



**A SURVEY REPORT:
IMPACT OF COVID-19
ON SANITATION ENTERPRISES**

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Better Sanitation Collective Team
Intelicap Advisory Services Private Limited

Disclaimer:

This survey report 'Impact of COVID-19 on Sanitation Enterprises, is based on data provided by the enterprises and secondary research only. The report is confined to the assessment of response received from the enterprise and does not reflect any views of Intelicap.

Due to lockdown and limited interaction with stakeholders it was practically impossible to assess all the aspects of COVID-19's impact on enterprises and hence the survey report may not be exhaustive and representing all possibilities

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CONTENTS

1

Background

2

Objective
and
Approach

3

Survey
Results

4

About Us

BACKGROUND

Over the last few months, the spread of COVID-19 pandemic has led countries across the globe to witness an unprecedented impact on healthcare systems in particular and economies as a whole. This modern age pandemic has caused a major economic slowdown with a loss of around \$8.8 trillion, which is around 9.7% of the global GDP¹. Studies across the globe suggest that the impact of this pandemic has been felt across industries with the small and medium enterprises (SMEs) being the worst hit. The micro, small and medium enterprises (MSMEs) across the world constitute 90% of the businesses and provide 50% of worldwide employment².

The story is no different in India, where the increasing numbers of COVID-19 cases have caused severe health and economic crisis. According to a research undertaken by Crisil, India is likely to see a 4% permanent loss of GDP³ and may lose close to \$29 billion due to the pandemic⁴. As most economic activities remained halted during lockdown, a lot of businesses in the MSME category faced the risk of extinction due to decreased demand for non-essential commodities, labour shortage, credit deficit and almost no working capital⁵. Since the SMEs contribute to 29% of the GDP, and employ more than 11 crore people⁶, it is imperative to study, and understand how they have been impacted and design measures to support them.

Intellectap pioneers in providing innovative business solutions that help build and scale profitable and sustainable enterprises dedicated to social and environmental change. Over the last 18 years, Intellectap has been supporting enterprises working across areas of water and sanitation, health, clean energy, agriculture, financial inclusion, etc. by building enabling ecosystems through its three-part approach comprising knowledge, networks, and capital.

At Better Sanitation Collective – an initiative by Intellectap, we recognize the role of sanitation enterprises in the current scenario and the challenges they may have faced in being operational during the pandemic. Hence, to better understand the impact of COVID-19 pandemic on them and the ecosystem in which they function, we conducted a survey, and reached out to 200 enterprises. The survey primarily focused on capturing the impact of the pandemic on their business operations, their response to these challenges and additional support needed to tide over the ongoing crisis. In addition to analysing responses of sanitation enterprises as a whole, we have provided a separate section on the responses of enterprises working in Faecal Sludge Management.

We hope you find the report useful!

¹ ADB report on COVID-19

² The World Bank Group: Small and Medium Enterprises (SMES) Finance

³ Impact of COVID-19 on economy; Crisil

⁴ ADB report on COVID-19

⁵ Impact of COVID-19 on the Indian Economy (MRD Report); Tanisha Mukherjee, Nilanjan Ray and Sudin Bag

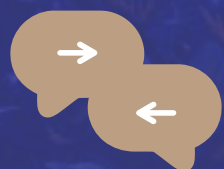
⁶ NIFTY SME Emerge, White Paper; IISL & MSMEs contribution to India economy

OBJECTIVE AND APPROACH

OBJECTIVES OF THE SURVEY



Assess impact of COVID-19 pandemic on sanitation enterprises in general and FSM players in particular



Understand how these enterprises have responded in terms of sustaining business operations



Identify support needed by the enterprises to tide over the ongoing crisis

APPROACH TAKEN



RESPONDENTS

Survey questionnaire was shared with over 200 enterprises working in faecal sludge management, solid waste management, waste water treatment and other sanitation relation areas



OUTREACH METHOD

In addition to sharing the online survey questionnaire, follow up calls were made to over 100 enterprises for filling in the survey and collect qualitative insights



DURATION

The survey was kept open for a reasonable duration (3 weeks) to allow for maximum responses to be received

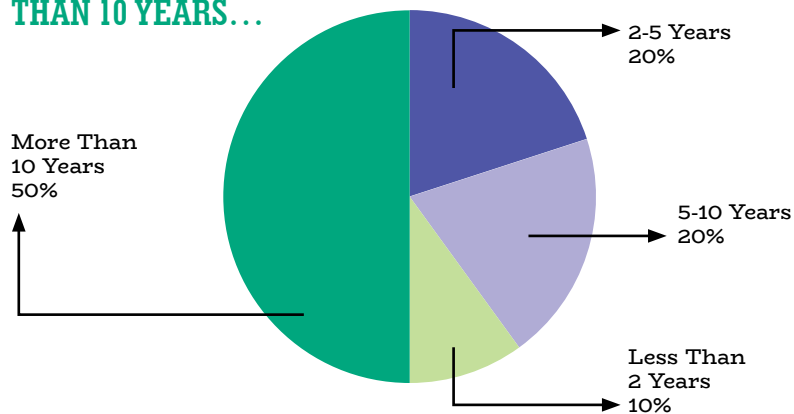
A TOTAL OF 30 ORGANIZATIONS RESPONDED TO THE SURVEY

MAJORITY OF SURVEY RESPONDENTS ARE FSM OR WASTEWATER MANAGEMENT PLAYERS¹...

