

News monitored for: Dr. Reddys

THE ECONOMIC TIMES



PROJECT

Purifying water in villages

ORGANISATION

Naandi Community Water Services

WHY FOR-PROFIT

“To provide high quality safe drinking water and collect user fees from communities, one needs a team with an entrepreneurial outlook that is driven by passion, efficiency and the creation of an economic surplus.”

KALLAM ANJI REDDY

Chairman, Naandi Foundation

Cure for Clean Water

When three well-known Indian businessmen and the world's second-largest packaged-water producer come together to start a 'social enterprise', you have to sit up and take notice. The three promoters are: K Anji Reddy, chairman of drug maker Dr Reddy's; Anand Mahindra, vice-chairman and MD, Mahindra & Mahindra; and Rajendra Prasad Maganti, chairman of infrastructure company Soma Enterprises. The trio, along with danone.communities, the social enterprise incubator of Paris-based Groupe Danone, have invested in Naandi Community Water Services (NCWS) to supply safe and affordable drinking water to Indian villages, at a nominal price.

NCWS plans to run at least 750 community-owned water-purification plants across India by March 31, 2012. It runs 460 such facilities currently, the largest installed base of community water systems in the country.

NCWS is the for-profit avatar of what began as a charitable initiative in 2006 within Naandi, a Hyderabad-based NGO, of which Reddy is founder-chairman and Mahindra and Maganti are life trustees. The initiative involved operating and servicing water-purification plants in villages, set up with government funding by charging consumers a user fee.

In April 2010, this activity was spun off into a social business. "This is a serious service...you

need a team with an entrepreneurial outlook that is driven by passion, efficiency and the creation of an economic surplus," says Dr Reddy. "And given that this service is safe drinking water, the social business model is best suited."

The model will help "create impact on an even larger scale," adds Mahindra. It will also help fund-raising, appeal to talented managers with business experience in the social sphere, create incentives to ensure viability of each water centre and reinforce

This social venture charges 10-20 paise per litre as a user fee to clean the water of contaminants such as bacteria and fluoride

the voice of users as customers, he explains. Danone.communities came in as an investor in June 2010 and owns 49% of NCWS. The three Naandi life trustees hold 17% each.

Naandi CEO Manoj Kumar says the investments are relatively small since the model is not about "creating water plants but servicing them." But it can help finally "solve the drinking water problem in the country," he says. NCWS also benefits from Danone's expertise in quality assurance, supply chain management and inventory control, Kumar says. As of late last year, NCWS had made purified drinking water available to 2.1 million

people. It charges 10-20 paise per litre—a fraction of what branded, packaged water costs the consumer—as a user fee to clean the water of contaminants such as bacteria and fluoride. "This represents our revenue," says Kumar. "Our actual business is making sure the plant works."

Last week NCWS made its first urban foray, commissioning a water plant in three days for a Hyderabad slum; Kumar says people draw water by paying a user fee of Rs 2 for 12 litres.

A purification plant costs under Rs 10 lakh and is funded by one-time donations from state governments in most cases. In some cases, individual donors have bridged the funding gap. NCWS operates in Punjab, Haryana, Andhra Pradesh, Karnataka and Rajasthan.

The decision to spin it off seems to have stemmed from "a realisation that you can't do this as charity and there may be a need to follow a business model to deliver," says Vineet Rai, CEO of social VC firm Aavishkaar, which has funded a water-purification start-up.

Besides water, Naandi has spun off an organic coffee-growing initiative involving tribals in south India into a company known as Araku Originals. It is contemplating using the social business model in education and livelihoods. "We have to redefine the way charities can grow," says Kumar. "There is a huge base of the pyramid to be served."

NEW PACKAGING: NCWS is the for-profit avatar of what began as a charitable initiative in 2006 within an NGO founded by Anji Reddy