

Naba Diganta Water Management Limited

Instrument	Amount	Rating Action
Fund Based Bank Limits	Rs. 17.80 crore (increase from Rs. 4.45 crore)	[ICRA]BBB+ (Stable); reaffirmed
Non-Fund Based Bank Limits	Rs. 3.20 crore (reduced from Rs. 16.55 crore)	[ICRA]BBB+ (Stable); reaffirmed

ICRA has reaffirmed the long-term rating of [ICRA]BBB+ (pronounced ICRA triple B plus) assigned to the Rs. 17.80 crore¹ fund based bank facilities (increased from Rs. 4.45 crore) and Rs. 3.20 crore non-fund based bank facilities (reduced from Rs. 16.55 crore) of Naba Diganta Water Management Limited (NDWML).² The outlook on the long-term rating is 'Stable'.

Rationale

The rating reaffirmation takes into consideration NDWML's demonstrated ability to effect a tariff hike as per the development agreement (DA), which has a favourable impact on its profitability and cash flows, improvement in NDWML's profitability during FY2016 on account of an increase in the quantity of water supplied during the year along with stable cost of operations, and an additional income from construction work, though its contribution to the total income and profits remains nominal at present. The rating is also supported by the long track record of the promoters in the water supply and sewerage (WSS) sector, NDWML's conservative capital structure, high collection efficiency of user charges posted by the company till date and continuing cash flows from new connection charges, which has primarily been utilised for repayment of the term loans and other liabilities. NDWML has fully repaid its term loan in Q1 FY2017, and also, the dues payable to its promoters have reduced significantly with balance likely to be paid in FY2017. Going forward, with no repayments and no other liability to be paid, NDWML's liquidity position is likely get a support in future.

The rating is, however, constrained by the continuing usage of ground water by a part of potential as well as existing consumers despite a restriction on the use of the same by Naba Diganta Industrial Township Authority (NDITA), limiting growth in the scale of operations of NDWML. Additionally, any significant increase in the cost of bulk water purchased from Kolkata Municipal Corporation (KMC) in future could adversely impact NDWML's profitability, though such increase is recoverable from the users as per the DA. ICRA however notes that NDWML would require approval from NDITA for such revisions, timeliness of such approval would be critical for the company's liquidity profile going forward. These risks however are significantly mitigated by the demonstrated support shown by the company's promoters, Jamshedpur Utilities and Services Company Limited (JUSCO) and Voltas Limited (Voltas). Going forward, NDWML plans to invest in similar projects in other urban areas. The success of the company in these ventures therefore would be a key determinant of its credit profile going forward.

Company Profile

NDWML was incorporated as a Special Purpose Vehicle (SPV) by JUSCO and Voltas on January 09, 2008 to develop and provide WSS services in its concession area (CA) for 30 years under a Development Agreement dated November 08, 2007 signed between NDITA, Kolkata Metropolitan Development Authority (KMDA), JUSCO and Voltas. JUSCO and Voltas hold 74% and 26% respectively of the company's equity capital. The company's project was commissioned in January 2011. The CA with an area of 432 acres, covers the Sector – V of Saltlake City, Kolkata (West Bengal). A majority of the users in the CA are private sector companies, largely in the Information Technology (IT)/IT Enabled Services (ITES) sectors. During FY2016, the company supplied 24.00 lakh kilo litres (KL) water to over 260 consumers as compared to 21.65 lakh KL water to around 250 consumers in FY2015.

Recent Results

During FY2016, as per the audited financial statements, NDWML reported a net profit of Rs. 2.23 crore on an operating income of Rs. 8.91 crore as compared to a net profit of Rs. 1.43 crore and an operating income of Rs. 7.85 crore in the previous year.

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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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