RESPONDENTS OPERATIVE IN

Faecal Sludge Management	23
Solid Waste Management	12
Waste Water Management	22

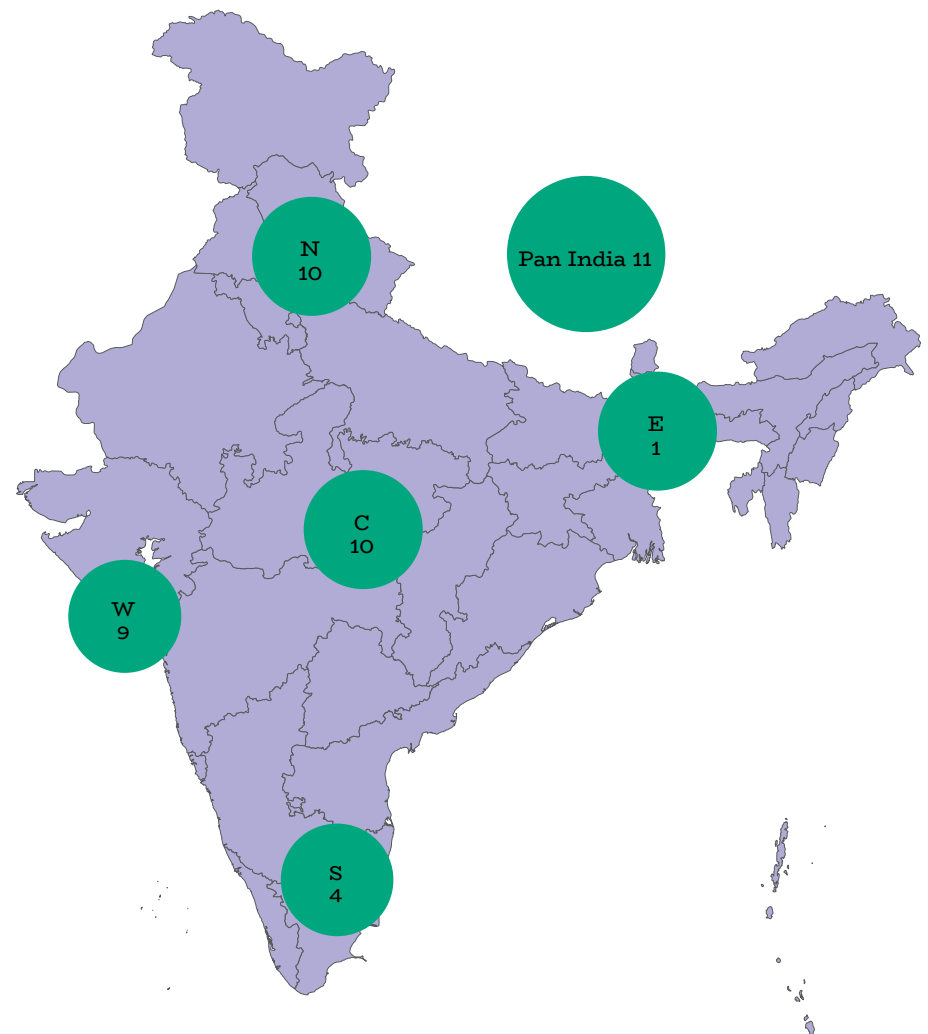
...WITH ABOUT 50% OF THEM BEING IN OPERATION FOR MORE THAN 10 YEARS...



¹ Majority survey respondents are operative in more than one area. For example, 23 out of 30 respondents have FSM as one of the areas they operate in

² Two respondents have operations outside India. Majority respondents are operative in more than one region

... WITH GEOGRAPHIC REACH SPANNING ACROSS THE COUNTRY²



Impact

ON SANITATION ENTERPRISES

- Majority of sanitation enterprises have reported a revenue loss of higher than 50% over the last few months. Revenues from both government agencies/ public sector clients and private sector clients are reported to be equally affected.
- Almost half of the enterprises working across Faecal Sludge Management, Solid Waste Management, Waste Water Treatment have reported an increase in costs during the last few months, with some of them seeing over a 50% rise (costs for enterprises with reduced volume of operations have reduced overall).
- To keep up with decreasing revenues and increasing costs, some sanitation enterprises have resorted to shutting down some or all business lines. Even as some of them have laid off employees, most have adopted alternative measures such as delaying payments and salaries, instituting pay-cuts and compulsory leaves, reducing the number of permanent employees etc.
- Over a quarter of sanitation businesses have reported innovating to re-invent their business in one way or another.
 - » Some have increased their focus to solid waste like pickup services of used masks, PPE, gloves for incineration from hospitals and societies etc. Others are modifying treatment technologies used in toilets to kill coronavirus in feces¹.
 - » Others are providing new products/ services in line with demands related to COVID-19 pandemic e.g. sanitization tunnels, foot operated wash basins, low cost IHHL, kitchen disinfectant devices etc.
 - » Some enterprises are also experimenting with various technologies enabling employees to work remotely, adopting leaner staffing models or training their salesforce for home based work during this period.
 - » Sale of hygiene products to low income communities using existing business infrastructure.

¹ Lancet studies suggest that coronavirus can last in faecal matter up to 15-20 days.

