



TECHNO ECONOMIC VIABILITY STUDY REPORT

January 2023

**NANGLOI WATER SERVICES PVT.
LTD**

BOI Merchant Bankers Ltd.

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EXECUTIVE SUMMARY

Name of the Company	Nangloi Water Services Pvt. Ltd. (NWSPL)
Constitution	Private Limited Company (unlisted)
Date of Incorporation	4 th February 2013
Industry	Infrastructure/Water Distribution
Registered office	Nangloi Water Treatment Plant, Kamruddin Nagar, Nangloi, New Delhi – 110041
Activity	Drinking Water supply project in command area of Nangloi WTP (Water Treatment Plant)
Promoters/Directors/Key persons	<p><u>Promoters:</u></p> <ul style="list-style-type: none"> • Veolia Water India Private Limited (51%) • Swach Environment Private Limited (49%) <p><u>Directors/Key persons:</u></p> <p>Mr Sangandahalli Venkata Krishna Babu, Director Mr Sourav Daspatnaik, Director Ms Lucie Teague, Director Mr Ajay Pradhan, Director Mr Neeraj Narang, CEO Mr Shantanu Mitra, CFO</p>
Brief details of the project	<p>NWSPL is a Special Purpose Vehicle (SPV) promoted by Veolia Water India Private Limited and Swach Environment Private Limited. SPV has been awarded a 15 year contract on a Public Private Partnership (PPP) model for uninterrupted water supply system in Nangloi area in New Delhi from Delhi Jal Board (DJB). Concession Agreement was executed on 28.03.2013 between Delhi Jal Board and Nangloi Water Services Private Limited. The project scope of work covers rehabilitation and expansion of the water supply system, transmission, and distribution network under the command area of Nangloi Water Treatment Plant.</p>

Project Location	<p>Project includes following facilities at respective locations mentioned:</p> <ul style="list-style-type: none"> • WTP at Nangloi • Mundka UGR (New Construction) (UGR stands for Underground Reservoir) • Najafgarh – B UGR (New Construction) • Rehabilitation of existing UGR- Najafgarh – A • Rehabilitation of existing UGR - Mohan Garden
Estimated project cost	<p>The project works cost at time of financial closure in 2013 was estimated to be at Rs. 664.50 Crore. Out of the total project cost, Rs. 459.00 crore was estimated against the water work construction cost. Now the Company has informed that the Project works cost has been revised by DJB to Rs. 429.00 Crore</p>
Means of Finance	<p>Means of finance at the time of financial closure was estimated as under:</p> <p>Promoter's Contribution: Rs. 61.5 Crore</p> <p>Grant from DJB: Rs. 321.3 Crore (70% of water work cost)##</p> <p>Reimbursement of escalation cost: Rs. 97.4 Cr</p> <p>TL – 184.4 Crore</p> <p>## - Since the Project works cost has been revised, the estimated Grant from DJB based on revised cost is Rs. 299.43 crore</p>
Present status	<p>Nangloi WTP is operational and water is being supplied at present to around 2, 50,000 no. of household connections. Major process related works are nearing completion and significant amount of the capex remaining is towards the rehabilitation of water distribution network. At the time of inspection civil construction works were banned temporarily throughout Delhi by the</p>

	<p>Government of Delhi and hence no works were in progress. Project has been delayed due to several reasons due to which Company has expressed their inability to service the debt obligation. Hence, Company has proposed for restructuring of debt facilities.</p>
Techno-Economic Viability	<p>The project is technically feasible. The Company has started generating revenue and most of the project facilities are operational.</p> <p>Based on the revised profitability projection, the average DSCR is 1.04 with a minimum DSCR of 1.00 in FY 2026-27. Company will be able to repay the sustainable debt portion of 53% (Amount Rs. 91.83 Crore) covering debt obligation of the existing consortium lenders & and also it will be able to repay the new term loan of Rs. 50 cr which is proposed to be arranged from outside sources. Balance debt portion of 47% (Amount Rs. 81.43 Crore) and loans availed outside consortium arrangement (Rs. 30 crore) are considered to be unsustainable since project cash flows is not sufficient to meet this portion of debt obligation.</p> <p>We are of the opinion that the overall financial viability of the project is under stress without the proposed restructuring plan involving unsustainable debt portion or infusion of the Capital by Promoter.</p>

Issue Record

Date	Prepared by	
25.01.2022	Raghu K	Karunakarrao Daripineni

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1. SCOPE OF WORK

Nangloi Water Services Pvt. Ltd. (hereinafter referred as NWSPL or the 'Company') has approached Kolkata LCB Branch of Bank of India (hereinafter referred as lender) for restructuring of its credit facilities availed for the development of drinking water supply project in Nangloi area of New Delhi. Subsequently, NWSPL, through Kolkata LCB has requested BOIMB to carry out TEV Study in the account for assessing the technical feasibility and financial viability of the project in view of the proposed restructuring plan furnished by NWSPL. Company has accordingly requested BOIMB to carry out TEV Study of the project vide engagement letter dated 14.10.2022.

BOIMB's scope of work was to:

- Physically visit the project facilities.
- Assess Project Cost and Means of Finance
- Assess and describe all the issues related to technical feasibility.
- Validate the restructuring plan proposed by the Company.
- Validate revenue assumptions to the Project.
- Analyse the financial viability of the project and provide a conclusion on the same.
- Express its professional opinion on technical feasibility and financial viability of the proposed project.

2. METHODOLOGY

TEV Study was carried out in the following sequence:

- Obtaining the required documents/information from the Company.
- Study/verification of documents provided by the Company.
- Visit to the project facilities.
- Discussion with Key persons (CEO and CFO) and company's technical / financial staff / advisor/s.
- Drawing inference on the basis of all the information, documents and discussions.
- Assessment of the technical feasibility on the basis of information and documents provided.
- Study of Market and Industry.
- Validate the restructuring plan proposed by the Company
- Validate the revenue and cost estimates of the Company.
- Assessment of financial viability of the Project.

3. INTRODUCTION

a. Reference:

NWSPL has approached Kolkata LCB Branch of Bank of India for restructuring of its existing debt facilities availed by the Company for Nangloi Water supply project. Subsequently, NWSPL has requested BOIMB to carry out TEV Study in the account vide Engagement letter dated 14.10.2022 for assessing the technical feasibility and financial viability in view of the proposed restructuring plan furnished by the Company. Visit to the project facilities was conducted on 02.11.2022 & 03.11.2022. Further, certain data requested from Company was received till 10.11.2022.

b. Credit Limits:

Consortium of lenders have originally sanctioned TL of 184.4 Crore, out of which, Bank of India has sanctioned Rs. 100 Crore and SREI has sanctioned Rs. 84.4 Crore. Later, Company has also availed certain credit facilities outside Consortium arrangement. The Limits availed by Company are as under:

(Rs. In crore)

LIMITS#	FI / Bank Name	Sanctioned Limit	Principal Outstanding as on 31.10.2022
TL consortium**	BOI	105.01^^	96.01
CC		2.90	2.90
TL consortium**	SREI	84.40	70.25
Additional Loan		30.00	30.00
FITL 1		3.91	3.91
FITL 2		2.69	2.69
Total		228.91	205.77

** Not fully disbursed; ^{^^} includes 5.01 Cr FITL

#The Company has also availed Bank guarantee to the tune of Rs. 33.00 Crore from BOI, which is issued to DJB for performance of obligations during Project Development Period.

c. Date of Inspection:

Mr Raghu K and Mr Karunakarrao D from BOIMB had visited the project facilities at Nangloi and other locations on 2nd and 3rd November 2022.

Key persons of Company met during Inspection:

- i. Mr Shantanu Mitra, CFO
- ii. Mr Neeraj Narang, CEO

d. Activity and Plant capacity:

Nangloi Water Services (NWS) has been awarded a 15 year concession on a Public Private Partnership (PPP) model for development of uninterrupted water supply system at Nangloi area in New Delhi from Delhi Jal Board (DJB). The project scope of work covers rehabilitation and expansion of the water supply system, transmission, and distribution network under the command area of Nangloi Water Treatment Plant and rehabilitation of WTP of 44 MGD.

