

RATING RATIONALE

07 Feb 2020

Nangloi Water Services Private Limited

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Rs.220.30 Crs of Nangloi Water Services Private Limited.

Particulars

Facility	Amount Rated (in Rs. Cr)		Tenure	Previous Rating (Feb 2019)*	Rating Assigned*
	Previous	Present			
Fund Based - Term Loan	184.40	184.40	Long Term	BWR BBB- Stable Reaffirmation	BWR BBB- Stable Reaffirmation
Cash Credit	2.90	2.90			
Non Fund Based - BG	33.00	33.00			
Total	220.30	220.30	INR Two Hundred and Twenty Crores and Thirty Lac only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

Brickwork ratings has assigned a Long term rating of BWR BBB- with a stable outlook for Fund Based and Non Fund Based Limits.

The ratings draw comfort from well experienced management and promoter groups, grants received from Delhi Jal Board (DJB), progress achieved in the project implementation, continuous stream of income during the implementation phase and presence of revenue shortfall clause. The rating is, however, constrained by project execution and completion risk as the COD has been postponed, timely receipt of funding for the project and receipts from DJB in a timely manner.

The outlook of the company is stable as the company has achieved growth in revenue and the ability of the company to complete the project as per the revised schedule which provides revenue visibility in the medium term.

KEY RATING DRIVERS

- **Experienced Management and Promoter Groups:** NWSPL is promoted by Veolia Water India Pvt Ltd (51%) and Swach Environment Private Limited (49%), a group company of SREI Infrastructure Finance Ltd with focus on water and waste management projects. Veolia Water India Pvt Ltd (VWI) is a step down subsidiary of Veolia Water, founded in 1853 in Paris, France. VWI had successfully executed similar projects in Karnataka and Nagpur.
- **Grant from Delhi Jal Board:** Approx. 63% of the project cost is covered by the grants from Delhi Jal Board (DJB) and escalation approved by them. The grant from DJB also covers the escalation in the total project cost.
- **Increase in Total operating Income -** The Net Sales of the company has improved from Rs. 40.33 Crs in FY18 to Rs. 48.28 Crs in FY18 showing an improvement of 17.37%. During FY19, the company has been able to earn revenues of Rs. 20.80 Crs from its operations till September 2019.
- **Current Status of the Project:** The project is expected to be completed by 30.09.2020 as per revised schedule submitted by the company which has been approved by its bankers . Delhi Jal Board has given provisional approval till March 2020.
- **Obtaining Grant Funding on Time:** Out of the total estimated cost of the project of Rs. 665 Crs, 63% i.e. Rs. 419 Crs is covered by grant from DJB and escalation paid by them. Thus, successful completion of the project as per schedule largely depends on timely receipt of such funds from DJB. Any delay in releasing these funds by DJB may lead to delay in implementation of the project and can result into cost overruns as well.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has applied its rating methodology as debited in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the ability of the firm to improve its scale of operations by implementing the project, improve its profitability margins and efficiently manage its liquidity would remain the key rating sensitivities.

Positive: The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement backed by healthy liquidity.



Negative: The rating outlook may be revised to 'Negative' in case revenues of the company substantially deteriorates from current levels. Rating may also be adversely affected in case of deterioration in gearing and coverage ratios.

LIQUIDITY POSITION (ADEQUATE)

Company has a cash credit facility of Rs. 2.90 crs from Bank of India. Company has earned cash accruals(PAT +DEP) of Rs 0.77 Cr in FY19 declined from Rs. 0.80 Crs in FY18. Company had cash & cash equivalents of Rs. 12.20 Crs as on FY 19. There are no repayments due in FY20.

COMPANY PROFILE

Nangloi Water Services Private Limited (NWSPL) was incorporated in February, 2013 in New Delhi as a special purpose vehicle (SPV) promoted by Veolia Water India Pvt Ltd (51%) and Swach Environment Private Limited (49%), a group company of SREI. The scope of the SPV is to design, construct, develop, revamp, finance, operate and maintain the existing water supply, transmission and distribution network under the command area of Nangloi Water Treatment Plant at Delhi on Public Private Partnership (PPP) basis.

NWSPL was awarded the project based on the quote of net operator rate of Rs.14.97 per kilo litre. This rate includes operation & maintenance (O&M) expenses, financial costs, employee costs and other costs. DJB provides the raw water for the project and thus the effect of fluctuation of raw water costs does not need to be incurred by NWSPL. Although the scope of the project includes metering, billing and collection of monthly payments towards water usage from customers, the revenues for the company are linked to the net operator rate, aggregate volume distributed and collection efficiency.

KEY FINANCIAL INDICATORS (in INR Cr)

Key Parameters	Units	FY18	FY19
Result Type		Audited	Audited
Total Operating Income	Rs. in Crs	40.33	48.28
OPBDIT	Rs. in Crs	1.07	-0.39
PAT	Rs. in Crs	0.08	0.26
Tangible Net Worth	Rs. in Crs	55.27	55.48
TOL/TNW	Times	3.56	3.63
Current Ratio	Times	0.54	1.26

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY : NA

RATING HISTORY

Sl. No	Facility	Current Rating (2020)			Rating History		
		Type	Amount (Rs Crs)	Rating	Feb 2019	Dec 2018	Sep 2017
1.	Term Loan	Long Term	184.40	BWR BBB- (Stable) Reaffirmation	BWR BBB- (Stable)	Rating Not Reviewed	BWR BBB- (Stable)
2.	Cash Credit		2.90				
3.	Bank Guarantee		33.00				
Total			220.30	INR Two Hundred Twenty Crores and Thirty Lakhs Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Service Sector](#)
- [Short Term Debt](#)

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Nangloi Water Services Private Limited

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	Bank of India	Cash Credit	2.90		2.90
2	Bank of India	Term Loan	100.00		100.00
3	Bank of India	Bank Guarantee	33.00		33.00
4	SREI Infrastructure Finance Ltd	Term Loan	84.40		84.40
TOTAL					220.30

INR Two Hundred and Twenty Crores and Thirty Lac Only



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