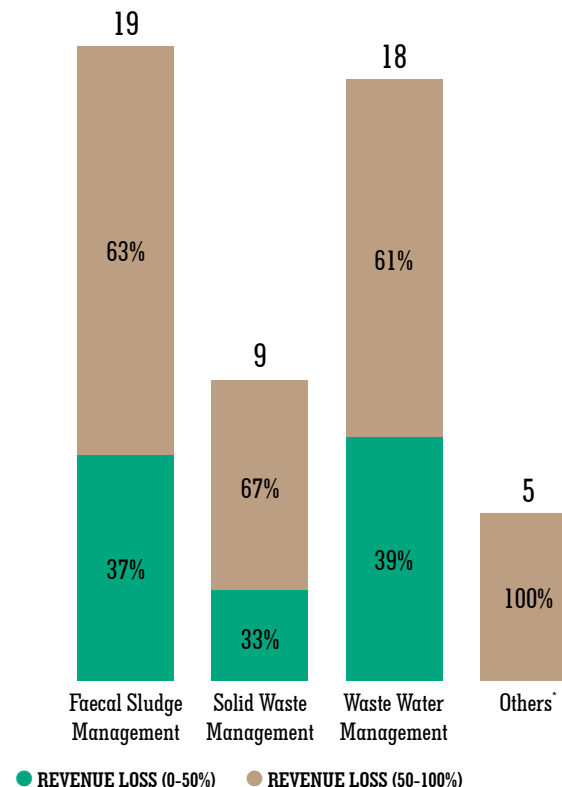
OF THE PLAYERS THAT CHOSE TO RESPOND TO QUERIES ON REVENUE IMPACT, ALL HAVE CITED AN OVERALL LOSS OF REVENUES; RANGING FROM PARTIAL TO COMPLETE SHUTDOWN OF BUSINESS LINES

- Over 60% of players operating across FSM, SWM and waste water management have experienced over 50% loss in revenues.
- For most players, this is a combination of revenues coming from Government agencies or public sector clients as well as private sector clients. For some of them, CSR commitments have been diverted and other grant money has also taken a hit.
- Even as majority of players irrespective of the number of years they have been in business have seen over 50% revenue loss, almost 70% enterprises with under 5 years of operation witnesses 50-100% revenue loss.

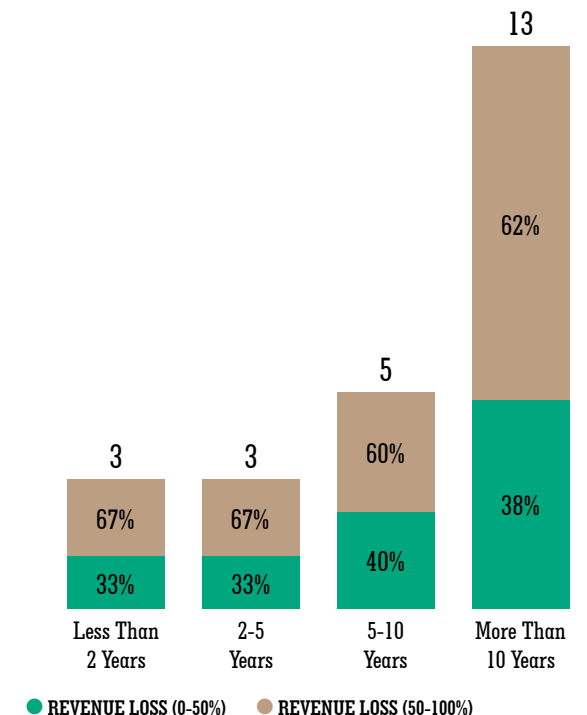
* Others include areas of work such as portable sanitation, chemicals and scientific instruments trading, RO systems, industrial oils, gasifier manufacturing, environment awareness etc.

** Majority survey respondents are operative in more than one area of work and have responded for all their areas of work put together

IMPACT ON REVENUES
(BY RESPONDENT'S AREA OF WORK)**

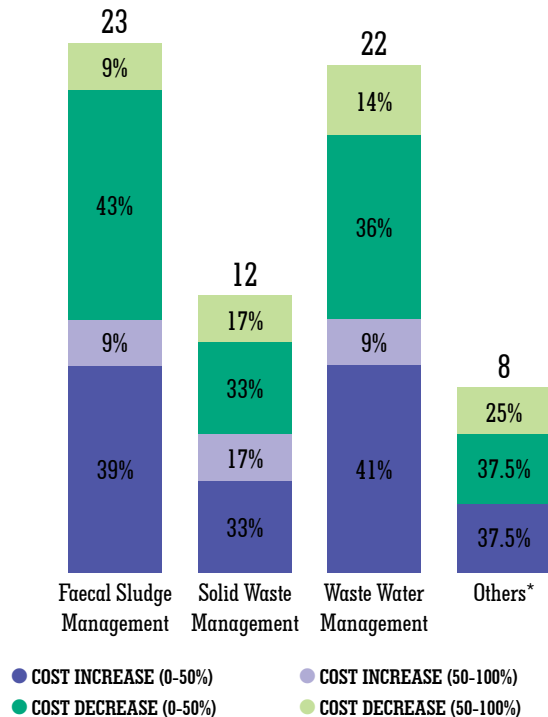


IMPACT ON REVENUES
(BY RESPONDENT'S YEARS OF OPERATION)

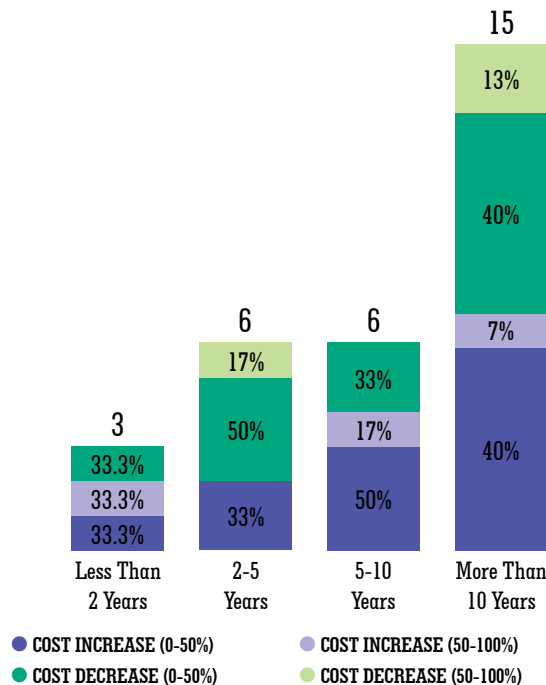


OVERALL COSTS SEEM TO HAVE GONE UP FOR THE ENTERPRISES THAT CONTINUE TO BE OPERATIONAL, MOSTLY INCLUDING EXPENSES RELATED TO LABOUR, TRANSPORT, CHEMICALS AND SAFETY EQUIPMENTS