Capacity of Nangloi WTP is 44 MGD (million gallons per day).

4. PROJECT OVERVIEW

a. Background and Project Timeline:

NWS is a joint venture company set up by Water India Private Limited and its local partner, Swach Environment Pvt. Ltd. The company was incorporated in New Delhi on the 4th day of February 2013 under the Companies Act, 1956 vide Certificate of incorporation bearing, CIN U41000DL2013PTC247846. The authorised Capital is Rs. 75 Crore and Paid up capital as on 31.03.2022 is Rs. 1.01 Crore.

Veolia Water India is a subsidiary of Veolia, the world's leading environmental services company based out of France. A host of other Indian cities (in Maharashtra and Karnataka) have chosen Veolia to provide uninterrupted water supply to their citizens. Swach Environment is an environmental business entity having focus on water and waste management projects.

Nangloi Water Services (NWS) has been awarded a 15 year concession on a Public Private Partnership (PPP) model for uninterrupted water supply system in Nangloi area in New Delhi from Delhi Jal Board (DJB). Delhi Jal Board (hereafter referred as 'DJB' or 'Authority') is an Authority constituted under Delhi Water Board Act, 1998 from the erstwhile Delhi Water Supply and Sewage Disposal Undertaking who is responsible for planning , designing, execution and operation of water supply and wastewater management facilities within the jurisdiction of National Capital Territory of Delhi.

Concession Agreement was executed on 28.03.2013 between DJB and NWSPL. The project scope of work covers rehabilitation and expansion of the water supply system, transmission, and distribution network under the command area of Nangloi Water Treatment Plant and rehabilitation WTP.

DJB conceived this project to enhance service delivery and improved management of water distribution by upgrading Water Supply System and Network Improvement in order to significantly reduce Non-Revenue water (NRW), conserving energy, improving water quality and collection efficiency of revenue and water supply in the command area of Nangloi Water

Treatment Plant to be implemented through Public-Private Partnership on a Design, Build, Finance, Operate and Transfer (DBFOT) basis. Project timeline is as given below:

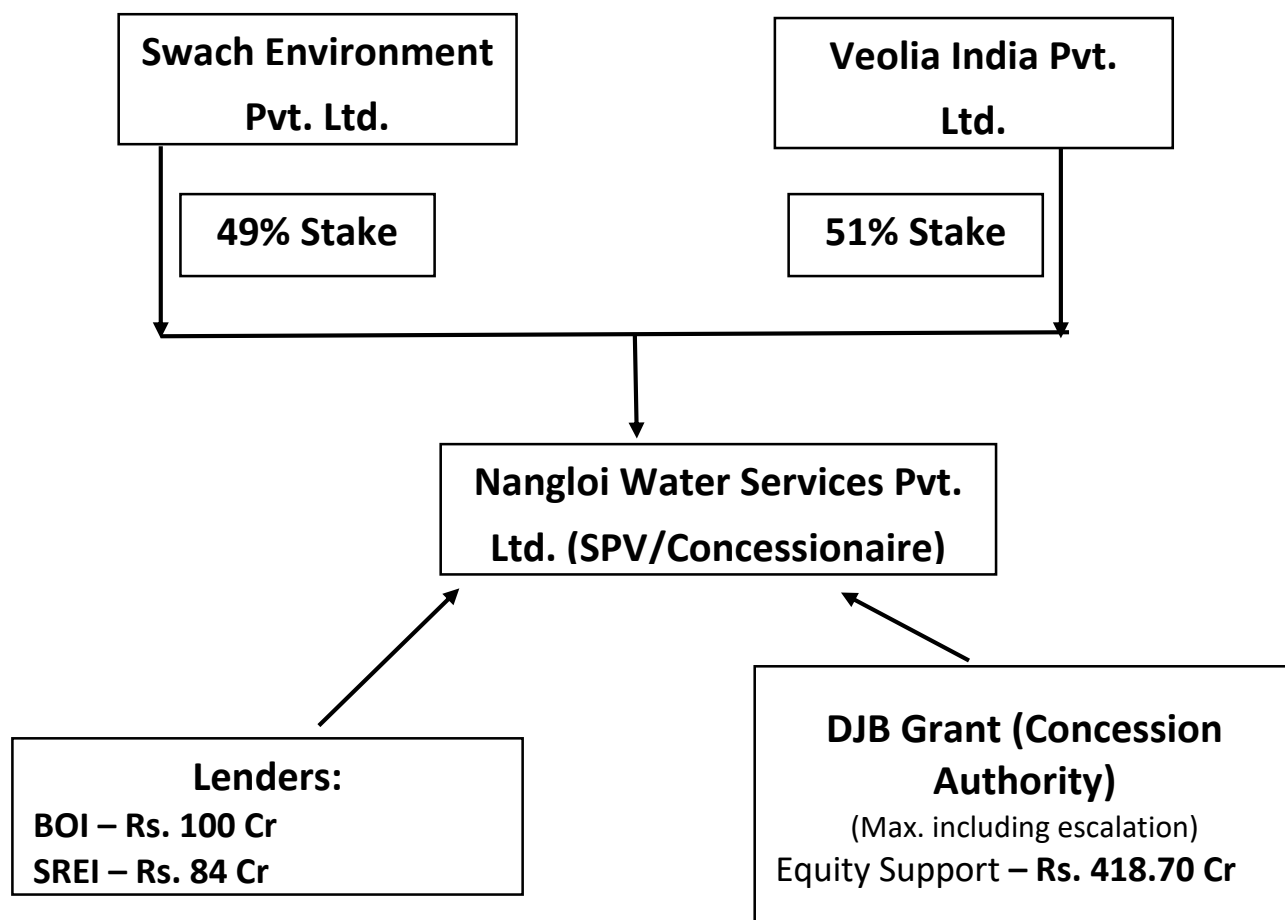
RFP Issued on	17 th July 2012
Letter of Award by DJB	18 th January 2013 to Consortium of VWIPL & SWPL with VWIPL as lead member
Concession Agreement signed on (Appointed Date)	28 th March 2013 with NWS set up as project SPV as JV between VWIPL & SEPL
Compliance Date	180 days from appointed date (23.09.2013)
Scheduled Commercial Operation Date (i.e. Completion of mandatory construction requirement)	On or before 30 months from Compliance Date
Projection Completion	Within 18 months from SCOD
Concession Period	15 years from Compliance date

The project completion dates are extended multiple times by the authority on NWS request. DJB vide their extension letter DJB/EE (Proj)/W-IX/2020-21 /1733 dated 16.11.2021 had extended the Project Completion time line to 31.03.2022. However, the Company had failed to adhere to the extended time line. The major reasons for delay in the project are:

- a. Delay in acquiring the land for new UGR's
- b. Non availability of various approvals / ROW
- c. Lack of adequate working capital with the Company for executing the work. 70 % Grant from DJB was received only on completion of the fixed project mile stone /work. Hence, the Company had to arrange for funds to complete the work, then obtain reimbursement for the same from DJB led to liquidity mismatch.

NWS has availed credit limits for execution of the project, details of which have been brought out under earlier section of this report. DCCO was extended by DJB from time to time and accordingly the repayment schedule was modified by the lenders along with extension of DCCO. The repayment has since commenced w.e.f. 22.12.2021. However, the Company has informed their inability to meet the debt repayment obligation and has proposed for restructuring of the debt facilities in the account.

b. Project Structure:



c. Promoters:

Nangloi Water Service Private Limited is a joint venture company set up as SPV by Veolia Water India Private Limited and Swach Environment Private Limited.

Veolia Water India Private Limited: Veolia Water India Pvt. Ltd is a subsidiary of Veolia Water, France, the leading global provider of Water and Waste Water Services operating in multiple countries with nearly 1.79 lakh employees and turnover of €28.50 bn. Veolia India Private Limited has been in India for more than 20 years and has partnered with various local authorities in New Delhi, Maharashtra and Karnataka, Greater Mohali to provide a 24/7 water supply through a water distribution system.

