Date: 31st May, 2024

**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 quarter and year ended 31st March, 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 31st May, 2024 post declaration of audited financial results for the quarter and year ended 31st March 2024.

Kindly take the same on records.

**Thanking you,**
**For SPML Infra Limited**

Swati Agarwal
Digitally signed by Swati Agarwal
Date: 2024.06.05 15:20:44 +05'30'

**Swati Agarwal**
**Company Secretary**

Encl.: As above

**SPML Infra Limited**

Q4 & FY '24 Results Conference Call

May 31, 2024

Management Representatives:

**Mr. Manoj Digga – Director Commercials & Chief Financial Officer**

**Mr. Malay Kanti Chakraborti – Executive Vice President**

**Moderator:** Ladies and gentlemen, good day and welcome to SPML Infra Limited's Q4 and FY24 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing the *, then 0 on your touchtone phone.

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

**Pranay Premkumar:** Good evening, everyone. From the senior management we have with us, Mr. Manoj Digga - Director Commercial and Chief Financial Officer and Mr. Malay Kanti Chakraborti - Executive Vice President.

Before we begin the conference call, I would like to mention that some of the statements made during the course of today's call may be forward-looking in nature, including those related to the future financial and operating performances, benefits and synergies of the company strategies, future opportunities and growth of the market of the companies services.

Further, I would like to mention that some of the statements made in today's conference may involve risks and uncertainties. Thank you and over to you, Mr. Manoj Digga.

**Manoj Digga:** Thank you. Good evening and thank you all of you for joining the Q4 and FY24 Earnings Conference Call of SPML Infra Limited. I am Manoj Digga - Director Commercial and CFO of the company and along with is the Vice President, Mr. Malay Kanti Chakraborti.

Before we start the start discussing on the financials, let me give you a brief overview of the company and industry trend, emerging business opportunities, etc. As regards, the company was established in 1981. SPML Infra is a leading publicly listed infrastructure development company that has managed and implemented over 650 project across India on an EPC, PPP and BOOT basis primarily in water supply and distribution, water treatment and transmission, wastewater handling treatment and recycling, solid waste management, power transmission and distribution and civil infrastructure development. SPML Infra Limited was among the world's top 50 private water and waste water management companies as per Global Water Intelligence, London.

With regards to the water sector, the infrastructure sector continues to be a key driver of the economic development in India, with substantial government investments notably in road, railway and urban transportation projects, there is a significant focus on water supply and wastewater management and treatment projects. As we all know, water, which is an integral resource for all infra and economic development, has become scarce with almost half of India's population and industrial suffering. Over the last five years, the Government of India has launched various initiatives focused towards improving water supply coverage, such as the Jal Jeevan mission, AMRUT 2.0 and Wastewater Treatment and Reuse Project under the Namami Gange and other schemes having total outflow of approximately Rs. 10 lakh crore.

There are other initiatives dedicated towards groundwater, recharge and resource augmentation with significant investment. These initiatives present great opportunities for SPML Infra Limited. We are the only water management company in India continuously working for the last 43 years. With our strong pre-qualification credentials, we are well positioned to participate in almost all the water project tenders and execute them with ease, driving revenue growth. We are also of the strong belief that India has a great opportunity to increase water supply infrastructure to diminish the massive gap between water supply and projected demand. As per the estimation, the total demand by 2030 will be around 1500 billion cubic meter and supply will be only around 750 billion cubic meter. Factors like rapid urbanization, increased industrial growth, increased requirement by agriculture sector and adequate water supply situation would certainly trigger growth of the water sector.

SPML Infra has a rich legacy of over four decades in water supply, infrastructure development, distribution and wastewater treatment projects. Considering our strength in this sector, we have the capability and expertise to become the leading player in the water sector. We also have a long standing relationship with central and state government agencies, Water Ministries, which is evident by our marquee clients which includes PHED, PGCIL, NTPC, Jal Jeevan Mission, Chennai Metropolitan Water Supply and Sewage Board, Gujarat Water Infrastructure Limited, Narmada Water Resources Supply, Delhi Jal Board, UP Jal Nigam, Bangalore Water Supply and Sewage Board and Namami Gange among others. We command a superior execution track record in the EPC sector till date.

We have O&M experience of water supply system for more than 10 years, successfully executed individual drinking water supply and management project worth over Rs. 1,500 crore, constructed up to 500 MLD water treatment plant, up to 200 MLD waste water treatment plants and over 10,000 kilometers of water pipeline projects. SPML Infra is the part of the single target water supply project being executed in India under the Saurashtra Narmada Avtaran Irrigation, SAUNI Yojana in Gujarat.