IMPACT ON COSTS
(BY RESPONDENT'S AREA OF WORK)**



IMPACT ON COSTS (BY RESPONDENT'S YEARS OF OPERATION)



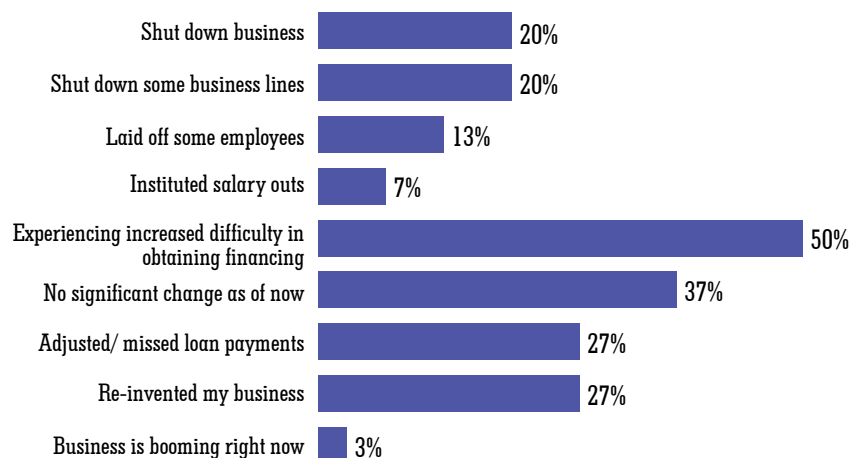
- 50% of enterprises working across FSM, SWM, WWT areas have reported an increase in costs during the last few months, with some of them seeing over a 50% rise
- The increase in costs have affected enterprises irrespective of number of years in operation
- For the enterprises witnessing increasing costs, majority have seen this increase for labor costs followed by costs for chemicals and other consumables as well transportation
- Additional costs that have been reported include cost of PPE kits and other safety measures taken at the sites

* Others include areas of work such as portable sanitation, chemicals and scientific instruments trading, RO systems, industrial oils, gasifier manufacturing, environment awareness etc.

** Majority survey respondents are operative in more than one area of work and have responded for all their areas of work put together.

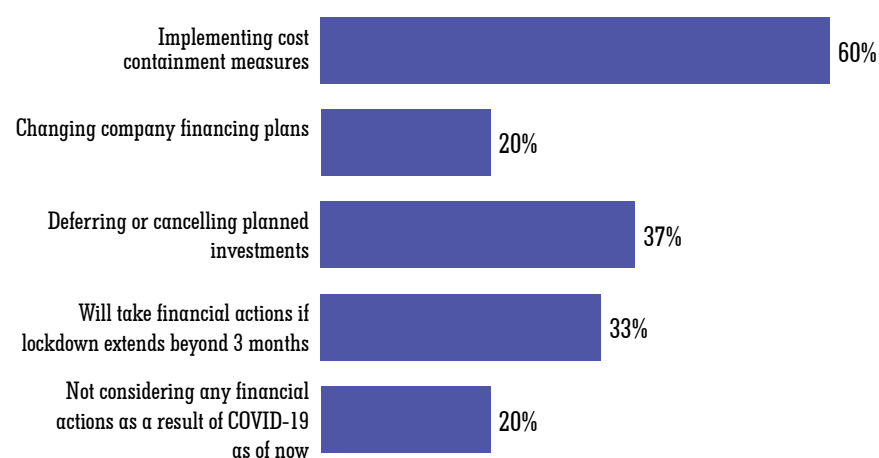
AS A RESULT OF DECREASING REVENUES AND INCREASING COSTS, MOST ENTERPRISES HAVE HAD TO SHUT DOWN SOME OR ALL OF THEIR BUSINESS LINES

RESPONSE OF ENTERPRISES TOWARDS BUSINESS OPERATIONS¹



- 40% of respondents have either had to shut down their operations partially or even fully
- 50% of respondents are experiencing more difficulties than usual in obtaining financing with 27% having missed loan payments
- However, there are also some enterprises that have used the crisis as an opportunity to innovate and re-invent their business