Swach Environment Private Limited: Swach Environment Private Limited (SEPL) is engaged in the business of providing integrated solutions for water, wastewater, effluent and sewage management, and solid waste management. The Company is also executing water management projects for Haldia Development Authority in West Bengal and Multi-Product Special Economic Zone (SEZ) at Nanguneri in Tirunelveli District, Tamil Nadu.

d. The shareholding pattern:

The shareholding as on 31.03.2022 is as under:

S No	Name	No of Shares	Nominal Value	Amount
1	Veolia Water India Private Limited	515100	Rs. 10 per Share	5151000
2	Swach Environment Private Limited	494900		4949000
TOTAL				10100000

In addition to subscribing Equity shares the promoters have subscribed to optionally convertible preferential interest bearing debentures amounting to Rs. 62.75 crore.

5. TECHNICAL ASSESSMENT/FEASIBILITY

a. Project Configuration:

Following are the steps involved in the water supply project:

- Source water of approximately 44 MGD from Bawana sourcing point through Bawana raw water pump house and pump it to Nangloi WTP through raw water transmission line of 21.27 KMs.
- Purify the water in Nangloi WTP.
- Pump treated water to the UGRs through clear water transmission lines.
- Transmit clear water further through distribution line/network to domestic households.

b. Over all scope of the project:

- Rehabilitation of water feeder main from Bawana intake works to Nangloi WTP.
- Rehabilitation and automation of Nangloi Water Treatment plant including construction of recycling treatment unit.
- Repair, Rehabilitation and construction of underground reservoirs / tube wells
- Construction, operation and maintenance of the Najafgarh UGR and Mundka UGR.
- Installation, replacement, rehabilitation of transmission and distribution system in service area including installation / replacement /repair of bulk meters wherever required.
- Works related to the road restoration in the service area during the concession period (road restoration works will be entirely funded by DJB on actual basis).
- Supply of treated water to consumers in the service area on 24 x 7 basis

- Replacement of existing service connections and meters for all category of consumers including replacement of water meters to be undertaken as and when necessary.
- Instrumentation and automation of the entire scheme of water supply in the service area.
- Operation and maintenance of Nangloi Water treatment Plant and transmission and peripheral mains
- Operation and maintenance of UGR / Tube wells and distribution network
- Fixing of system leakages with aim of reducing technical losses from the water supply system in the service area
- Taking meter readings/billings and collection of water charges from consumers in the service area and depositing into the designated project escrow account
- Customer service and grievance redressal
- To set up, maintain and operate at its own cost and expenses all such incidental and necessary facilities and amenities as may be required for rehabilitation, operation and maintenance of the project and project facilities.

The project scope of work covers rehabilitation and expansion of the water supply, transmission, and distribution network within 129 sq. km area at Nangloi.

c. Process (Purification of Water in WTP) and Technical Know How:

WTP is based on the conventional treatment technology, clariflocculators followed by rapid gravity and filters. Typically steps involved in the treatment process are:

- Screening and Straining
- Chemical Addition
- Coagulation and Flocculation

- Sedimentation and Clarification
- Filtration
- Disinfection

Screening and Straining:

First step in conventional water treatment is to screen or strain out the larger items. This is often accomplished using a large metal screen, often called a bar-screen, which is placed in front of the water source intake. Large items are trapped on the screen as the water passes through it. These screens must routinely be raked or cleaned off.

Chemical Addition:

Once the pre-screened source water is received into the treatment plant, chemicals are added to help make the suspended particles that are floating in the water clump together to form a heavier and larger gelatinous particle, often called floc. In this process, a chemical is added that reacts with the natural alkalinity in solution to form an insoluble precipitate. There are many different chemicals on the market that are used in this process. One of the most common chemical that has been used for many years is Aluminium Sulphate, or alum. Regardless of which coagulant or combination of coagulants is used, they must be mixed very well with the water before they can form a heavier floc.

Coagulation and Flocculation:

A rapid mix unit is usually used where the coagulant is added to the water to provide a very quick and thorough mixing. The water mixing is then slowed to allow the water to come in contact with the forming floc and allow it to increase in size. The continued mixing must be gentle to allow the floc to grow and gain weight, but fast enough to keep it in suspension until you are ready for it to settle in the clarifiers. The process of adding a chemical to cause the suspended material to “clump” into larger particles is called flocculation or coagulation. The treatment unit where coagulation and flocculation is performed is called the ‘flocculator’.

Sedimentation and Clarification:

Once the flocculation process is complete, the water then passes over the weir in the flocculator and travels to the center of the clarifier, or sedimentation basin. Here, the water makes its way from the center of the clarifier to the saw tooth weir at the perimeter of the unit. As the water makes its way towards the weir, the large floc particles are allowed to settle out to the bottom of the clarifier. A rake continuously travels across the bottom of the clarifier and scrapes the settled floc to the center of the unit. Pumps are used to pull the settled “sludge” out of the clarifier. The water that passes over the weir is collected and transferred to the filters.

Sludge from clariflocculator is sent to Sludge recirculation system with thickeners and centrifuge.

Filtration:

Clarified water enters the filters from the top. Gravity pulls the water down through the filters where it is collected in a drain system at the bottom of the unit. There are many different types of materials (media) used in filters. The most common being sand and gravel.

Disinfection:

Once the water has gone through the filtration process, it is about as clear and clean as it can get. However, there may still be bacteria and viruses remaining. To ensure these are destroyed, the most common disinfection process used is chlorination.

Further to the re chlorination process, water is stored in UGRs in WTP and subsequently pumped to the other UGRs down the supply line.

Process Automation in WTP includes, but not limited to:

- Dosage control of chemicals like Alum and Chlorine.
- Auto operation of pumps guided by the levels in the respective sumps.
- Back washing of filters.
- Drainage of clariflocculator sludge
- Auto operation of valves in filter house.

Promoters are experienced in executing similar water supply projects at various other locations in India. Also, NWSPL has experienced management and technical staff for effective implementation of the project. As observed during the visit, WTP is operational and the purified water is being supplied to the end user. In view of the same, it is considered that the Company has adequate technical knowhow for the project.

d. Quantity/Quality Standard as per CA:

As per CA, operator shall ensure the water supplied to the consumer is in conformity with the CPHEEO (Central Public Health & Environmental Engineering Organisation) desirable standards at all times.

Details as per CA are as follows:

S.No.	Parameter	Value – Clarified water		Value – Filtered water	
		Oct – June	July - Sep	Oct – June	July – Sep
1.	Turbidity (NTU)	< 10.0	Any single value < 20 with average daily value <10	< 1	< 1
2.	pH	7.0 to 8.0	7.0 to 8.0	7.0 to 8.0	7.0 to 8.0
3.	Colour (Pt-Co scale)	<5	<5	Colourless	Colourless
4.	Taste & odour	Unobjectionable	Unobjectionable	Unobjectionable	Unobjectionable

S.No.	Parameter	Value – Clarified water		Value – Filtered water	
5.	Free Residual chlorine after 30 min contact period (mg/l)			0.3	0.3
6.	Aluminium (mg/l as Al)			0.03	0.03
7.	Total Coliforms MPN/100ml			NIL	NIL

NRW (Non-Revenue Water):

NRW indicates the extent of water produced/supplied which does not earn the utility provider any revenue. This is computed as difference between the total water produced and the total water sold expressed as a percentage of total water produced. NRW comprises the following:

- Consumption which is authorized but not billed, such as public stand posts.
- Apparent losses such as illegal water connections, water theft and metering inaccuracies.
- Real losses which are leakages in transmission and distribution networks.