In the last few years, the company has gone through financial stress due to volatile market conditions and delay in receiving arbitration award of approximately Rs. 1,000 crore and claim already filed of approximately Rs. 4,090 crore. We have addressed our debt concern by successfully restructuring it through the Indian Debt Restructuring Company, IDRCL constituted attorney of National Asset Reconstruction Company NARCL. Under the said restructuring, IDRCL has given the option to the company for the full payment either Rs. 700 crore in eight years or Rs. 967 crore in 10 years without any interest. The majority of the repayments are linked with the realization from arbitration award and claim, and there is a very minimum payment from the cash flow of the company. Out of the aforesaid repayment, the company has already repaid Rs. 224 crore, mainly from the realization from arbitration award under Vivad se Vishwas scheme. The total amount receivable under Vivad se Vishwas scheme is approximately Rs. 294 crore. Out of this, the company has already received Rs. 244 crore and balance Rs. 50 crore will also be received shortly.

Our focus is towards building a strong order book by bidding for selected large water supply, fully funded projects because of its faster execution. The company maintained the strategy for executing every project under the escrow mechanism to reduce strain on the working capital and for proper monitoring of funds. Going forward, we plan to improve profitability by bidding for selective high growth and better margin projects. The business opportunity available and the company's eligibility for the same are disproportionate to the size of the company at present.

Now, come to the financials. We would now move towards our quarterly financial performance. We recorded revenue growth of 84% to Rs. 463 crore in Q4 financial year 24 as compared to Rs. 251 crore in Q3 financial year 24. Our EBITDA was recorded at Rs. 66 crore as compared to Rs. 5 crore in Q3 financial year 24. We recorded a strong growth in PAT this quarter to Rs. 17 crore in Q4 financial year 24 as compared to Rs. 1 crore in Q3 financial year 24.

Coming to our full year financial performance, we recorded revenue growth of 50% to Rs. 1,318 crore in financial year 24 as compared to Rs. 878 crore in financial year 23. Our EBITDA was recorded at Rs. 78 crore compared to Rs. 55.5 crore in financial year 23. We recorded a strong growth in PAT in financial year 24 to Rs. 19.5 crore as compared to Rs. 2 crore in financial year 23. With the impact of the sanction of IDRCL, we reported a healthy balance sheet with a net worth of Rs. 509 crore, debt of Rs. 557 crore, current assets Rs. 885 crore, including cash and bank balance of Rs. 227 crore and current liability of Rs. 583 crore. During the current year, we have already reduced the debt by Rs. 223 crore and further expect it to reduce by Rs. 40 crore by sale of identified properties. With this, we conclude our opening remarks. Thank you for listening to us. We now open the floor for a question and answer session.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Dhruv Mukesh from Smart Sync Investment Advisory Services. Please go ahead.

**Dhruv Mukesh:** Sir, in our presentation, we have guided that we can take orders worth Rs. 10,000 crore per year and generate annual revenues of Rs. 3,000 crore. So the first question is that is the normal length of our orders around three years and how do we recognize revenue and do collection for the same, like is it in a phased manner or post completion of the project we get the majority of their money?

**Manoj Digga:** Basically, as I told you, we have completed our business debt resolution with the lender. At the moment, our focus will be highly on the selected boutique project which has a high profitability, high revenue and a shorter period of completion of the project and with a proper good market position and fully funded project. So we are not targeting Rs. 10,000 crore of order book into any years. We have a target to select Rs. 2,000 to Rs. 4,000 crore order book in any particular year and want to have a focus on our bottom line instead of the topline.

**Dhruv Mukesh:** And sir, currently we are doing subcontracting projects due to the limitations with regards to the bank guarantees, but going forward, do we plan on taking the entire contracts considering the margins are much better in that case or how do we see that?

**Manoj Digga:** In the business, it is a combination of all. Basically, as I told you, we will definitely like to take and execute the business, which is a high profit business by our own where we will expect a decent margin, easier execution, fully funded project. If there is any other project which is not meeting the criteria and if you are finding a good subcontractor, we can take that because we have the requisite PQ we can take that project and we can give the subcontracting business also. But at the moment our focus is to take the business in our own book and to develop the business, which is a high profitable business.

**Dhruv Mukesh:** And sir, we have currently received around Rs. 1,000 crore under Vivad se Vishwas scheme and we have filed claims worth around Rs. 4,000 crore. So what is the timeline regarding the type of claims and how do they get resorted and how much do we actually expect to receive from this particular claim? Like is there some 100% type of settlement? Or we get some haircut or how does this thing go?

**Manoj Digga:** At the moment we have around Rs. 1,000 crore of arbitration award out of which Rs. 464 crore is qualifying for Vivad Se Vishwas because in Vivad Se Vishwas only the PSU arbitration which has come into effect before January 2023 are eligible for Vivad se Vishwas. So in our case it is Rs. 464 crore. They have their set trend of settling the award under Vivad se Vishwas scheme like on the principal they are settling at 65% at which level the arbitration award is there, that is properly written in the Vivad se Vishwas scheme. In our Rs. 464 crore, we are expecting a recovery of Rs. 294 crore approximately out of which Rs. 244 crore we have already received and around Rs. 50 crore is at different stage. We are expecting the entire realization into current financial year.