SUBSEQUENT FINANCIAL ACTIONS TAKEN BY ENTERPRISES¹

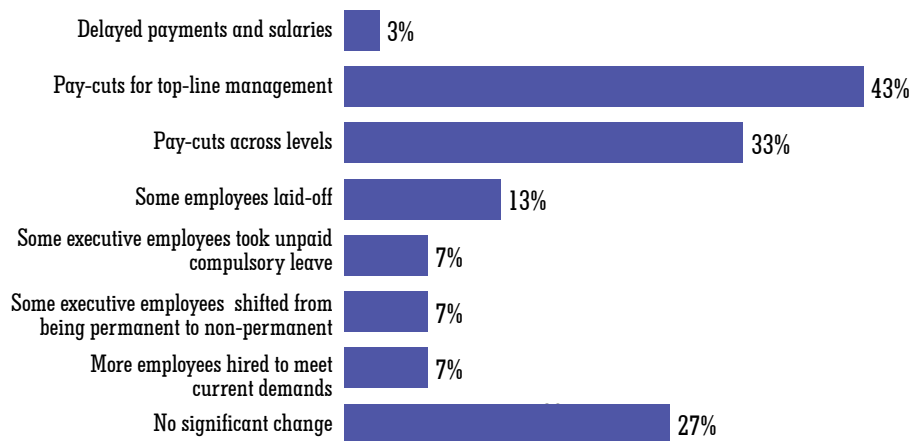


- 60% of all enterprises said that they are having to implement some kinds of cost containments measures during this period. These primarily include reducing HR costs by various measures
- Almost 40% of respondents have had to defer or cancel investments they had planned
- However, about 50% enterprises are observing how the situation develops before taking any concrete financial actions.

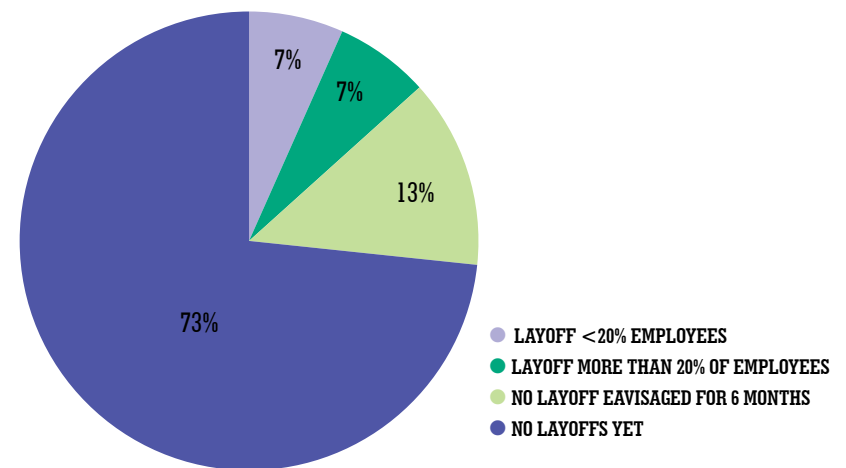
¹Enterprises have chosen multiple options as responses at a time

WHILE SOME ENTERPRISES HAVE LAID OFF EMPLOYEES, MOST HAVE TAKEN ALTERNATIVE MEASURES TO DEAL WITH COSTS RELATED TO HUMAN RESOURCES DURING THIS TIME

RESPONSE OF ENTERPRISES IN TERMS OF HUMAN RESOURCE MANAGEMENT



- Over 75% of enterprises needed to institute pay cuts for employees during this time, while about half of these have restricted pay-cuts to top-line management
- About 13% of the responding organizations have resorted to laying off employees due to reduced volume of operations as well as to reduce cost of labor



- Although, 86% of enterprises have reported not laying off employees yet or not having plans to do so in the next 6 months, they have resorted to other cost cutting measures across such as unpaid compulsory leaves, reducing number of permanent employees etc.
- Enterprises have reported facing challenges linked to non-availability of migrant labour at project sites

Note: Enterprises have chosen multiple options as responses towards Human Resources Management

