



# ‘Infrastructure has immense opportunities for growth’

SPML Infra Ltd, which focuses PPP as well as BOT projects for water and wastewater management, is the only infrastructure company of India that features in World’s Top 50 Private Water and Wastewater Companies. In an email conversation, **Rishabh Sethi**, Executive Director, SPML Infra Ltd, talks about the importance of PPP and BOT projects and what are the typical risks that a developer needs to contend with.

Given that India is on the cusp of massive infrastructure upgrade, how do you rate opportunities for contracts to groom into developers?

There has been a growing emphasis on infrastructure development in the new regime with a number of programmes and projects being initiated. The ambitious 100 smart city development programme, the AMRUT scheme for redevelopment, the Swachh Bharat Abhiyan for clean, affordable sanitation facilities, National Mission for Clean Ganga (NMCG) along with determined plan to make the policy favourable and ease of doing business with a number of reforms undertaken and planned for future are the steps taken by the government in the right direction. The infrastructure development sector in India has immense opportunities for growth and development for companies dealing in these sectors.

The overall impression is that India hasn’t tasted much success in the PPP philosophy. Instances of failed PPP projects can be found across all sectors. What is your view?



Hubli Dharwad WTP

The infrastructure sector in India has evolved from purely government-funded projects to newer business models involving partial or complete ownership of the private sector. The last few years have witnessed increased investments in infrastructure sector, a transformation in the business models with more proactive participation from private sector in the form of PPP projects.

The experience with PPP projects in India — both network concessions and standalone BOT plants — has been very mixed. Many agreements have either been cancelled or substantially renegotiated. The social and political sensitivity of the sector, especially tariff reform, has created problems for many projects.

In a general sense, what are the typical risks that a developer needs to contend with? What are the typical bureaucracy-related problems that developers face in PPP projects?



68 MLD Water treatment Plant, Hubli Dharwad, Karnataka



Decentralised Sewage Treatment Plant, Mira Bhayander

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Honsur Overhead Water Reservoir

Not all projects have the same set of risks and the risks that are common will vary in importance from one project to another, even in the same sector. However, it is possible to identify a set of risks that generally apply to projects across the sector. These risks include delays in land acquisition, financing risks, planning risks, design risk, construction risk, approvals risk, operations and maintenance risk, and lack of connectivity. Sometime the adequate and timely connectivity to the project site is not available which impacts the commencement of construction and overall pace of development of the project.

Some projects are more politically challenging to implement than others, particularly if there is an already existing government workforce that fears being transferred to the private sector, if significant tariff increases are required to make the project viable, if there are significant land or resettlement issues, if government will not fulfil its contractual obligations and the private developer is not able to enforce those obligations or recover some form of compensation or remedy from the government and so forth. Most infrastructure projects in India suffer from delays in completion due to inadequate regulatory framework and delays in approval process.

**The centre is seen to be fine-tuning its policies to encourage private sector participation, especially in areas like national highways, ultra mega power projects etc. What key policy changes would you recommend to safeguard the interest of developers?**

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

These steps if implemented in letter and spirit will help the developers to safeguard their interests:

- Sequential clearances at various levels of government, especially land and environmental related matters need urgent attention and close coordination among all levels of government and appropriate

delegation for quick decision making

- Revision of total project cost to regain investor's confidence, there is a need to revise TPC when the project cost escalates, if the project cost is not revised then the investor should be entitled to recover his dues
- Proper dispute resolution mechanism between private players and government agencies
- Appropriate structuring of the projects, particularly of demarcation of risks and rewards between government and private sector
- Adoption of innovative technologies, strategies, global best practices and newer business models etc.

**Water and waste management has been amongst SPML's core areas. Water and waste management, as we appreciate, has largely been a neglected area with very few episodes of PPP projects. What is your reading of the situation?**

SPML is one of the largest and the only infrastructure company of India that features in World's Top 50 Private Water and Wastewater Companies. Our three and half decades of experience in executing 600 turnkey projects in water, wastewater, power and sanitation sectors helped us create significant value for our country and touching the lives of millions of people with the provision of drinking water facilities, improved sewerage network, better municipal waste management, building roads and highways and lighting up homes.

Despite the government devoting substantial resources to water supply and sanitation sector, the market-based approach in privatization of urban water and waste management are yet to be adopted completely. A number of projects initiated on PPP mode in waste management has suffered losses and been discontinued due to lack of funds. A few water projects on PPP mode also suffered the same.

**Going ahead, which yet-unexplored areas would you like to tap as a developer (PPP, BOT, etc)?**

The supply of clean drinking water and effective treatment of wastewater and municipal solid waste 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, waste water treatment and reuse and treatment of solid waste to create resources. Having the expertise in these segments, SPML would like to pursue projects both PPP and BOT mode for water and wastewater management. But for PPPs to be relevant, we must identify ways to build on their strengths and focus on the feasible projects. The most critical is the government financial resources that can make a project viable. SPML is also focusing on smart city development projects, and our first smart city project, "Vikram Udyogouri" is part of Delhi Mumbai Industrial Corridor (DMIC) being developed in Madhya Pradesh.