

CASE STUDY

SELECTING A RIGHT CONTRACTING MODEL - BOOT

A company established in Gujarat had lot of chemical waste which contained fatty oil, residual hydrocarbon, some wax. The Company was dumping the waste in nearby sea. One day the company received a notice from Pollution Control Department and Environment board not to dump such a hazardous waste in sea which was causing harm to life in the sea.

The Company searched various technologies existing to treat the chemical waste but was not able to locate the technology. The Company even floated enquiry to treat the waste on EPC basis and evaluated various offers but no one could provide the required guarantee.

An American company in waste treatment technology had an engineering office in India and was undertaking few small projects in India to keep the business going. The Waste treatment company had developed an in-house technology which could treat hazardous waste, but the technology was not used commercially and did not had any reference of the technology.

When the Waste Management Company approached the Chemical Company and made technical presentation although the technical team was impressed, the senior management of Chemical Company did not approved the proposal, due to lack of any commercial reference for the technology.

The management of Waste treatment Company was demoralised. At the same time was very much confident on their technology but could not find any way to convince the management of chemical Company.

There was a dilemma, The Chemical Company did not wanted to invest in a technology which was not proven at the same time, the waste management company was confident in their technology

Finally the Commercial and Contracts dept. came with an innovative solution i.e to execute the plant on BOOT basis i.e Built, Own Operate and Transfer. A financial model was developed for checking the feasibility, sustain cash flow and per unit pricing and a proposal was send to the Chemical Company as follows:

The chemical company to provide a permission and land to build the plant in their premise and the Waste management company will invest in the Plant & Machinery and will built a Plant which will treat the chemical waste in line with the Pollution Control Norms. Once the Plant is ready, Commissioned and tested, the waste treatment will treat the chemical waste and Chemical company will pay on per cu meter of output produced.

While designing the BOOT model, Commercial department considered some interest free advance from Chemical Company to reduce the burden of financing charges in the project at the same time an arrangement with funding agency to keep the interest burden low. All operation costs including operation and maintenance cost till the end of BOOT period was accounted and a price at which the Plant to be transferred at the end of BOOT period was fixed.

The Contracts team worked on various clauses like Minimum monthly payment, Suspension / Termination compensation, down time provisions, liabilities and penalty was carefully drafted and negotiated. A proper care was taken to protect interest of the Company and mitigate all the possible risks in the project.

Thus both the companies signed a BOOT Contract, whereby the Waste treatment company could prove their technology, chemical company will get the benefits and pay, only if successful. **A Contracting model which brought Win-Win Situation for both the companies.**

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