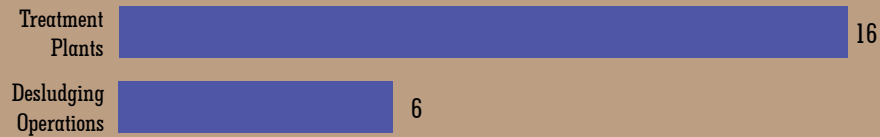
Impact

ON FSM PLAYERS

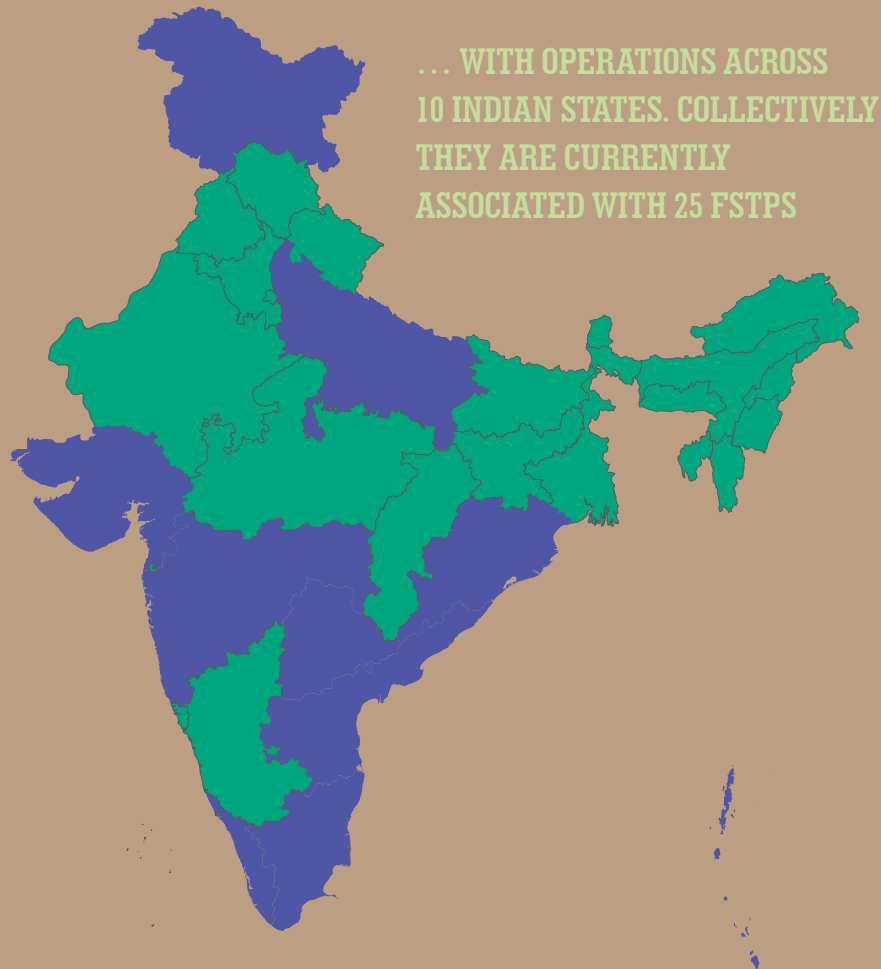
- While some FSTP operators have reported a complete closure of operations, many cite significant disruption to operations due to shortage of labor, delayed procurement of materials, delayed site clearance resulting in overall project delays
- All FSM players have seen a loss in revenue, attributable to both Government agencies/ public sector clients as well as private sector clients. However, some have expressed a preference to achieve better balance in both revenue sources going forward
- Due to reduction in volume of operations, many FSM players are seeing subsequent reduction in costs. However, for the ones that still have operational sites, costs of labor, transportation and for additional safety equipment are increasing
- Increasing difficulties in obtaining working capital finance is being cited as an additional challenge inhibiting the ability of the private players to operate their plants smoothly
- Even as the private players deal with the above mentioned challenges, majority of them are taking safety measures for their employees to maintain business continuity
- With regards to FSTP tenders, many respondents have expressed keenness to continue applying once the lockdown restrictions ease. However, some have also cited restricted cash-flows and additional delay expected in Government payments acting as a deterrent in new project participation
- There have been instances of smaller private players currently operating FSTPs have been approaching larger players for a buyout and subsequent takeover of FSTP operations

OVER 50% RESPONDENTS ARE OPERATIVE IN FSM

MOST FSM PLAYERS WHO RESPONDED TO THE SURVEY ARE FSTP OPERATORS...

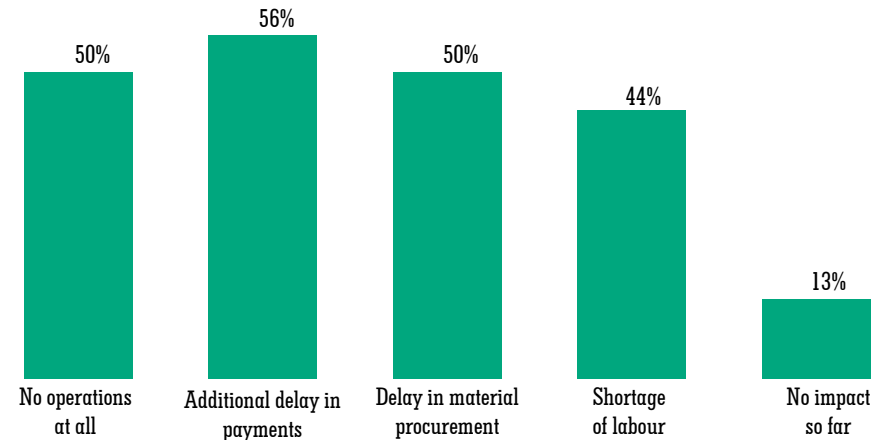


Note: While some survey respondents working in the FSM value chain are either doing desludging or operating FSTPs, there are also some respondents who are doing both.



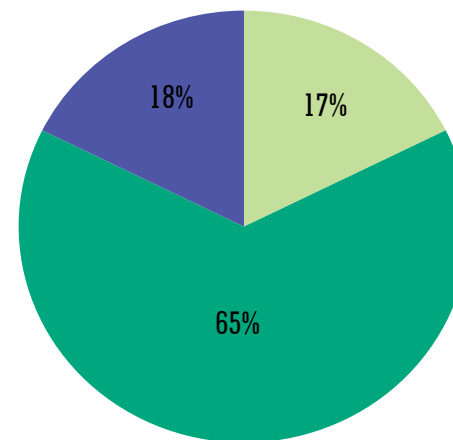
IMPACT ON FSM PLAYERS

IMPACT ON FSM BUSINESS OPERATIONS



Note: Enterprises have chosen multiple options as responses towards impact on FSM business operations