NRW is targeted as given below:

S.No.	Concession Period	Value of NRW
1.	From Compliance Date to end of sixth month of fourth Contract Year	<79%
2.	From the start of the seventh month of the fourth Contract Year to the end of the fourth Contract Year	Average value of six months should be less than 30%
3.	From the start of the fifth Contract Year to the sixth month of the seventh Contract Year	<30%
4.	From the start of the seventh month of the seventh Contract Year to the end of the seventh Contract Year	Average value of six months should be less than 25%
5.	From the start of the eighth Contract Year to the sixth month of the twelfth Contract Year	<25%
6.	From the start of the seventh month of the twelfth Contract Year to the end of the twelfth Contract Year	Average value of six months should be less than 20%
7.	From the start of the thirteenth Contract Year to the end of the thirteenth Contract Year	<20%
8.	From the start of the fourteenth Contract Year to the end of Concession Period	Average value of six months should be less than 15%

During the beginning of the project NRW was about 70-80%. As informed by the Company it has been reduced to around 50% at present. Further company targets to achieve 37% NRW in future.

It was informed by the Company that it has increased its focus on illegal tapings and other losses so that the availability of water increases and subsequently the consumption and revenue. At present it supplies 24x7 water to some areas of the project area, while it targets to increase the number of hours of supply in other areas.

e. Capex Progress & Pending Works Site observation

Capital expenditure in the project is broadly against the following works:

1. Rehabilitation of Raw water transmission main
2. Rehabilitation and Automation of Nangloi WTP and construction of filter backwash and clariflocculator sludge recycle system.
3. Mundka UGR new
4. Najafgarh – B UGR new

5. Rehabilitation of existing UGR- Najafgarh – A
6. Rehabilitation of existing UGR - Mohan Garden
7. Rehabilitation of existing clear water transmission main and construction of new transmission mains
8. Distribution networks

1. Rehabilitation of Raw water transmission main:

Scope mainly involves replacement of problematic stretches of the 1500 mm PSC raw water main with MS pipe and installation of sluice valves. Company has finished all the works related to the rehabilitation of existing raw water supply main bringing water from the sourcing point to Nangloi WTP.

2. Rehabilitation and automation of Nangloi WTP:

Detailed scope of works related to Rehabilitation and modernization of Nangloi WTP is brought out under schedule XI of CA. Nangloi has two UGRs and rehabilitation of one of the UGRs is included in the company's scope. List of pending works in Nangloi is as given below.

Pending works:

- Road, Boundary walls and Drainage works are in progress and are yet to be finished.
- Installation of two pumps yet to be done which are proposed to be for backup purpose only. The pumps are available at site.
- Installation of Diesel Generator set is pending. The foundation work & fuel storage tank construction is completed
- Minor works of automation are informed to be pending.



3. **Mundka UGR (new):**

Scope of work:

As per CA, scope of work under this area is as given below:

- Construction of 8.0 MGD and Pump House
- Installation of electro chlorinators of required capacity.
- All electrical works shall be carried out as per the SLDs given in the DPR.
- New 750 KVA silent DG proposed for emergency backup power for pump house.

Pending works:

- Finishing works like plastering for pump house, access steps to the UGR slab.
- Soil laying on top of the UGR is under progress.

- DG set is yet to be installed.
- Automation works are pending.
- Internal roads are yet to be laid.
- Compound wall construction is in progress.



4. **Najafgarh- B UGR (new):**

Scope of work:

As per CA, scope of work under this area is as given below:

- Construction of 8.0 MGD UGR and Pump House
- Installation of electro chlorinators of required capacity.
- All electrical works to be carried out as per the SLDs given in the DPR.
- New 750 KVA silent DG proposed for emergency backup power for pump house.

Pending works:

- Construction of second compartment of UGR is under progress.
- Automation works are pending.
- Compound wall is yet to be constructed.
- Internal road are yet to be laid.
- Soil laying on top of the UGR is yet to start.

Note: Maximum Capital expenses related to the process activities are pending at this site.



5. **Najafgarh- A UGR (Existing):**

Detailed list of works under rehabilitation of Najafgarh A UGR is brought out in CA. The major work includes repairs of structural elements (Civil, MEP),

replacement of pumps and electrical work including replacement of transformers, LT panel, new DG set etc.

Pending works:

- Transformer is yet to be installed.
- Electrical panels are yet to be replaced.
- Automation is yet to be implemented.



6. **Mohan Garden UGR (Existing):**

Detailed list of works under rehabilitation of Mohan garden UGR is brought out in CA. The major work includes repairs of structural elements (Civil, MEP), replacement of pumps and electrical work including replacement of transformers, LT panel, new DG set etc.

Pending works:

- Transformer is yet to be installed.
- Automation works are pending.



7. **Rehabilitation of existing clear water transmission main line and construction of new transmission mains:**

This work includes construction of new 700 mm and 900 mm DI class K7 transmission mains and rehabilitation of existing 1000 mm clear water transmission main.

New 700 mm is to convey clear water from Nangloi WTP to Mundka UGR and the 900 mm is to tap clear water from 1000 mm diameter PSC transmission main and convey the water to Najafgarh-B UGR

Pending works:

- Company has informed that replacement of pipes in few areas are pending

8. Distribution networks:

- Company has informed that total pipelines to be laid will be approximately 177 km. Diameter varies from 110 mm to 1400 mm.

The Company proposes to complete the pending capex by utilizing services of sub-contractors under supervision and review by NWSPL Capex team.

Summary of cost incurred against each element of Capex:

As per LIE report March 2022, capex incurred till December 2021 is as follows:

Project Activity	Total cost	Expenditure incurred till Dec 2021	Balance to be incurred
Rehabilitation & Automation of WTP	33.04	31.79	1.25
Existing UGR- Rehab	13.12	11.04	2.08
New Najafgarh & Mundka UGRs	53.31	47.43	5.88
Automation	14.00	9.26	4.74
Raw Water transmission main	13.01	14.30	-1.29
Clear water transmission- Mundka & Najafgarh	11.20	7.92	3.28
Distribution Network	319.86	212.87	106.99
Total	457.54	334.61	122.93

It is further informed by the Company that the expenses incurred till May 2022 is Rs. 395.58 crore. The Company has informed that they have reconciled the pending work cost and the revised pending cost is Rs. 114.35 crore and the revised Total work cost is Rs. 427.54 Crore. Lenders may utilize the services of Lenders Independent Engineer to vet the revised costs.

f. Manpower & Management

Looking at the existing operations of the Company, we can infer that NWSPL has requisite Technical manpower for managing the day to day operations of the Company.

6. RESTRUCTURING PLAN

The Company, considering the present status of the project and cash flow generation, has expressed its inability to service the existing debt and has proposed for the restructuring of the existing debt facilities. The restructuring plan proposed by the Company is as under:

- i. An haircut (i.e. unsustainable portion of debt) of 55% on the existing debt (O/s : Rs. 207 cr – including the debt outside the consortium arrangement)
- ii. Principal moratorium till March 2024.
- iii. ROI on the restructured debt to be considered at 9.50% p.a.
- iv. Reversal of Rs. 3.75 cr of principal portion on debt already paid by the Company to the lenders.
- v. Company has proposed to arrange additional debt of Rs. 50 Cr @ 9.50% P.A. for completion of the remaining Capex work and it is considered in the repayment of debt also.
- vi. Capex completion to be achieved by September 2023 i.e. PCOD.
- vii. No increase in Concession Period considered i.e. September 2028 is taken as the Concession End date.
- viii. Company further proposes the following for the unsustainable portion of the debt considered as haircut
 - a. CCDs carrying nominal rate of interest, for Rs.20.5 crs or ~10% of existing debt can be issued by NWS to SREI and BOI. These will be convertible to equity after 6 years. The nominal interest on the CCDs for 6 years maybe paid after 6 years if NWS has surplus available cash surplus that is say Cash profit for over Rs.1 crore for 2 or 3 years.
 - b. If DJB extends the concession agreement period beyond Sep'28, surplus and free cash generated from such extension maybe used by NWS to redeem the principal amount.

Note: Based on the above proposed debt restructuring arrangement, the Company is able to achieve an average DSCR of 0.97 (as per financial projections of Company).

