

New Palsana Industrial Co-Op Society Limited

Instrument	Amount Rated	Rating Action
Term Loan	Rs. 42.30 crore	[ICRA]C+ revised
Bank Guarantee	Rs. 20.00 crore	[ICRA]A4 revised

ICRA has revised the long term rating assigned to Rs. 42.30 crore¹ term loan facility of New Palsana Industrial Co-Op Society Ltd (NPICSL)² to [ICRA]C+ (pronounced ICRA C Plus) from [ICRA]D (pronounced ICRA D). ICRA has also revised the short term rating assigned to NPICSL's Rs. 20.00 crore short term non-fund based facilities to [ICRA]A4 (pronounced ICRA A Four) from [ICRA]D (pronounced ICRA D).

The revision of the ratings reflects the timely debt servicing by the society from March 2016 with major debt retired from subsidies received in FY2016 and undertaking unsecured loans from member units. The ratings also draw comfort from the financial support to the society in terms of corporate guarantee provided by its current members and positively consider the advantages of a CETP as compared to individual effluent treatment plants, which could attract additional members to join the society, bringing additional capital and reducing overhead costs for the existing members. Nevertheless, timely payments of member's overhead contribution will remain critical for timely debt servicing, given the uncertainty associated with joining of new members and flexibility of withdrawal for existing memberships.

The ratings also remain constrained by stretched liquidity position of the society, owing to delays in receiving necessary subsidy funding which constrained the liquidity position of the society to service its debt obligations. Further, the ratings are constricted on account of NPICSL's revenues being vulnerable to cyclicity associated with the textile industry and changing environmental regulations affecting operations of member units and the CETP.

Society Profile

New Palsana Industrial Co-Op Society Limited is an organization promoted by the members of New Palsana Industrial Association for the purpose of development of common effluent treatment plant for management of waste water generated by the member units during manufacturing process. Currently, there are 25 members of the society, who are primarily small and medium scale dyeing and printing units located in the vicinity of the plant situated at Baleshwar (Palsana, Gujarat). The proposed plant has a capacity to process 45 million liters of waste water in a day.

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¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.



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