IMPACT ON ACCESS TO WORKING CAPITAL FINANCE



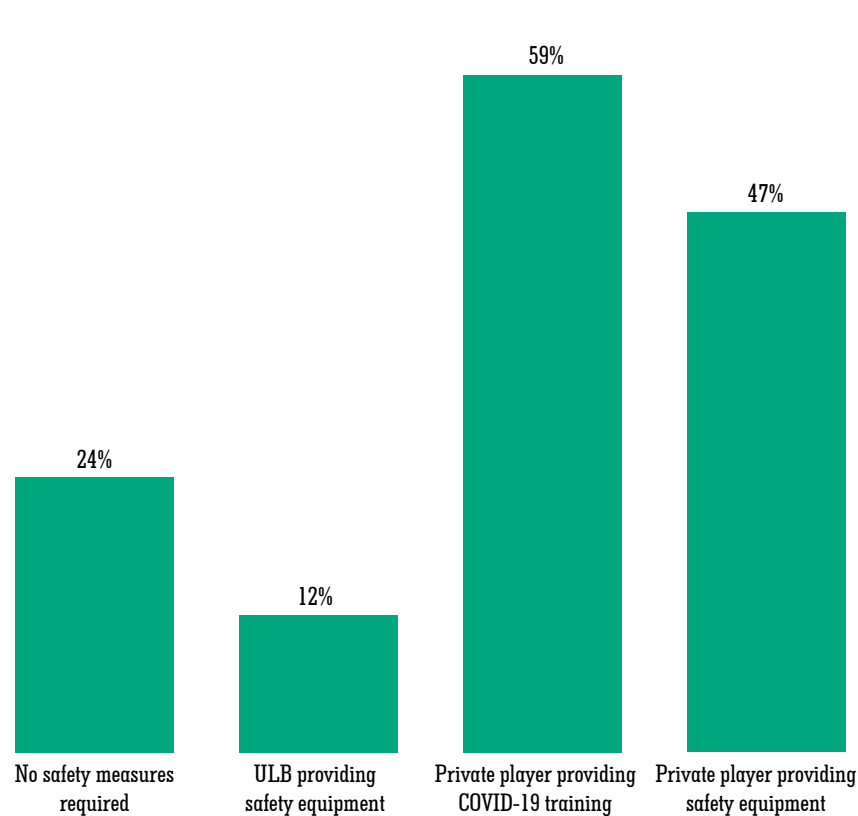
● BECAME MODERATELY CHALLENGING
 ● BECAME SIGNIFICANTLY CHALLENGING
 ● NO IMPACT

- 50% of respondents involved in FSTP operations have reported a complete shut down in operations. Some of the reasons include non-operational desludging trucks leading to no input for the plant, shortage of labor etc.
- Others are seeing a severe disruption in operations with 50% experiencing delay in material procurement and 44% reporting a shortage of labor
- Over 55% FSTP operators have also reported additional delay in payments
- These challenges are compounded with over 80% players facing difficulties in accessing finance for their working capital needs

RESPONSE OF FSM PLAYERS

SAFETY MEASURES ADOPTED FOR BUSINESS CONTINUITY

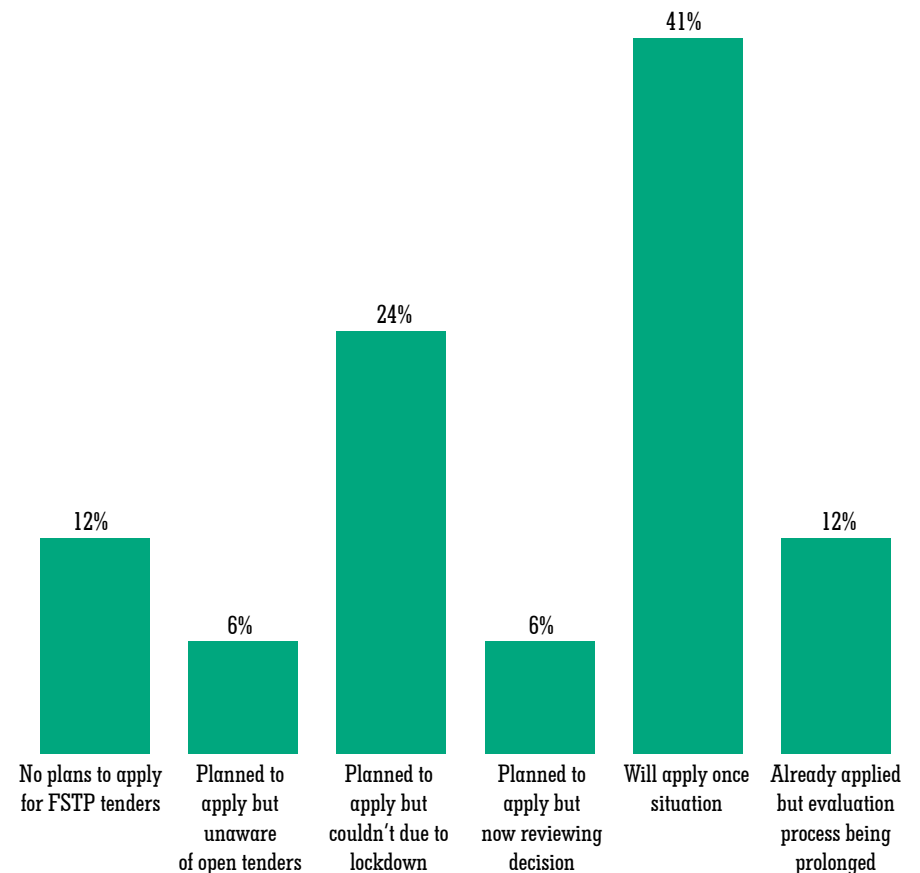
- 75% of respondents cited taking safety measures for their staff so as to maintain business continuity. Even as a few of them are supported by ULBs in this effort, majority players are themselves providing safety equipment and training to staff to run operations during the pandemic
- However, 25% respondents don't feel the need to take safety measures as most of their employees are working from home



Note: Enterprises have chosen multiple options as responses towards safety measures adopted

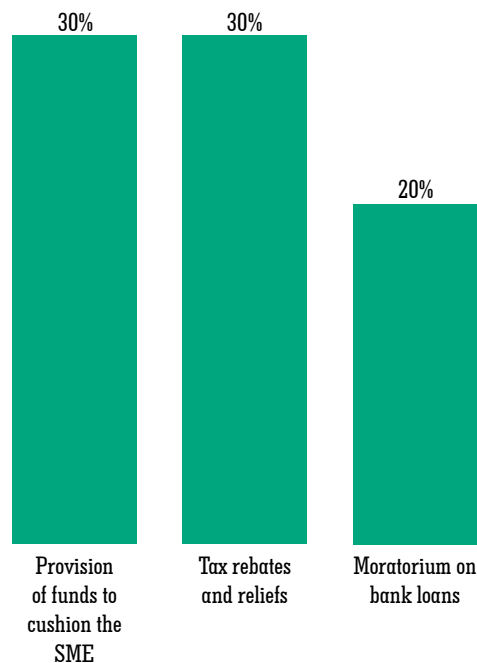
PLANS FOR POTENTIAL BUSINESS OPPORTUNITIES

- Application for potential business opportunities is expected to continue once operations can return considerably to BAU with over 40% respondents willing to apply for FSTP tenders
- Almost 25% of respondents had to hold off their application in view of the enforced lockdown
- 6% respondents cited possible additional delays in payment from Government as the reason to review their decision to apply for FSTP tenders.



