

India water, wastewater market seen growing; but pain points remain

Girish Chadha & M Puja : September 23, 2013, 12:17 pm



New Delhi: Growing urbanisation and industrialisation, coupled with over-exploitation of water resources in India is expected to push growth in the water and wastewater management market in the years to come, but industry participants are worried that existing poor infrastructure and pricing mechanisms may cause pain going ahead.

With steady population growth too, demand for water and wastewater management services is seen rising as the need for creating a strong and sustainable water and wastewater infrastructure becomes more apparent.

Across cities, water supply is becoming a daunting challenge for local water utilities even as pollution of available water sources goes on unabated. Industry experts see this both as a challenge for policy makers and an opportunity for private industry players.

"There is a growing realisation that supply of clean water and effective treatment of wastewater generated across India are crucial for sustainable development in the country. At the same time, the past few years have seen a steady growth in technologies for water treatment, reuse and recycling. So, there is both a demand and available technology and expertise available", said an industry expert.

Several reports too have predicted that the Indian water and wastewater management market is at growth phase and will reflect high growth rates for the next several years.

Earlier this year, a Frost & Sullivan report said the industrial sector was expected to drive future growth in the Indian water and wastewater treatment market over the next five years, with sectors like power, food and beverage, pharmaceuticals, likely to drive equipment sales.

Interestingly, the report saw municipal sector trailing the industrial sector in growth. Treatment of water and wastewater is only one part of the overall water and wastewater management, with removal and reuse/disposal of wastewater being other major components.

Experts are of the opinion that the municipal and government sector would remain a key customer like industrial sector in coming years as several initiatives are being taken up by states to ensure efficient

water governance. Some states are actively looking at ensuring their future water supply by treating and reusing wastewater, besides moving away from groundwater exploitation.

But, several pain points, with water pricing being at the top, remain, which industry participants say are affecting growth in this market. Water remains a politically motivated subject in India and public utilities are bleeding across the country in the wake of poor user charges and equally poor collection.

"Some utility bodies have taken initiatives to streamline the process and ensure efficient governance in water distribution and management, which has encouraged private participation through various PPP project in water supply and sanitation services", said SPML Infra Limited Executive Director Rishabh Sethi.

According to Sethi, a Central-level water regulatory body with state units is essential to effectively managing capital, life cycle costs and regulatory requirements.

"It is also required that ULBs should have binding guidelines on usage and wastage of water and proper mechanism in place for loss monitoring and reduction in NRW".

VA Tech Wabag Executive Director (Corporate Strategy) Amit Sengupta said the major problem today is water availability of acceptable quality and quantity.

"Water price is not a major factor for most of the industries influencing the product price. Management of water is another issue. Industries should not be supplied all fresh water. They must first recycle their own wastewater and then use treated municipal wastewater to further treat it for their industry. Only the makeup water may be the fresh water supplied by the government. Water pricing is not a speed breaker till now but water management and availability is", said Sengupta.

In the past several years, both the Central and state governments have been encouraging private participation through various incentives and exemptions. At the same time, water and wastewater regulations are being made stringent.

Industry participants, however, agree that further private investment in municipal public water supply and treatment would become an issue if several anomalies are not removed.

"Most municipalities have poor record of generating revenue through billing for water and sewage disposal. So the collection will not justify the return on investment by any private investor. Municipalities themselves are not in good financial health, public is not accustomed to pay for water. Such a scenario is not good to incentivise the private investor to come forward", felt Sengupta.

Despite the Government devoting substantial resources to water supply and sanitation sector, the market-based approach in privatisation of urban water is yet to be adopted completely.

"Strong political support, transparent policies and regulations, adequate financial support and immediate solutions for weaknesses are required to encourage the private participation in water and wastewater sector. Also the private sector has to develop its capacities in order to fully meet the challenge in investing in large numbers of project", added Sethi.