**Dhruv Mukesh:** Sir, so you have told that out of the Rs. 1,000 crore, Rs. 464 crore qualify for Vivad se Vishwas scheme and the other Rs. 500 crore, have we received that or how will that process going forward?

**Manoj Digga:** That is the normal arbitration because the arbitration award is going through; there are few arbitration in a very advanced stage, like Supreme Court, etc. So throughout the year the things will keep on coming and there is a huge change in the arbitration and concealment act. So now the situation was not like earlier, where it took a long time. There is a set trend they have fixed for each dispute at each level. So we are expecting that the realization will be much faster now.

**Dhruv Mukesh:** And sir, just the last question from my side. Sir, what is our current order book, the timeline of execution of the same and what can be the EBITDA and PAT margins that we can expect going forward because pre-COVID, we were actually clocking around 10% EBITDA margins and only post 2020, our problems started increasing. So how should we look at that going forward?

**Manoj Digga:** No. Here at the moment our order book is Rs. 1,300 crore and as regards, I can only say that the future looks better because of our pre-qualification, because of our resolution, because of our liquidity, because the election has also completed and now various projects will come. Around 10,00,000 crore of project is there which are going to be executed in 10 years, so roughly around 1,00,000 crore every year and then the future water schemes of the government have started coming. So we are expecting the next 10 years in the water sector, to be a boom sector. And since we are the basic player on the water sector, having 40 years of experience of water sector, having the pre-qualification in almost all the water project of any size, we feel that we will get much benefit. The numbers etc. are forward-looking, so I will not be able to elaborate.

**Moderator:** Thank you. The next question is from the line of Bajrang Bafna from Sunidhi Securities. Please go ahead.

**Bajrang Bafna:** Sir, I have just started understanding the company. So if you could just take us through the broad contours of the restructuring scheme that we have gone through and pardon me, as per what we hear from some of the industry experts which talk about that once the restructuring is sort of done with the lenders, then normally you don't get the BG limits and all those things from the banking channel per se and couple of projects which comes especially from the government, they have a clear indication that the company which has gone in the restructuring and all, they will not be qualified even for the government tender, couple of government tenders. So if you just burst couple of these understanding or meets it will be really helpful?

**Manoj Digga:** Part you are correct, part not, let me first brief about the restructuring. Basically our loan, the lenders and we decided to do the restructuring through the NARCL and they have transferred the account to NARCL. It is a bank's created ARC and they have restructured our loan and it has been agreed that we have to pay, either Rs. 700 crore in 8 years, Rs. 967 crore in 10 years. The aforesaid amount is without any interest. Now, we don't have to pay any interest.

And they have linked with the payment mainly from the arbitration and claim. So the total in 10 years, it is Rs. 16 crore and in 8 years around Rs. 8 to Rs. 12 crore we have to pay from the cash flow. Rest, all they linked with the arbitration and award without any interest. They have taken 12.5% of the paid up capital as additional. Out of this Rs. 700 crore, as I explained you, Rs. 223 crore we have already paid, Rs. 40 crore we have identified from one of the property which are going to be sold this financial year. And the rest few of the additional funds we have already paid, roughly around Rs. 75 crore from the Vivad se Vishwas will be further available into the company, so around 50% of the sustainable debt visibility is very clear to us. That is about the restructuring. Regarding the project, you have to be solvent that is the one condition. So after the resolution we have the solvency. So there is no issue on taking up any project into that. The BG requirement we have the liquidity. For one year, there may be a difficulty on getting that BG limit from the NARCL, but after that we are free to take from the banks also, further we can go to the bank. At the moment we have roughly around FD of Rs. 85 crore and with further Vivad se Vishwas money and our infusion, we have the visibility of roughly around Rs. 150 to Rs. 170 crore that will be utilized for the BG purpose for doing the business.

**Bajrang Bafna:** So one year you said that you are going to face some difficulty in getting the BG limits?

**Manoj Digga:** We are not, because as I told you, we have sufficient liquidity which is required for taking the business because getting the BG from the liquidity is not an issue. There are few tenders where BG is also not required. So there is a mix. So we will not face any problems getting business after the resolution.

**Bajrang Bafna:** And you expect this, 50% you have already lined up for the sustainable debt part and remaining 50%, you assume that maybe in next 3-4 years you will be able to generate and you will be able to pay off that entirely?

**Manoj Digga:** One of the major chunk is coming from one of our arbitration award, which is of Arunachal Pradesh. It is at the final hearing of the Supreme Court. So we are expecting a sizable chunk roughly around Rs. 190 crore from that arbitration award and that will meet majority of our requirement.

**Bajrang Bafna:** What will be the total arbitration that you are still fighting except this Rs. 190 crore and all, what is the chunk that is available to you maybe in next couple of years which you expect that eventually you can get?

**Manoj Digga:** Roughly around, if you see after Vivad se Vishwas, roughly around Rs. 600 crore of arbitration award where we won and arbitration award in our favor is in our hand out of which Rs. 190 crore is of the Arunachal, which is at the highest level of Supreme Court, we have completed all the hearings, it is on the final hearing, rest are at various court level. And we have roughly around Rs. 4,090 crore of claims which is in the process of arbitration and we are expecting some settlement from those claims or converting it into receipt going forward this year. So this award and claim together, we are very confident that we don't have any problem on payments of the sustainable debt.