RECOMMENDATIONS ON SUPPORT NEEDED BY SANITATION ENTERPRISES

**EVEN AS PROVISION OF FUNDS FOR
SMEs AND TAX REBATES HAVE BEEN
APPRECIATED AS THE MOST HELPFUL
GOVERNMENT INITIATIVES ...**

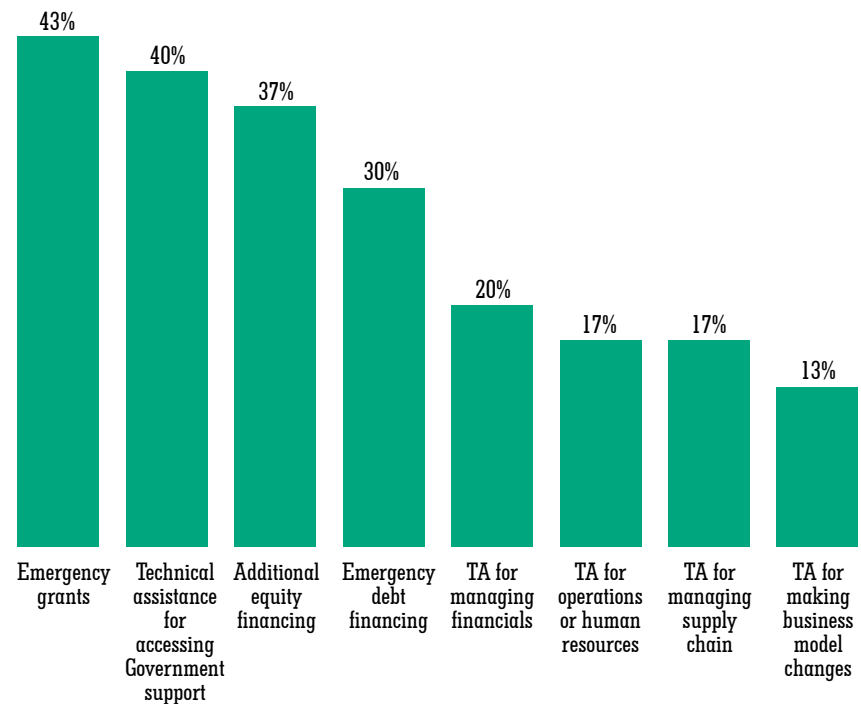


Note: 10% enterprises did not find any Government initiatives as useful for themselves. Another 10% were non-responsive

Sanitation enterprises have also suggested

- Continued focus of the Government on waste management and FSM sectors as some fear de-prioritization of the same in the near future

**... A HOST OF ADDITIONAL
SUPPORT MEASURES REQUESTED
BY ENTERPRISES TO EMERGE FROM
THE ONGOING CRISIS**



Note: Enterprises have chosen multiple options as responses towards support needed

- Relaxed conditions (specially financial criteria) for startups and MSMEs to apply for FSTP tenders

OUR TEAM



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ABOUT US

BETTER SANITATION COLLECTIVE

Better Sanitation Collective is an Intellecip initiative that brings together stakeholders such as entrepreneurs, investors, R & D institutions and other ecosystem intermediaries to support India's efforts towards attaining Sustainable Development Goal 6.

At Better Sanitation Collective, we are undertaking three pronged approaches to work to address the challenge faced in sanitation sector

Develop: Identify, nurture, and drive adoption of breakthrough solutions in the sanitation sector across the country

Facilitate: Create an enabling ecosystem for enterprises by providing technical and strategic support to accelerate growth

Convene: Organize stakeholder interactions at national and regional level to cultivate a common agenda, build collaborations and facilitate cross-learning

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INTELLECAP/AAVISHKAR GROUP

Intellecip, a part of the Aavishkar Group is a pioneer in building enabling ecosystems and channeling capital to create and nurture a sustainable & equitable society. Founded in 2002, Intellecip works across critical sectors like Agriculture, Livelihoods, Climate Change, Clean Energy, Financial Services, Gender & Inclusion, Healthcare, Water and Sanitation, and has delivered over 500 global engagement across.

40+ countries and syndicated investments of over \$500 Million USD in Capital. Intellecip through its presence in India and Africa, provides a broad range of Consulting, Research and Investment Banking Services, to Multilateral Agencies, Development Finance Institutions, Social Enterprises, Corporations, Investors, Policy Makers and Donors. Our common action platform, Sankalp Forum, one of the largest global inclusive development platforms, brings together the ecosystem to shape the way markets work for delivering the SDGs 2030. Select clients of intellecip include the USAID, Rockefeller Foundation, World Bank, Ford Foundation, The Hans Foundation, Doen Foundation, GIZ, DFID, Hindustan Unilever, P&G, International Finance Corporation, Asian Development Bank and Michael and Susan Dell Foundation.

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