

BALLAST WATER MARKET SETS SAIL

BALLAST WATER TREATMENT TECHNOLOGIES ARE SET FOR A BOOMING FEW YEARS - WHO WILL PREVAIL?

SELLING SAUDI WASTEWATER BY THE POUND

NATIONAL WATER COMPANY CEO ABDULRAHMAN AL-IBRAHIM TALKS CUSTOMER SERVICE AND REFORM

A PASSAGE TO INDIA FOR THE DESAL BUSINESS

GW*i* ASKS WHERE NEXT FOR ONE OF THE WORLD'S FASTEST GROWING DESALINATION MARKETS



MUNICIPAL WATER IN INDIA

Indian water pure-play seeking strategic partner to boost sales to \$100m per year

Rean Water Tech, a young municipal water pure-play set up by former managers of Swach Environment, is looking for a strategic partner to achieve its dream of reaching \$100 million in annual revenues within five years. MD Hitesh Arora spoke to GWI about his plans.

Rean Water Tech, a two-year-old Indian infrastructure operator focused on municipal water and wastewater treatment projects, is looking to offload a significant minority stake to an international partner to fund its next stage of growth.

The company, which expects to record INR1 billion (\$15 million) of revenue in the year ending 31 March 2017, was formed when two directors of project developer Swach Environment (part of SREI) jumped ship in 2014. To date, Rean has been funded by industrial engineer and real estate developer Shrachi, Rean managing director and former Swach CEO Hitesh Arora told GWI.

“Shrachi had 51% until late in this financial year, and now I have 100% along with my partner [former SREI CIO Anjan Mitra],” Arora explained. “When we started the company, we needed a strong balance sheet and background, so we partnered with them and got a couple of significant projects in water supply. Within two years we were able to build our own financial and technical capability, and now on our own we are able to bid and have got a couple more projects. We decided that we will not bid anything that is less than \$10 million unless it is strategically important.”

Rean’s success in securing long-term operations contracts in the municipal water

space (*see table below*) means that there is significant earnings visibility for a potential investor going forward. However, an equity injection is needed soon if Arora is to meet his stated objective of \$100 million of revenue in 2021-22.

“This order book shows that we are the fastest growing water company in India,” asserts Arora, adding that while “all the infrastructure companies do water projects, if you look at pure-play water companies [in India] there are very few that are focussing on municipal water business.” While Rean has historically remained asset-light, Arora acknowledges that private sector investment in the water sector remains a hotly discussed topic in India.

“The government is trying to bring in investment, but there’s a big question mark over whether Indian companies will invest. Everybody has burned their fingers on roads or other PPP projects,” Arora explained. Despite government support for PPP projects, banks largely remain unwilling to fund such projects, he added.

The difficulty of raising debt in India is one of the reasons why Arora would prefer a foreign partner. “Interest rates are very high in India, until I have an international investor who will bring in cheap money, I will not be able to be competitive in those bids,” he told us. Interest from private equi-

ty investors or strategic players looking for a growth platform in India would be entertained.

For the immediate future, however, Arora is clear on his project strategy. “We never wanted to get into the industrial sector in India because [it] was almost halted in the last couple of years – there were no new power or chemical industry or metallurgical industry projects.”

Managing distribution and household service connections is key to Rean’s business model, and the company is implementing complete automation and AMR systems in some cases. Arora prefers, however, to limit responsibility to “billing, and not the collection of payment”.

He highlighted Madhya Pradesh and Rajasthan as priority states in which to pursue contracts, while Chhattisgarh, Gujarat, Delhi, Orissa and Bihar are promising.

Crucially, Arora is keen to avoid politically unstable states where changes of government could impact the business. During Arora’s tenure at Swach Environment, the company’s flagship water PPP in Delhi ran into protracted delays as a result of political instability, although Arora was keen to emphasise the distinction between Swach’s mandate to invest in – and in time exit from – water assets, and the goal of Rean to engineer and operate water projects. ■

0 TO 760,000 IN TWO YEARS: REAN’S GROWTH STORY SO FAR

Rean Water Tech secured five major contracts between 2014 and 2016. With the help of a strategic investor, the company intends to generate turnover of \$100 million per year by 2022.

Location	Scope	Population served	Contract type	Contractor/s	Funding agency	Value (incl. O&M)
Balaghat, Madhya Pradesh	15,000m ³ /d rural water supply for 90 villages	150,000	10-year DBO	BTL EPC Ltd. (Shrachi) and Rean Water Tech	National Bank for Agricultural and Rural Development (NABAD)	\$33 million
Guna, Madhya Pradesh	Brownfield urban distribution system	300,000	5-year O&M	Rean Water Tech, subcontracting for BTL EPC Ltd. (Shrachi)	AMRUT	\$5 million
Neemuch, Madhya Pradesh	Brownfield urban distribution system	200,000	5-year O&M	Rean Water Tech, subcontracting for BTL EPC Ltd. (Shrachi)	AMRUT	\$3.5 million
Khajuraho, Madhya Pradesh	10,000m ³ /d urban water supply	50,000	10-year DBO	Rean Water Tech	ADB	\$10.5 million
Khargone, Madhya Pradesh	8,500m ³ /d urban water supply; four small WTPs	60,000	10-year DBO	Rean Water Tech	ADB	\$14 million

Source: Rean Water Tech