

"A man is
great by
deeds, not by
birth"
-Chanakya

Welcome to IIMK



INDIAN INSTITUTE OF MANAGEMENT KOZHIKODE



Case Study

IIMK/CS/246/FIN/2024/02

March 2024

**Financing Social Infrastructure:
Case of a Sewerage Project in Kerala**

Abhilash S Nair ¹

©

All rights belong to their respective author.

Please contact the corresponding author, if you would like to access the full case study.

¹Professor, Finance, Accounting and Control area, Indian Institute of Management Kozhikode, IIMK Campus PO, Kunnamangalam, Kozhikode, Kerala 673 570, India; Email: abhilash@iimk.ac.in, Phone Number - 0495 2809498

Financing Social Infrastructure: Case of a Sewerage Project in Kerala

Abstract:

Pan India, only 28% of urban sewage undergoes treatment, while the remaining is improperly and illegally discharged into lakes, rivers, and ground. The situation is particularly dire in the state of Kerala, where only 4% of the required Sewage Treatment Plant (STP) capacity exists. In response to directives from the National Green Tribunal, Kerala is exploring alternative methods to finance new STPs. The Kochi Canal Authority is spearheading efforts to create, structure, and finance this essential infrastructure. With an estimated investment requirement of approximately RS. 2,000 crores, Mr. Sasidharan Nair, CEO of the Kochi Canal Authority, is considering various financing structures aimed at ensuring quality service, prolonged asset life, proper maintenance, and minimal burden on the government exchequer. He is contemplating four potential structures:

- (i) Engineering, Procurement, and Construction with government grants.
- (ii) Engineering, Procurement, and Construction with funding from Multilateral Development Banks.
- (iii) Private participation with services being tolled or ticketed.
- (iv) Private participation with no tolls but with annuity support from the government.
- (v) Private participation with no tolls but with partial annuity support from the government.

Faced with this dilemma, Mr. Nair is analyzing the risks and rewards associated with each financing structure.



भारतीय प्रबंध संस्थान कोषिककोड
Indian Institute Management Kozhikode
Globalizing Indian Thought

Research Office
Indian Institute of Management Kozhikode
IIMK Campus P. O.,
Kozhikode, Kerala, India,
PIN - 673 570
Phone: +91-495-2809237/ 238
Email: research@iimk.ac.in
Web: <https://iimk.ac.in/publications>

