.

With the above background I shall proceed to briefly cover the other significant highlights of FY 21 and the steps being taken by your Company to stay stronger as it continued to maintain its leadership in the core water sector opportunities.

- Your Company featured again in the World's Top 50 Private Water Companies, as per bi-annual survey by Global Water Intelligence, London. Your Company continuously being featured in World's Top 50 since 2015.
- During the year, your Company also received substantial new project orders in joint ventures with different friendly companies worth ₹ 5,770 Crore from the esteemed clients in the state of Odisha, Manipur, and Uttar Pradesh including several projects under the Jal Jeevan Mission.
- Your Company continues to bid for water projects aggressively and the business development team has already submitted or is in the process of submitting project tenders worth about ₹ 20,000 Crore with our JV partners.

"We are well known as a key player in the water sector in India, improving quality of life of people across the country".

- Your Company has completed a drinking water supply project in Manipur in a record time of 18 months as against the project duration of 24 months despite being a challenging task to provide tap water facilities to around 300,000 populations in 73,014 households. The project was inaugurated by Hon'ble Chief Minister of Manipur Shri N. Biren Singh.
- The Hon'ble Prime Minister of India has laid the foundation stone for Manipur water supply projects under the Jal Jeevan Mission which your Company will be executing.
- Your Company has secured an arbitration award of ₹ 236.43 Crore against the National Thermal Power Corporation (NTPC) for Bongaigaon Thermal Power Plant in the State of Assam which has been challenged by the NTPC and final outcome is awaited.
- Your Company also featured among the BS1000 Top Indian Companies report published by leading business daily, Business Standard.

Every business has to discover its own ways to adapt to the new normal, find innovative approaches to meet the challenges and remain afloat in every aspect. The one who moves swiftly and take proactive measures is bound to sail through these turbulent times and emerge stronger. Your company took the disruptions caused by the pandemic as an opportunity and initiated several proactive steps in digitalizing business operations, project monitoring, HR management, technological intervention in systems and processes and most importantly augmenting supply chain to ensure that it is prepared to meet the requirement of every project adequately on time.

Your company is committed to the welfare of its employees at all levels and has kept their morale high through various support measures to tide over these difficult times. Almost every employee and work force is fully vaccinated and comprehensively follows all covid and safety guidelines.

Your Company is committed to conduct business with a strong environment conscience, to ensure sustainable development, safe work places and enrichment of the quality of life of its employees, clients and the community. It respects human rights, values supporting organizations and invests in innovative technologies and solutions for the economic growth of the country. We stay committed to our core values for development of a better India in the making.

Acknowledgements

Before concluding, I once again wish to convey my sincere thanks to the dedicated employees of the Company. Without their efforts and commitment, the Company could not have performed and sustained during these challenging conditions. I would also like to thank the leadership team and management, for their continued strong and unequivocal support.

I extend my gratitude to the various government and regulatory authorities, Company's valued clients, suppliers, vendors, investors, bankers and shareholders for their consistent and resolute co-operation and trust. The supports we continue to receive from our banks enable us to obtain and execute projects and plan for the future.

I take this opportunity to thank the Board Members and particularly the distinguished Independent Directors for their continued leadership and unwavering support to the Company. They are always there for invaluable guidance and I truly value their partnership which holds the company to the highest governance and compliance standards.

I wish and pray that this world emerges victorious from the crisis created by the pandemic. I urge each and every one of you to stay safe and take care of your loved ones.

Thank you!

Subhash Chand Sethi



STATUTORY REPORTS