Further based on E-mail dated 12.01.2023 and discussion with Company the following is considered in the restructuring Plan

- a. Loans amounting to Rs. 30 crore availed outside consortium arrangement and interest on the same is not considered as part of restructuring plan
- b. The OCPIDS of shareholders may be converted into equity.
- c. CCDs carrying nominal rate of interest, for Rs.20.5 crs or ~10% of existing debt can be issued by NWS to SREI and BOI. These will be convertible to equity after 6 years. The nominal interest on the CCDs for 6 years maybe paid after 6 years if NWS has surplus available cash surplus that is say Cash profit for over Rs.1 crore for 2 or 3 years.

RESTRUCTURING TERMS CONSIDERED BY US

- i. Reversal of paid principal amount of Rs. 3.75 cr is not considered
- ii. Loans amounting to Rs. 30 crore availed outside consortium arrangement and interest on the same is not considered as part of restructuring plan
- iii. The haircut amount is suitably adjusted to achieve an overall average DSCR of above unity and year on year DSCR of one and above. It is considered on the Cut Off date i.e. 01.01.2023, there is no Interest Over due in any of the accounts and the O/s loan balance of consortium lenders is considered as Rs. 173.26 crore (including working capital).
- iv. ROI for all the existing loans other than loan outside the consortium to have an ROI of 9.50% p.a.
- v. It is presumed that the cash flow shortfall / additional working capital requirement will be met by the Company from own sources.

An alternate scenario is also presented where the additional amount of Rs. 50 cr required for completion of the project is brought in as unsecured loan with out any interest burden instead of regular Debt. The effect on the same in DSCR is covered under sensitivity analysis.

The Company has availed debts under consortium arrangement, Rs. 30 Cr outside the consortium agreement and as per the restructuring plan the Company proposes to raise additional debt funds to the tune of Rs. 50 cr from other sources

As per the revised restructuring plan, the sustainable portion of debt is calculated without considering the repayment of Rs. 30 cr of debt availed by the Company outside the consortium arrangement. The restructuring proposed above is subject to approval by lenders.

7. COST OF PROJECT & MEANS OF FINANCE

Initial envisaged project cost is as under:

Rs in Crore

PARTICULARS	AMOUNT
Actual cost on water works	459**
Add: escalation on above	97.40
Add: Operator's capex	24.40
Add: Staff cost related construction	30.00
Add: project development expenses to DJB	7.50
Add: interest/finance cost capitalized@@	46.20
Total project cost excluding road	664.50
Less: Grant on water works from DJB	321.20
Less: escalation paid by DJB on water works	97.40
Project cost to operator	245.90

** As informed by the Company, actual cost on water works has been revised to Rs. 427.54 Crore from Rs. 459 Crore. Accordingly Grant on water works from DJB has been reduced to Rs. 299.43 Crore

The Concession Agreement was executed between DJB and NWSPL on March 28, 2013 is for a period of 15 years (incl. construction period of 4 years) from Compliance Date (Sept. 23, 2013). The original Scheduled Completion Date ("SCOD") was envisaged as March 22, 2016 (30 months from the Compliance Date) and Project Completion Date ("PCOD") was envisaged as September 22, 2017 (18 months from the SCOD). However, on account of delays in completion of the project due to external factors, DJB had earlier revised the SCOD and PCOD of the project to September 30, 2020. Due to further delay on account of Covid 19 pandemic, DJB had accorded provisional extension of time till 31st March 2022 for achieving the PCOD. The Company has also provided a letter from DJB (Ref: DJB/EE (Pr.)W-IX/2022/558 dated 28.03.2022) stating "*major components of the project have been completed and are put in operation. The revenue is also being generated from these utilities.*"

Despite the extension, Company is yet to achieve the PCOD. It is informed by NWSPL that it had received grant amounting to Rs.301.69 Cr till May 2022, which includes Rs. 48.63 Cr on account of cost escalation and Rs.17.45 Cr on

account of Road Restoration work. Now, due to time overrun, no further reimbursement under escalation cost head will be provided by DJB.

@ @ Due to the cost overrun the IDC portion has increased from the estimated Rs. 46.20 crore. Till March 2022, the Company has paid interest to the tune of Rs. 113.79 crore

Company has estimated the revised pending capex to be undertaken for completing the project is as under:

Sl. No.	Description of work	Balance capex
1	Rehabilitation of Raw Water Main & Clear Water Main	-
2	Rehabilitation of Nangloi WTP	6.61
3	Rehabilitation of Existing UGRs (Mohan Garden + Najafgarh A)	6.25
4	Clear Water Transmission Mains for New UGRs	-
5	Construction of New UGRs (Mundka + Najafgarh B)	11.74
6	Distribution Network Rehabilitation (Phase 1 & 2)	89.76
	Total	114.35

Cost pertaining to Road Restoration work will be entirely funded by DJB on actual basis, hence not considered in the above cost. In addition to the above capex pending, Company has to clear the payables pending against completed capex works amounting to Rs. 34.23 Crore. Hence, the overall fund requirement for completion of capex will be:

Rs. In Crore

Particulars	Amount
Capex pending for remaining works	114.35
Capex payables for completed works	34.23
Total	148.58

Pending capex works related to each sub head mentioned in the above table is covered in our earlier sections.

Means of Finance:

Rs in Crore

Particulars	Amount
Grant from DJB	63.82
Additional funding	50.00*
Promoter infusion/cash flow from operations	34.76
Total	148.58

* Source of the proposed new funding requirement is yet to be finalized. However, it is informed by the Company that the new credit facility of Rs. 50 Crore will be sourced from Market and it is in discussion with few NBFCs for the same.

8. STATUTORY CLEARANCES/APPROVALS/REGISTRATIONS

All the clearances are in place as the project is already operational and supplying the water to the consumers. Majorly, only distribution network is pending to be laid, for which RoW and permission for shifting of utilities may be required to be obtained from time to time. Indicative list of various approvals to be maintained is as per the Schedule –VI of the Concession Agreement.

- a) Abstraction licences from various departments
- b) Planning permissions
- c) Public way-leaves that may be required from time to time
- d) Building permits
- e) Permission from Road and Traffic Departments
- f) Permission from Delhi Metro Railway Corporation
- g) Permission from Irrigation Department
- h) Timely intimation and co-ordination with Resident Welfare Associations
- i) Discharge consents
- j) Disposal licenses for sludge
- k) Permissions to enter public and industrial properties
- l) Vehicle and plant licenses
- m) Licenses to store and use chemicals
- n) Licenses to use machinery
- o) Waste management licenses
- p) Health and Safety certificates
- q) Fire certificate
- r) Approval from Labour Inspector
- s) Approval from District Health Officer
- t) Insurance as appropriate
- u) Licenses to carry out water operations
- v) Right to use Electrical power

9. ANALYSIS OF EXISTING BUSINESS OPERATIONS

The NWS has furnished the audited financials for 3 years and Provisional financial statement for FY 2021-22. The past performance of the unit is a under:

(Rs. In lakhs)

Year ended	2018-19	2019-20	2020-21	2021-22
Revenue				
Revenue from Operations	12370.12	10970.25	5933.59	5739.54
Total Revenue	12370.12	10970.25	5933.59	5739.54
Expenses				
Consumption of Chemicals	226.35	182.89	143.70	180.80
Construction Cost	7542.31	5919.87	526.92	
Hire charges, Vehicle Running & Maintenance	926.88	691.65	950.52	866.19
Project supervision fees	325.34	93.03	251.98	143.77
Power & Fuel	52.35	66.55	31.23	24.07
Contractual staff expenses	1014.73	976.31	1091.66	1249.92
Employee benefits expense	898.36	1110.82	1495.21	1585.01
Repairs and maintenance	540.94	673.24	617.49	555.69
Security charges	106.99	126.41	137.61	147.17
Other Expenses	615.80	733.89	792.84	214.78
Depreciation And Amortization Exp.	85.71	103.53	3624.60	3705.46
Cost of Production	12335.76	10678.19	9663.76	8672.86
Cost Of Sales	12335.76	10678.19	9663.76	8672.86
Gross Profit	34.36	292.06	-3730.17	-2933.32
Interest on Term Loan	14.31	9.45	2251.29	2333.34
Interest On CC	--	--	16.61	253.90
Others	20.17	139.99	137.38	241.50
Interest on OCPID	43.29	5.70	1816.71	1984.26
Total Interest Expense	77.77	155.14	4221.99	4813.00
Bank Charges	0.00	0.00	18.67	18.32
Total Finance cost	77.77	155.14	4240.66	4831.32
Operating Profit	-43.41	136.92	-7970.83	-7764.64
Other Income	6.35	10.24	21.31	2.18
Provision written back	165.00	32.70	0.00	368.49
PBT	127.94	147.16	-7949.52	-7393.97
Tax Pertaining to Profit for the current period	0.00	0.00	0.00	0.00
PAT	127.94	147.16	-7949.52	-7393.97
EBIDTA -Excl. Other Income	120.07	395.59	-105.57	772.14
EBDITA % of Income	0.97%	3.61%	-1.78%	13.45%