**Bajrang Bafna:** And sir, what will happen to this unsustainable part that is going through, any liability that can come in future except this 12.5% equity that you have given?

**Manoj Digga:** Now, the sanction is very clear that on payment of the sustainable debt, the unsustainable debt, NCD will be extinguished.

**Bajrang Bafna:** And any interest that you indicated somehow Rs. 12 crore you have to pay from cash flows every year?

**Manoj Digga:** No, we don't have to pay any interest. I have told you that the total amount in next 8 years, I have to pay Rs. 12 crore from the cash flow out of which Rs. 4 crore we have already paid. So they have linked the entire payment with the arbitration. So our cash flow is free from any interest payment and free from any installment payment.

**Bajrang Bafna:** Sir, have you gone through the HCC, what Hindustan Construction has done in terms of arbitration and the debt that have emerged from the company, they have formed another company where they have divested and nothing is getting consolidated right now in their books. They have sold out 51% stake to someone where the debt has been transferred and the arbitration awards which they are expecting has also been transferred, so eventually that subsidiary or that associate will take care of all those past legacy issues and the business is going to run in a normal fashion. So my just humble request, if you can just check that out and if that can work out for our company, I think that will be great, you can say the clear road map for the growth plans, without putting too much concentration on this arbitration and all these things. So just a submission which I have understood from them and I found it really good for any infra company which is really reeling under a lot of past issues, so just a suggestion.

**Manoj Digga:** Thank you. We will go through, but every company has its unique requirement and unique feature. I think our resolution is very balanced and since we have the visibility of 50%, there is no pressure on the repayment of the debt, but I will see and I will review the HCC restructuring.

**Moderator:** Thank you. The next question is from the line of Rishi Kothari from PI Square Investments. Please go ahead.

**Rishi Kothari:** I had some questions while I was going through the financial statement. One of the major expense that comes from the other expense part, when I read on the other expense part that was more into return of all trade receivables and any investments that we have made, So what exactly are we looking at in this other expense part?

**Manoj Digga:** If you can see our financial statement, we have clearly indicated that other expenses of roughly around Rs. 180 crore consists of some write-off of the debtors, some write-off of the investment and loan and some impairment of the debtors by way of ECL. So this is the normal routine and basically we have deeply reviewed the entire books of accounts and when we found that there are certain debtors, etc., which will be recovered through the claim and arbitration, then that will be a separate contract, which we have written-off into the current financial year. So that is the reason why the other expenses have increased. If you remove that Rs. 180 crore, other expenses are at the same level.

**Rishi Kothari:** Are you saying this other expense part, which is clear that as to we are writing off the assets and trade receivables, so are we still expecting some written-off for 2-3 quarters in FY25-26 that sort of a thing?

**Manoj Digga:** No, as I told you, we have done the deep review of the entire assets and liability because as the accounts has been transferred from ours to NARCL, they have also done the deep driven review and we also done the deep review and whatever amount which is going to be recovered from the arbitration and claim, we have adjusted from our book, so that is over, that has gone from our book and when the arbitration will come that will come as a separate receipt and that time we will do the accounting accordingly.

**Rishi Kothari:** A follow up question on the NARCL part. So as you said, we are not being charged on the interest rate after restructuring of the loan, but we still see some finance cost in terms of the order of around Rs. 50 crore. What exactly is this finance cost that we are talking about here?

**Manoj Digga:** No, what happened? In the last 2-3 years, we are making the payment to the banks and banks are adjusting, we are making the payment in the principal amount because as per the law, the bank should not charge the interest after 90 days of overdue etc. But few of the banks had adjusted from their interest amount, so when they transfer the account to NARCL, the figure was Rs. 1,657 crore and in our book it is around Rs. 1,612 crore or something. So the difference of that we have charged into the profit and loss account to make the balance in line with the lenders if they have assigned the loan to the NARCL. Going forward, there will not be any interest liability on the book.

**Rishi Kothari:** So this is just the balance entry that we wanted to clear on the books of account?

**Manoj Digga:** That is correct.

**Moderator:** The next question is from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

**Darshil Jhaveri:** So right now we are having an order book of Rs. 1,300 crore, so what would be the execution timeline of it? And what is our order pipeline going forward like how many orders have we already bid for and the tender will come out and we will be able to win, so any color on how much orders we expect to win in FY25?

