

Delhi Jal Board focuses on its finances

Soaring debts, a billing fiasco and non-functioning meters have plagued the Delhi Jal Board in recent years. CEO Debashree Mukherjee spoke to GWI about her bid to overhaul the utility's performance.

Debt-laden Indian utility Delhi Jal Board (DJB) has successfully weaned itself off operational subsidies from local government, and is actively tackling its debt mountain as it moves towards a more sustainable business model.

Since Debashree Mukherjee took over the reins just over a year ago, the utility has passed some important milestones. In 2012, the Board started to reduce its debt pile, which stands at INR350 billion (\$5.6 billion) today – most of which is owed to the local government – and transferred control of operations and management in three zones of the city to private companies under performance-based contracts.

The improvement in financial performance is the fruit of the utility's efforts to raise revenue through improving collection rates, adding new customers and improving metering, according to Mukherjee. DJB has been tackling this from several angles.

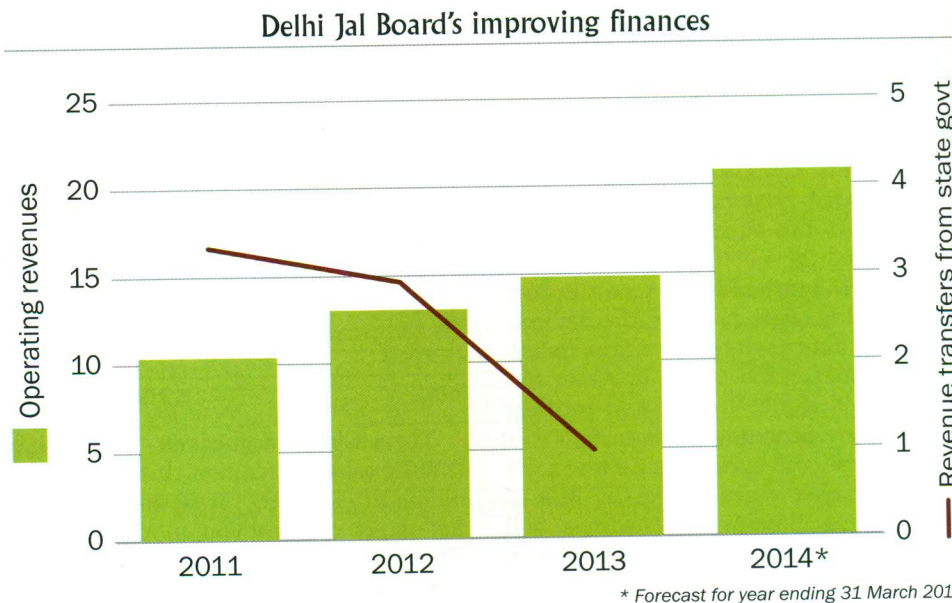
The first initiative to get underway was a revenue management system. At the end of 2010, DJB awarded a 5-year INR530 million (\$8.5 million) contract to local firm Tata Consulting to design, implement and run a digitised metering, billing and bill collection system, and to build a centralised information database from the records of 90 zone-level offices across the city.

"The system includes a location database of customers which DJB can compare against electricity supply accounts, so we can extend our revenue base," explained Mukherjee. "The system also allows us to identify areas in which billed consumption is much lower than average, where we can focus NRW reduction efforts."

Despite difficulties, including a billing fiasco in 2012 in which the utility reportedly received hundreds of complaints about inaccurate and inflated bills, the project has delivered real benefits for the utility's financial performance. "DJB is one of the only water utilities in India covering its O&M costs," claims Mukherjee.

DJB is now in the process of introducing hand-held metering devices and on-the-spot billing to reduce the revenue cycle. "We introduced our first pilot of this kind in early September in five zones of the city," she told us.

Extending metering is a key element in the Board's management strategy. "At the moment, only 55% of meters in Delhi are functioning. We are targeting 80% by



2015. In order to achieve this, we are in the process of installing 400,000 new meters and the procurement of a second batch is underway," explains Mukherjee.

The impact of the three public-private partnership contracts will take longer to feed through into operational and financial performance. "The three PPPs are going ahead well," comments Mukherjee. "The most advanced is the Vasant Vihar-Mehrauli project – where construction is ongoing – while Veolia has just taken over the management of the Nangloi service area. Inevitably there have been some issues in coordinating the EPC and O&M work, but we are working constantly with the companies to iron these out," she explains.

The Vasant Vihar contract is being implemented by an SPML Infrastructure-led consortium, while the third PPP covering Malviya Nagar was awarded to a consortium led by Suez Environnement.

It is too early to say whether the PPP structure will be replicated in other parts of Delhi, and the utility's leadership is wary of bringing up this sensitive issue as an election draws near. "I am going to let these three projects succeed and speak for themselves," maintains Mukherjee.

In total, DJB has 1.6 million customer accounts – including bulk connections – and coverage of about 82% of the city's 22 million residents. Mukherjee recognises that more needs to be done on this front, and funding is expected to come in from government sources for this purpose.

Although DJB is heavily indebted, this does not seem to be imposing a major constraint on the utility's ability to raise finance and implement capital works. DJB plans to invest INR40 billion (\$646 million) in the year ending 31 March 2014 in treatment and distribution assets – a 15% increase on the previous fiscal year.

Over the last twelve months, the organisation has taken on a new loan from the local government and a JPY29 billion (\$298 million) loan from Japanese aid agency JICA. The JICA funding will be allocated to works including the reconstruction and replacement of water supply facilities and the introduction of a SCADA system. Procurement is expected to start in May next year, according to JICA.

At the same time, DJB is in discussions with the Delhi government on how to reduce the utility's debt further. "The government is willing to write off some of this debt," Mukherjee explains. "We are negotiating how to transform part of the debt into a grant."

Mukherjee belongs to the Indian Administrative Service, the country's civil service elite, but knows the water sector much better than most, with an MSc in water and environmental management from Loughborough University under her belt. This is just the sort of combination that is needed for an Indian utility leader who must operate in the corridors of government, while taking charge of the city's pipes and pumps.