Our Comments:

Revenue: In FY 2018-19 & 2019- 20, the revenue from construction activity (Road works) is shown under revenues. If the same is excluded the revenues from operation will be as under:

FY	2018-19	2019-20
Revenue	4827.81	5050.38

The major expenses is the Employee salary expenses. The expenses as a % of revenue for past 2 years is as under

Expenses	2020-21	2021-22	Average
Consumption of Chemicals	2.42%	3.15%	2.79%
Construction Cost	8.88%	0.00%	4.44%
Hire charges, Vehicle Running & Maintenance	16.02%	15.09%	15.56%
Project supervision fees	4.25%	2.50%	3.38%
Power & Fuel	0.53%	0.42%	0.47%
Contractual staff expenses	18.40%	21.78%	20.09%
Employee benefits expense	25.20%	27.62%	26.41%
Repairs and maintenance	10.41%	9.68%	10.04%
Security charges	2.32%	2.56%	2.44%
Other Expenses	13.36%	3.74%	8.55%
Total Finance cost	71.47%	84.18%	77.82%

As evident from the above data, the Employee expenses contributed over 43% to 49% of the total expenses. By the proposed restructuring plan the Company expects to reduce the financing expenses.

Past balance sheet of NWS are as under:

	2020-21	2021-22	ASSETS	2020-21	2021-22
<u>CURRENT LIABILITIES</u>			<u>CURRENT ASSETS</u>		
Cash Credit from Banks	279.47	83.58	Consumables	6.51	18.61
Loan from Promoter	200.00	300.00	Advances to suppliers	86.54	152.61
Trade payables	1730.05	2428.84	Trade Receivables- Below 6 Months	905.76	619.11
Payable to related parties	222.36	291.34	Trade Receivables- Above 6 Months	2174.98	1904.06
Creditors for capital expenditure	2011.54	2046.68	Cash & Bank Balances in CA	251.31	6.78
Lease Liability	18.56	30.17	Bank Balances in Escrow	285.71	1741.45
Current maturities of long term debts	944.40	2436.24	Advances to employees	4.17	3.02
Employee related payables	412.62	250.11	Balance with Govt. Agencies	1559.95	1457.64
Other Liability / Provisions	2554.66	2100.45	Prepaid expenses	50.08	99.74
Total Current Liabilities	8373.66	9967.40	Total Current Assets	5325.01	6003.03
<u>TERM LIABILITIES</u>			<u>NON CURRENT ASSETS</u>		
Lease Liabilities	85.45	49.74	Capital Advances	167.34	354.05
Term Loan - Banks /Fi's	17593.11	17913.04	Bank / Security Deposits	349.64	350.37
OCPID	12460.79	14191.80	Deferred Tax Asset	254.45	425.32
Provisions	192.16	231.61			
Total Term Liabilities	30331.51	32386.19	Total Non-Current Assets	771.43	1129.74
<u>NET WORTH</u>			<u>FIXED ASSETS</u>		
Paid Up Capital	101.00	101.00	Gross Block	707.26	750.99
Reserves	-5297.95	-12507.86	Depreciation on Block	619.84	664.85
			Intangible Assets (Net)	27219.26	22665.44
Total Net Worth	-5196.95	-12406.86	Right of use assets	89.37	62.38
Total Outside Liabilities	38705.17	42353.59	Capital Work in Progress	15.73	--
Quasi Capital@	6275.00	6275.00	Net Block	27411.78	22813.97
TOTAL LIABILITIES	33508.22	29946.73	TOTAL ASSETS	33508.22	29946.73

@ OCPID – Rs. 62.75 crore considered as Quasi Capital. Company has infused capital into the Company from Promoters by issuing OCPID (Optionally Convertible Participating Interest Bearing Debentures).

Trade Receivables: Rs. 30.80 crore of receivable is pending from DJB. The same is held up due to various disputes with DJB. The Company has informed that they are in the process of resolving the disputes with DJB

Few of the important parameters are as under:

	2020-21	2021-22
Adjusted TNW	-5196.95	-12406.86
Net Working Capital	-3048.65	-3964.38
Current Ratio	0.64	0.60
Debt Equity Ratio	-ve	-ve
Quasi Capital	30.08	-ve

10. FINANCIAL ASSESSMENT/ECONOMIC VIABILITY

a. Sales/Revenue:

The revenue streams for the Company is from the water supplied to end users. Based on the monthly volume of water supplied, DJB makes the payment to the Company. Assumptions considered for revenue are as under:

- i. Water consumption per connection is considered as 0.4 KL/day in FY 23-24
- ii. Rate considered for water supplied is Rs. 21.02 /KL with an year on year increase of 4%
- iii. Number of connections as on Apr 2023 is considered as 2, 65,000. Further increase ranging from 500 to 3000 per month in subsequent months. Number of active consumers as on August 2022 is 2, 57,429, with peak level connections considered at 3, 20,000 as on September 2028.
- iv. Collection efficiency considered varies from 80% to 90%.

In addition to water revenue, following major additional revenue streams are also considered for arriving at total revenue:

- i. Reimbursement of GST expense from DJB, related to operational expenses
- ii. Power incentive / Other Incentive as per terms of the Concession agreement with DJB.

b. Assumptions for expenses:

Operation Cost:

This includes expenses towards G&A (General & Administrative), Accounts related, IT, O&M and contingencies towards operations and works. Major expenses is towards O&M which includes Cost towards network replacement, Repairs & Maintenance, Chemical purchase and hiring of Water Tankers. Company has considered 6% of annual revenue towards Contingencies.

Manpower expenses:

The Company has considered the man power expenses in line with their past experience in this field.

KPI Deductions

Company has considered 5% of total revenue towards penalty towards non-meeting of Key performance indicator. The KPI are defined as per schedule 13 of the CA.

Interest on Term Loan & Working Capital:

In the projections we have considered the interest rate as under:

Sustainable portion of Term Loan & Working Capital	9.50 % p.a
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Income Tax:

We have considered corporate tax of 25.17%.

c. DSCR and EBIDTA %:

Based on the revised profitability projections for sustainable debt portion of 53%, the average DSCR is 1.04 with a minimum DSCR of 1.00 in FY 2026-27. After considering 47% unsustainable debt portion, the Company will be able to repay the debt obligation of the existing consortium lenders & the new term loan of Rs. 50 cr to be arranged from outside sources. Hence, the overall financial viability shall not be achieved at existing level of debt. Hence, the lenders may consider proposed restructuring plan with sustainable debt portion of 53%. Moreover, we would like to add that debt serviceability of the Company will be adversely affected (even in case of implementation of resolution plan), in the event of

- a. Not completing the proposed CAPEX on time or not able to source the additional fund requirement of Rs. 50 cr at the envisaged ROI of 9.50% or lower.

- b. Inability of the Company in achieving the proposed increase in number of end user connections or the reduction in collection efficiency.