**Manoj Digga:** There are 2 things one is the existing order book it is around Rs. 1,300 crore which we will majorly execute into this year and next year. So that is one because all are in the fag end, so we will complete that. As I told you, there is Rs. 10 lakh crore of business and every year there will be a business in the range of roughly around Rs. 1 lakh crore and the government is continuously announcing further scheme on the water sector because water is the thrust area at this moment. So we are expecting few more announcements going forward after relaxation. So there can be a business opportunity of Rs. 1 lakh to Rs. 150,000 crore every year. As I told you we are a water player for last 43 years and we are qualifying into almost all tenders which is coming by the government at various levels. So our focus will be on a particular type of bulk water distribution business and we are expecting roughly around in a year, as I told you we will be very choosy on selecting the order which is boutique in nature, fully funded, with a high profit margin, with an easy and timely execution. So we are targeting roughly around Rs. 2,000 crore to Rs. 4,000 crore of order book every year and there is enough business opportunity. So we will not have much problem in acquiring that, but these are the target level against the business availability of roughly around Rs. 1 lakh crore.

**Darshil Jhaveri:** So, sir, the typical order that we say high margin that we are targeting, what kind of margins would that be? What kind of margins do we expect in the orders we want to bid for as well as what kind of competition will be faced, because if they will be niche, so what will be our USP and what is the competition that we can see, sir?

**Manoj Digga:** Look, we are targeting the order from Rs. 700 crore and above where the competition will keep on reducing. So there will be 5-6 players not more than that number one. Number two our target business will be between 15% to 20% margin. But that is there one in the in the top level there will be less competition, there will be a sizable volume of business available and limited players are there and we are qualifying for all orders, so we will try to take the selected order of our requirement of our criteria in the range of 15% to 20%, that is our target level.

**Moderator:** Thank you. The next question is from the line of Smit Doshi from Wise Capital. Please go ahead.

**Smit Doshi:** So I have 2, 3 questions first is with regards to O&M, so out of that Rs. 1,300 crore is there any portion which comes out from O&M?

**Manoj Digga:** Very limited.

**Smit Doshi:** And what is the difference of margin profile between O&M and EPC in our business?

**Manoj Digga:** In our business, we take the margin in the EPC business itself. The O&M is the requirement which we have to keep, but the main margin is in the EPC business.

**Smit Doshi:** That I understand, but what is it in percentage terms let us say for example for Rs. 100 of EPC project, there is Rs. 10 of margin in EPC and for recurring O&M there would be a Rs. 15 or Rs. 17of margin of that additional business, so that type of question I am asking, so can you clarify then that would be very helpful for us?

**Manoj Digga:** It will be almost the same level like EPC business and O&M may always be the same level of 20% to 25% margin. 15% to 25% margin you can take on the O&M.

**Smit Doshi:** So in our past history we have seen that general EBITDA margin of your business is around 8% to 11% and here we are targeting of 15% to 20%, so what is the major difference that we are doing from this year onwards?

**Manoj Digga:** There are 2-3 factors, one, you are seeing the EBITDA margin with the legacy of the project which as I told you will be completed in this financial year and next financial year. Next new business, what we are taking, we are very choosy and we will try to take only the boutique project. So there our target is 15% to 20%, so whatever the new business we will take, we will generate the EBITDA of 15%-20% that is our target because this is our internal target we have set up for taking the new project.

**Smit Doshi:** So if you are willing to then can you please elaborate about the competition side for that boutique project? How many players are there in that type of profile or if you name 1 or 2 or few then we can compare and get better idea about all these things?

**Manoj Digga:** If you see the L&T is there, Wabag is there, NCC is there, Megha is there, there are few player only, so if I take the business of say Rs. 600 crore and above, there are very limited player or competitor, so these 4-5 players will be the competitor.

**Smit Doshi:** And with regards to one accounting entry that for if we pay in 8 years then the debt would be of Rs. 700 crore and if we pay in 10 years then that debt would be of Rs. 967 crore. So for that difference of Rs. 267 crore, we have done a deferred income provision. So is there any logic behind this because that is non-cash item and that would only inflate our networth, so there is no actual outflow or something it is just the option that we have opted for. So for that option we are recognizing the income, so I am not able to understand why we are doing this, but if you can put some color on that, that would be very helpful?

**Manoj Digga:** Good question. Basically, if you see the IDRCL which is the NARCL attorney, they have done the restructuring and they have given us 2 options, Rs. 700 crore and Rs. 967 crore with our

Rs. 223 crore paid Rs. 75 crore in hand Rs. 40 crore identified assets there is a clear visibility and the Arunachal Supreme Court award, which is at the highest level. We have the clear visibility of making the payment of Rs. 700 crore in 8 years and there is no logic, basically 8 years and 10 years there is a difference of Rs. 267 crore. Any shortfall, even if that happened for any say we can borrow and we can make the payment. So in all fairness, we will pay to NARCL in 7 years, but this Rs. 267 crore deferred income what we have created, we are not putting to the to the PL account or of the current financial year. We are not taking into the net worth into the current financial year. We are also dividing this into the next 8 years based on the certain percentage and which is clearly as per the Ind AS requirement as per Ind AS formula, when there is a certainty and when we have the 2 option you can book the deferred income and that can be split. I can book the entire deferred income into this year profitability also, but purposely as a conservative accountant, we have been deferring this deferred income for the next 8 years before that, we will make the payment to the NARCL.

**SmitDoshi:** So as per your answer, what I understand is that is Ind AS permitting this type of transaction because it is completely non-cash transaction. It is like that we are prepaying the loan and not paying any interest for let us say for example if we are paying in 8 years and if we are paying in 10 years then there would be a loss of interest in case of NARCL if they will charge the interest, so that is the difference that we are getting as a benefit and we are marking that benefit which is not actually a cash outflow, which is not being paid by us and we are marking that income and that would inflate our balance sheet probably in net worth side and that will help in bidding better projects might be that is the vision that management is taking if I am not wrong can you please correct me on that side?

**Manoj Digga:** No, this is not the correct situation. Number one, NARCL whether we take a Rs. 967 crore or Rs. 700 crore, they are not charging any interest. So irrespective whether I consider Rs. 967 crore or Rs. 700 crore, NARCL is charging no interest from us as per the restructuring agreement. Number two, if that was the intention, I could have taken this the entire income into this current year and increased my net worth accordingly, but we have not because it is a conservative accounting, and it is as per the Ind AS requirement. Since the 8 years we will spread because of the certainty which will keep on coming on the payment of Rs. 700 crore, the formula has been derived as per the requirement of Ind AS to spread this into the 8 years and take the profitability and net worth into that year not now. So by doing this technically I am losing because if I increase this net worth now, my bidding capacity will further increase, but we are going with the law, which is permissible to spread this into the 8 years and those years will be incorporated into our net worth.

**Moderator:** Thank you. The next question is from the line of Samarth Singh from TPF Capital. Please go ahead.

**Samarth Singh:** At the end of the year what is our debt on the balance sheet? I think you mentioned Rs. 550 crore, is that right?

**Manoj Digga:** The total debt which is in our book which is reflecting as per the NPV value is Rs. 511 crore and this Rs. 267 crore is reflecting as a deferred income, so in the book if you see the debt it is Rs. 511 crore.

**Samarth Singh:** So we have taken the NPV of the Rs. 7 crore and that comes out?

**Manoj Digga:** This is again Ind AS requirement.

**Samarth Singh:** Is there any other promoter debt only on the balance sheet or this is the only debt on the balance sheet as of now?

**ManojDigga:** Very limited amount with the promoter because at the time of our earlier lenders business, they have put some covenant of the promoter debt to be there because they have told us to infuse certain amount in the subordinate debt. So that debt is roughly around Rs. 35 crore is there in our book, rest is the NARCL loan.

**Samarth Singh:** Totally Rs. 540 crore- Rs. 550 crore total debt as of 31st March and then you have made some payments post that as well, right?

**Manoj Digga:** Right.

**Samarth Singh:** How much did you say you given to?

**Manoj Digga:** We have paid Rs. 223 crore, no after that we have paid Rs. 189 crore because Rs. 35 crore we have already paid into the last year and after that we have paid Rs. 189 crore and Rs. 40 crore further will be paid into this current year.

**Samarth Singh:** And this Rs. 189 crore came from the cash on the balance sheet or from arbitration or award we received posts?

**Manoj Digga:** If you see the last year we have received Rs. 201 crore from Vivad se Vishwas if you see our balance sheet, there is a Rs. 206 crore reflecting cash and bank balance that comprises of the Rs. 201 crore from the Vivad se Vishwas, so that money has gone for the payment to the lenders.

**Samarth Singh:** And in total for this restructuring including the additional equity that was to be issued between NARCL and the promoters, what is the total additional shares that will be issued?

**Manoj Digga:** We have given 75 lakh shares to NARCL that we have to give. We have given basically to the promoters, in the restructuring the total share we have given 1 crore share out of which 75 lakh we have given to NARCL balance to the promoter and promoter group.

**Samarth Singh:** This issuance has already happened as of 31st March?

**Manoj Digga:** Issuance has already happened.

**Samarth Singh:** And there were some additional warrants as well, right about Rs. 70 lakh warrants?

**Manoj Digga:** Basically the promoter has infused further warrant of Rs. 50 crore by way of warrant out of which 25% we have paid balance we will pay into 18 months.

**Samarth Singh:** And this has happened before the end of the year, right? Or it has happened after?

**Manoj Digga:** This has happened along with the allotment to NARCL.

**Moderator:** Thank you. The next question is from the line of Dhruv Mukesh from Smart Sync Investment. Please go ahead.

**Dhruv Mukesh:** We have faced difficulties in receiving money from this government leading to a struggling for arbitration payment claims, so how is the current scenario in terms of receivable cycles from the government? And how are we seeing the payment cycle?

**Manoj Digga:** Good question. That is our target that unless there is a fully funded project, we are not going to take the business and in any case the liquidity in the various government has improved substantially and now forward when it is a fully funded project and when it is funded by the World Bank etc., then the control mechanism and the fund availability will never become the issue. So then it is like a term-loan when you send the bill, the bank disburse the same, the same way once the funded project will be there, we raise the RA bill, we will get the payment immediately. So that is our targeted and we will only select those project and if it is a fully funded project then there will not be any problem into the payment. In any case, the payment system has improved a lot because every PSED, etc., there is a thrust of the government for improvement of the water sector, so they have released the fund. All the state, all the center has released the fund to their PSD, etc., so payment in any case has improved, but our target to take care of this, we have decided internally, that we will not take the project if it is not fully funded.