The EBIDTA % as per the revised projection by us are as under:

FY	2024	2025	2026	2027	2028	2029
EBIDTA (%)	20.32%	34.63%	36.83%	31.07%	40.33%	44.96%

EBIDTA % could not be bench marked to any specific Company due to wide variation in the Concession Agreement norms. However, the Company is estimating the EBIDTA (%) to improve from the existing level of 19% due to increase in number of connection

d. Sensitivity Analysis:

Sensitivity analysis is done by us considering various parameters. Average and minimum DSCR projected is as given below in the said scenarios:

PARTICULARS	AVG. DSCR	MIN DSCR	PRINCIPAL UNSUATAINABLE DEBT PORTION CONSIDERED
As per Company – Financial Model	0.97	0.93	55%
Revised By us (Base Case)	1.04	1.00	47%
ROI increases by 1%	1.01	0.97	47%
Water Consumption per connection reduces by 3%	0.96	0.91	47%
Contingency Expenses (Operations) reduced from 6% to 5% & Key Performance Indicator Deductions reduced from 5 % to 4%	1.10	1.06	47%
Company able to source interest free loan of Rs. 50 cr	1.08	0.96	40%

As evident from above the operations of the Company are in stress even after considering more than 40% unsustainable debt portion on the balance outstanding. By considering an unsustainable debt portion of 47% (Base Base), the average DSCR is at 1.04. However, the repaying capacity further improves if the expenses related to Contingencies and penalty due to non-achieving Key

performance indicator are reduced or Rs. 50 cr interest free term loan is sourced by the Company.

e. Working Capital requirement:

The existing working capital limit availed by the Company is Rs. 2.90 cr. The Company has not requested any additional working capital limit. The Company will need to meet the working capital requirement through funds from promoter / other interest free sources.

f. Term Loan Requirement:

The outstanding loan amount of consortium lenders on cut-off date (01.01.2023) is Rs. 91.83 Crore (haircut of 47% on Rs.173.26 crore). The annual loan repayment considered after a 12 months moratorium for the debt from consortium lender & new loan of Rs. 50 crore is as under:

FY Ending	Mar-24	Mar-25	Mar-26	Mar-27	Mar-28	Mar-29
Amount	2.98	18.44	23.76	26.95	42.41	27.30
In % Terms	2.10%	13.00%	16.75%	19.00%	29.90%	19.25%

The instalments are to be repaid at quarterly intervals (at the end of quarters to which it pertains to).

The yearly repayment schedule for TL of Rs. 141.83 cr is as under:

FY ending March	Mar-24	Mar-25	Mar-26	Mar-27	Mar-28	Mar-29
Interest	13.45	12.44	10.44	8.01	5.00	0.76
Principal	2.98	18.44	23.76	26.95	42.41	27.30
Total	14.72	30.70	33.99	34.74	48.48	27.77

The DSCR computation for the Project is as under:

FY	Mar-24	Mar-25	Mar-26	Mar-27	Mar-28	Mar-29
Source						
PAT	-41.94	-24.47	-18.96	-18.49	-2.39	27.80
Interest on TL	13.45	12.44	10.44	8.01	5.00	0.76
Depreciation	45.50	45.50	45.50	45.50	46.04	-
Total Source	17.01	33.47	36.98	35.02	48.65	28.56
Expenses						

Instalment	2.98	18.44	23.76	26.95	42.41	27.30
Interest on TL	13.45	12.44	10.44	8.01	5.00	0.76
Total Expenses	16.43	30.88	34.20	34.96	47.41	28.06
DSCR	1.04	1.08	1.08	1.00	1.03	1.02
Avg DSCR	1.04					

Based on the revised profitability projections the average DSCR is 1.04 with a minimum DSCR of 1.00 in FY 2026-27. After considering unsustainable debt portion of 47% on the existing principal portion, the Company will be able to repay the debt obligation of the existing consortium lender & the new term loan of Rs. 50 cr to be arranged from outside sources.

11. RISKS

Construction risks:

Delay in pending construction work due to non-availability of required RoW / approvals for shifting of various utilities / tree cutting etc. can be perceived as risk in executing/ further expansion of the distribution/transmission network. Since, the project is nearing to the envisaged completion and the past experience of Company in executing project till date can be viewed as a mitigating factor.

Funding risks:

It needs to be reiterated that the timely availability of additional funding required is essential for completing the project. Failing which the Company may face penal action from DJB, including the termination of the Contract. Other funding risks associated with the project is

- i. Delay in release of grant from DJB for completion of pending works
- ii. Swach Environment Pvt Ltd is one of the promoter of NWSPL. The holding Company of Swach Environment Pvt Ltd, SREI Equipment Finance Limited is facing certain financial issues. Hence, delay in infusion of additional promoter capital / funding by Swach Environment Pvt Ltd will have an adverse effect on the project

Operational risks:

Non achieving the reduction in Non-Revenue Water estimated targets, reducing illegal tapings and bringing down leakages can be some of the operational risks that the company has been facing during the operational phase of the project. Considering the past experience of the promoters in this field, we can opine that the employees of the Company are sufficiently trained to mitigate this risk. NRW problem is expected to reduce further after rehabilitation of various pipelines. (Pending capex work)

Availability of adequate treated water to the WTP during the concession period is usually major operational risks in this type of projects. **However, in this project, the supply of required quantity of water for treatment is in DJB's scope.**

Commercial risks:

The payment made to NWS is not linked to water tariff charged to customers. The fee to be charged is also captured in the Concession Agreement for the entire concession period. Hence, it mitigates the loss of income due to change in the water tariff charged to the consumers. The bill raised by NWS is paid directly by DJB through escrow account mechanism ensuring payment security. Illegal connections amount to considerable revenue loss and the Company's effort to reduce these connections will go a longer way in improving the project revenues.

Water being an essential requirement, we opine there will be constant demand for supply of water hence, demand side risk is minimal in this project.

Termination risks:

Cancellation of CA by DJB in case of non-achieving scope of work as per CA.

12. FINAL COMMENTS

NWSPL is an SPV setup as a joint venture company between Veolia Water India Private Limited and its local partner, Swach Environment Private Limited in February 2013 to undertake water distribution project in Nangloi area of Delhi under PPP model.

Veolia Water India is a subsidiary of Veolia, France, the world's leading environmental services company. A host of other Indian cities (in Maharashtra and Karnataka) have chosen Veolia to provide uninterrupted water supply to their citizens. Swach Environment is an environmental business entity having focus on water and waste management projects. They are presently operating water distribution operation in Haldia, West Bengal and in AMRL Hitech City, Nangunery SEZ, Tamilnadu.

Nangloi Water Services Private Limited has been awarded a 15 year concession on a Public Private Partnership (PPP) model for uninterrupted water supply system in Nangloi area of New Delhi from Delhi Jal Board (DJB or Concession Authority). DJB is an Authority constituted under Delhi Water Board Act, 1998 from the erstwhile Delhi Water Supply and Sewage Disposal undertaking who is responsible for planning, designing, execution and operation of water supply and wastewater management facilities within the jurisdiction of National Capital Region of Delhi.

Concession Agreement was executed on 28.03.2013 between DJB and NWSPL. The project scope of work covers rehabilitation and expansion of the water supply system, transmission, and distribution network under the command area of Nangloi Water Treatment Plant along with providing metered water connections to end users.

Purpose of the Project is that DJB wishes to enhance service delivery and improved management of water distribution by upgrading Water Supply System and Network Improvement in order to significantly reduce Non-Revenue water (NRW), conserving energy, improving water quality and collection efficiency of revenue and water supply in the command area of Nangloi Water Treatment Plant through Public-Private Partnership on a Design, Build, Finance, Operate and Transfer (DBFOT) basis.

The project was estimated to achieve completion status within 4 years from the Concession Agreement Compliance date. The project completion dates were extended multiple times by the authority, on NWS request. Lastly, DJB vide their extension letter Ref No: DJB/EE (Proj)/W-IX/2020-21 /1733 dated 16.11.2021 had extended the Project Completion time line to 31.03.2022. However, the Company had failed adhere to the extended time line.