**Dhruv Mukesh:** I just wanted to ask for some clarity that we have currently issued around 1 crore shares for this restructuring exercise and 70 lakh warrants to our promoters, right? And, sir we don't plan any further equity dilution as such going forward because the majority of our claims will be made through arbitration?

**Manoj Digga:** The movement is not required because we have tied up Rs. 150 crore to Rs. 170 crore, so at the moment we don't require.

**Moderator:** Thank you. The next question is from the line of Rishi Kothari from PI Square Investment. Please go ahead.

**Rishi Kothari:** In terms of the business which we are into right now the kind of segment that we are currently focusing are the government projects, right if I am not wrong?

**Manoj Digga:** This water is mainly government, no private are coming into the water, so all the water projects are the government projects. And in the water if you see there are 3 segments, one is the bulk water which is constituted from river to the reservoir, second is reservoir to every tap, third is from the tap to the sewerage and again to the river. Our target area will be the bulk which is the river to the reservoir.

**Moderator:** Thank you. The next question is from the line of Smit Doshi from Wise Capital. Please go ahead.

**Smit Doshi:** Sir, I just want to ask with regards to that, we are seeing that Rs. 1 lakh to Rs. 1.5 lakh crore is the expenditure which government is doing yearly basis, but we are focusing on the boutique projects and large projects, so what is the exact targetable market for us out of that budget?

**Manoj Digga:** I can't tell you exactly, but if you see around 50% is on that category and 50% is the below category. So if it is a Rs. 1 lakh crore or Rs. 1,50,000 crore business roughly around Rs. 50,000 crore to Rs. 75,000 crore business will be the business which we will target. In any case even if it is small and if it is profitable and fully funded, and is executed in a timely manner, we are not averse to take that project, we will take that project also. But our target because the competition level on the higher amount of project will be very limited, so that is our target area. But even if it is a very technical project where there are very limited player to execute because we have our expertise and technical team of last 43 years, so if those type of projects are coming and even if it is a lower value and it is giving the good margin and if it is a fully funded project and meeting our criteria to be executed in 2 to 3 years, we will be happy to take that project.

**Smit Doshi:** And you have named few of your competitors and they are boasting their patent and technologies and like that thing, so for example, Wabag has 125 plus patents and their cost saving measures are good. So what type of the USP is we enjoying that make us a formidable player in the market? So that is the qualitative aspect that I want to understand from your side going ahead?

**Manoj Digga:** Good question. If you see in 40 plus years there are only 2 companies we and L&T and more so we are only focused into water. We have developed our expertise our knowledge, our technology all into the water from the beginning and that is our USP. So, on the water we are having a very good expertise, technical knowledge and human resources which are the necessary requirements for execution of any project. Number 2, from the beginning we are very focused on technology. If you see we are one of the earlier companies who of our size who has used SAP HANA which are the highest version of the accounting and control software. We have Darwinbox, we have Range, we have all the technology, which is not only reducing our manpower, improving our efficiency, but it also has the better control on the document, on the paper, on the process and on the flow of the business and on the flow of the project execution, so that is our second strength. Our third strength is our fund monitoring. Like if you see I am sure very limited company in the EPC front, they do all the project into Escrow mechanism like at the moment, all 12-13 active projects are maintained through the Escrow mechanism, means one project it is controlled all the funding in coming into that project. All the expenditure is going into that project and we maintain the Escrow arrangement in such a way that the contractors and supplier of that project don't require any LC, they don't require any BG, they keep on supplying, they are taking the call on to the customer and then they there will not be any working capital requirement into that, that is our third USP. Fourth USP because of our credential, because our 50 years of playing role, our qualification is almost in every project, every area, every size of project, every size of O&M. Like if the government pays Rs. 1 lakh very limited company even if you go you barring L&T, even if you go to other companies there may not be that they will be qualified for 101 lakh crore or 1,50,000 crore in almost all. We are doing because we have the 43 years of track record. We have the execution track record we have set up the plan. Like in the river, if you see the Gujarat River linking that SAUNI 1, 2, 3 in all we are from the beginning because very limited players are there. So that PQ is our additional qualification which we are having, which is giving us the edge against various other competitors? In the type of project which we can bid, that gives us the advantage for choosing the boutique business, which we will require to take for growth and for our future profitability. Fifth, since we don't have to pay any liability to the lenders for the repayments. We can afford to take the limited project, selected projects and we can afford to do the business with our terms and our credential and our profitability, otherwise they will be pressured for the payment of interest, payment for the repayment and then people use to take the project and then some diversion here and there. In our case it is not possible because we don't have any compulsion of that.

**Moderator:** Thank you. The next question is from the line of Tej Patel from Niveshaay. Please go ahead.

**Tej Patel:** Since you shared we have not been recognizing interest on our loan since November 2019 and we haven't paid also an interest to our bank borrowings then what are those Rs. 50 odd crore cash outflows for the interest paid? Are those on the promoter or related party loans?

**Manoj Digga:** If you see, even if you don't pay, if you are continuing with the bank, you have to pay the cut back that is the compulsion. If in the restructuring, if you do the last 2 years or 3 years, we are not paying, but we have to pay certain amount to the lenders as a cut back, so that amount goes as the repayment to the lender.

**Tej Patel:** So you mean you probably have to pay Rs. 50 odd crore every year till you repay those loans, right?

**Manoj Digga:** Not now. It was earlier. Now there is only sole banker, it is NARCL. NARCL has signed, executed the MRA where they have clearly said that you have to pay Rs. 700 crore and Rs. 967 crore nothing else. And they have clearly told that it is linked with the arbitration. So I don't have to pay any interest. I don't have to pay any amount from the cash flow barring Rs. 1 crore or Rs. 2 crore every year that is hardly matter.

**Tej Patel:** And sir, correct me if I am wrong you said from next year on the P&L we would see 0 interests on the existing loans on bank borrowing as well as the related party, right?

**Manoj Digga:** No, there will be some not the interest, but there is a bank charges etc., for the LC charges which we have to pay and then second there will be some impact because it is as per the Ind AS requirement. When you do the NPV calculation of this like this Rs. 700 crore loan converted into Rs. 511 crore into the current financial year this will keep on adding up to the Rs. 700 crore in next 8 years. So there will be some amount of Ind AS adjustment which we have to take the charge into accounts every year as per the Ind AS calculations.

**Tej Patel:** Now, sir I get it. You said you have the ability to take in more orders probably you said Rs. 2,000 odd crore orders you probably would have an inflow in next 2 years, but sir, given that you already have an existing Rs. 1,300 odd crore of order book and probably you say let us say you plan to take more orders, but then do we have enough like, how would we able to manage executing those projects then we would also have to take more loans, more short term loans. How would you be able to manage those cash flows bearing you have to pay NARCL approximately Rs. 8 crore to Rs. 9 crore every year, so I wanted more idea on how would you manage your cash flows vis-à-vis the project execution which you will undertake?

**Manoj Digga:** There are 2 things, one we don't have to pay even Rs. 9 crore, we don't have to pay anything into from the cash flow, maybe Rs. 1 crore every year we have to pay from the cash flow to the NARCL. Number two, this is where we have the visibility of the liquidity of roughly around Rs. 150 crore to Rs. 170 crore by Vivad se Vishwas money, by infusion at the time of resolution with NARCL which we have brought as per the restructuring plan, the promoter additional infusion of Rs. 50 crore of warrant and the sale of some assets. So we will have the visibility of Rs. 150 crore to Rs.170 crore that visibility on the cash we have. Third we will do the business only on the Escrow mechanism. When we do the Escrow mechanism we do the tie up with the suppliers and the contractor, big contractors that the money will come from the customer and will be distributed automatically by the lenders to those suppliers and contractors. In that case we don't require the working capital requirement that will bring us together. We can take the business even Rs. 4,000 crore, Rs. 5,000 crore, but our internal target to take only boutique business where we have the margin of 15% to 20% and funded project easily executable reasonable time executable and fully detailed project report is completed. We will not go to the horse race of taking every project because we don't have that much requirement to have the cash flow or to the payment of the interest to the payment of the lenders etc., we don't have that requirement.

**Tej Patel:** Sir, you said this Rs. 1,300 odd crore would be completed in the next 2 years, but can you put like how much in terms of percentage would be completed let us say in FY25 and then the rest would be in FY26?

**Manoj Digga:** This we will tell you, but you can take 50:50 that is the only benchmark.

**Tej Patel:** And apart from this Rs. 1300 crore you are probably targeting an order inflow of Rs. 1,000 crore to Rs. 1,500 odd crore, right?

**Manoj Digga:** Definitely, we will target to Rs. 2,000 crore. That is our target.

**Moderator:** Thank you. Ladies and gentlemen, due to time constraints, that was the last question for today's conference call. I now hand the conference over to Mr. Manoj Digga for closing comments.

**Manoj Digga:** Thank you. Thank you very much all of you. As a Director; commercial and CFO of SPML Infra, I want to express my sincere appreciation to you all for participating in today's earning call. Your active engagement and significant questions are invaluable to us driving our commitment to transparency and accountability. As I told you, we have implemented modern technology to our operation and project management. We are very focused approach to the stakeholders including employees, stakeholders and lenders and always embracing industries best practice, so that remain fully complied with. We thank you once again. If anybody have any specific query, any specific requirement you are always free to talk to me and we will try to give our explanation. Adfactors is our IR agency you can get in touch with Adfactors also whenever you require to get any further clarification. 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. Thank you.