Company has furnished a copy of letter issued by DJB to the Lender BOI-Kolkata LCB (Ref No: DJB/EE (Pr.)W-IX/2022/558 dated 28.03.2022) stating and we quote *"It is informed that all the major components of the project have been completed and are put in operation. The revenue is also being generated from these utilities."*

NWSPL has availed credit limits for execution of the project, details of which have been brought out under earlier section of this report. DCCO extended by DJB from time to time, the repayment schedule was modified consequentially by the lenders. The repayment of the loan has started from December 2021. However, the Company has expressed their inability to meet the debt repayment obligation and has proposed for restructuring of the outstanding debt facilities of the Company.

The major reasons for delay in completion of the project are:

- a. Delay in acquiring the land for new UGR's
- b. Non availability of various approvals / ROW
- c. Lack of adequate working capital with the Company for executing the work.
70 % Grant from DJB is to be received only on completion of the fixed project mile stone /work. Hence, the Company had to arrange for funds to complete the work, then seek reimbursement of grant for the same from DJB led to liquidity mismatch.

In view of the same, Company has proposed for restructuring of the debt limits as the restructuring plan mentioned in Para 6. In addition to the to the proposed haircut of 47% on the principal amount, the Company has envisaged requirement of additional fund of Rs. 50 crore for completion of balance capex work to complete the project. It is informed during the course of the TEV Study that the existing lenders will not be taking any further exposure in the account and the Company is in the process of scouting for new investor / lender to fund the Capex expenses.

It may be noted here that if Company is not able to complete the Capex work as per terms of Concession Agreement, there will always be a risk of termination of Concession Agreement by the DJB, in case of such situation possibility of recoverability of debt of the lenders will be very remote.

As the Concession Agreement is time bound (contract end date being in September 2028) and the scope for further extension of repayment period is ruled out due to which the Company has proposed for haircut (unsustainable debt portion) in the principal outstanding amount even after utilizing entire cash flow after meeting O&M expenses to repay the debt during remaining period of concession. Number of connections are increasing gradually and hence existing project cash flow is not sufficient to meet the existing debt obligations of the Company. On the other hand company further need funds to complete the balance capex works. Hence, the Company is facing acute liquidity problem. Also it is to be noted that one of the lender 'SREI' itself is under the control of Administrator & 'Swach' one of the promoter is also promoted by the same 'SREI' group. Due to the financial troubles related to the promoter group, the same may create issues on reaching resolution of debt or in bringing additional promoter contribution for the project.

Our key observations on the restructuring plan are as under:

- a. The Company has envisaged the project completion to be achieved by September 2023. Hence, **NWS will require the approval of DJB for contract timeline extension in the Concession Agreement.** Failing to complete the Capex Work, the Concession agreement will be terminated by DJB as per termination clause in Concession Agreement.
- b. Additional funds of Rs. 50 crore is required to be sourced immediately however existing lenders are not expected to fund the same.
- c. Company has to clear the creditors pending against completed CAPEX works amounting to Rs. 34.23 Crore to the existing contractors to restart the construction activity at various sites and also will need to meet the working capital requirement through funds from promoter / other sources. The road map on achieving on the same may be obtained and verified by lender to its satisfaction.

- d. Any BG invocation / application of liquidity damages by DJB for non – achievement of project COD are not factored in the resolution plan. Occurrences of any such event will further render the resolution plan unsuccessful / lead towards increase in unsustainable debt.

13. CONCLUSION

The Company has already started generating revenue by utilizing the project assets. The Project is considered as technically feasible. Based on the revised profitability projections for sustainable debt portion (53% of the overall debt from the consortium lenders) the average DSCR is 1.04 with a minimum DSCR of 1.00 in FY 2026-27. The debt availed outside the consortium agreement is not considered as part of the restructuring plan. After considering 47% unsustainable debt portion, the Company will be able to repay the debt obligation of the existing consortium lenders only for the sustainable debt portion of 53% & the additionally envisaged debt of Rs. 50 cr to be arranged from outside sources. Hence, the restructuring plan may be considered as financially viable.

Project is not expected to generate sufficient cash flow to meet existing debt obligation, however, it is expected to service debt obligation pertaining to sustainable portion of 53% proposed as per restructuring package.

For the unsustainable portion, the Company proposed the following:

- a. CCDs carrying nominal rate of interest, for Rs.20.5 crs or ~10% of existing debt can be issued by NWS to SREI and BOI. These will be convertible to equity after 6 years. The nominal interest on the CCDs for 6 years maybe paid after 6 years if NWS has surplus available cash surplus that is say Cash profit for over Rs.1 crore for 2 or 3 years.
- b. If DJB extends the concession agreement period beyond Sep'28, surplus and free cash generated from such extension maybe used by NWS to redeem the principal amount.

Annexure – I: FINACIAL PROJECTIONS PROVIDED BY THE COMPANY

(Rs. In Crore)

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Billings	62.97	70.66	89.02	95.34	107.38	115.16	60.74
GST Claim from DJB-NOR	3.14	1.41	1.78	1.91	2.15	2.30	1.21
Power Incentive	0.48	0.48	0.48	0.48	0.48	0.48	0.24
New HSC Revenue Post Capex	-	10.75	5.37	2.69	2.69	2.69	1.34
Tanker Current Bills	1.40	0.42	-	-	-	-	-
Loan principal adjustment	113.86	-	-	-	-	-	-
Total Revenue	181.85	83.73	96.65	100.41	112.69	120.63	63.54
Operation Costs	29.94	28.42	28.15	29.52	41.84	34.37	15.29
Operations Staff costs - Local Staff	22.88	24.01	25.21	26.46	27.78	29.16	15.31
New HSC Cost Post Capex	-	10.75	5.37	2.69	2.69	2.69	1.34
KPI Deductions	0.36	3.53	4.45	4.77	5.37	5.76	3.04
Total Expenses	53.18	66.71	63.18	63.43	77.67	71.98	34.97
PBDIT/EBITDA	128.67	17.01	33.47	36.98	35.02	48.65	28.56
Depreciation	45.50	45.50	45.50	45.50	45.50	46.04	-
Interest on Loan	20.93	15.55	14.54	12.23	9.42	5.80	0.88
PBT/EBT	62.24	(44.04)	(26.57)	(20.75)	(19.90)	(3.20)	27.69
Provision for Tax	-	-	-	-	-	-	-
PAT/Net Profit	62.24	(44.04)	(26.57)	(20.75)	(19.90)	(3.20)	27.69

Annexure – II: FINACIAL PROJECTIONS REVISED BY US

(Rs. In crore)

Particulars	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Billings	62.97	70.66	89.02	95.34	107.38	115.16	60.74
GST Claim from DJB-NOR	3.14	1.41	1.78	1.91	2.15	2.30	1.21
Power Incentive	0.48	0.48	0.48	0.48	0.48	0.48	0.24
New HSC Revenue Post Capex	-	10.75	5.37	2.69	2.69	2.69	1.34
Tanker Current Bills	1.40	0.42	-	-	-	-	-
Loan principal adjustment	81.43	-	-	-	-	-	-
Total Revenue	149.43	83.73	96.65	100.41	112.69	120.63	63.54
Operation Costs	29.94	28.42	28.15	29.52	41.84	34.37	15.29
Operations Staff costs - Local Staff	22.88	24.01	25.21	26.46	27.78	29.16	15.31
New HSC Cost Post Capex	-	10.75	5.37	2.69	2.69	2.69	1.34
KPI Deductions	0.36	3.53	4.45	4.77	5.37	5.76	3.04
Total Expense	53.18	66.71	63.18	63.43	77.67	71.98	34.97
PBDIT/EBITDA	96.25	17.01	33.47	36.98	35.02	48.65	28.56
Depreciation	45.50	45.50	45.50	45.50	45.50	46.04	-
Interest on Loan	24.46	13.45	12.44	10.44	8.01	5.00	0.76
PBT/EBT	26.29	(41.94)	(24.47)	(18.96)	(18.49)	(2.39)	27.80
Provision for Tax	-	-	-	-	-	-	-
PAT/Net Profit	26.29	(41.94)	(24.47)	(18.96)	(18.49)	(2.39)	27.80