



March 2, 2010

ICRA reaffirms LA+/A1 ratings for the bank limits of Ocean Sparkle Limited

ICRA has reaffirmed the LA+ (pronounced L A plus) rating for the Rs. 2611.62 million term loans (enhanced from Rs. 1740 million) and the Rs. 125 million other long-term fund based bank limits of Ocean Sparkle Limited (OSL)[†]. ICRA has also reaffirmed the short-term rating of A1 (pronounced A one) to the Rs. 265 million (reduced from Rs. 302 million) non-fund based working capital limits of OSL[†]. The long-term rating has been assigned a stable outlook. While reaffirming the ratings, ICRA has taken a consolidated view of OSL's group companies.

The ratings continue to reflect the company's experience and dominant market position in the area of port operation & management (O&M) services; assured revenue streams arising from its medium-to-long-tenured customer contracts; good track-record in securing repeat business and its moderate financial risk profile. The ratings are further strengthened by the favourable long-term demand outlook for port O&M services driven by the large-scale ongoing and proposed port developments in India. The ratings are, however, constrained by the large scale of the company's proposed expansion plans, most of which are likely to be debt-funded and to that extent would keep its credit profile moderately aggressive on a projected basis; and the expected enhancement in competition in the port O&M sector which could have a bearing on future revenue growth and profitability margins. ICRA notes that although the proposed capital expenditure programme of the company is substantial in comparison to its current scale of operations, it is largely linked to the expected certainty of revenue realisation through long-term contracts which largely mitigates against market risks and ensures adequate debt servicing capability of the company. Nevertheless, profitability would be exposed to some temporary timing mismatches which may arise between commitment of funds for asset acquisition and revenue generation from its deployment.

Company Profile

Incorporated in 1995 by a group of marine professionals, OSL is engaged in the provision and O&M of marine crafts, services of pilotage, harbour towage, mooring, ship-to-ship transfer, lighterage operations and dredging across various major, minor and captive ports in India. The core promoters of OSL include Mr. P. Jairaj Kumar, Mr. Sanjeev Dhawan, Mr. A.K Sawhney, and Mr. R. Virender Prasad, who together hold 43% stake in the company. About 16% stake is held by friends/relatives of the promoters while the balance 41% is held by various venture capital funds including IFCI VCL (SUUTI), Swisstech, Park Equity and IFIHF. With a marine fleet of 77 vessels (of which 65 are owned by OSL and its JVs), the OSL Group ranks amongst the largest operators of marine fleet for port operations in India. The company has also widened its business portfolio to include allied activities like dredging and maintenance of navigation aids to provide a complete bouquet of services to its customers. The OSL Group includes three JV entities with PSA Marine Pte Ltd. (PSAM), Singapore, a multinational maritime major, namely, Sea Sparkle Harbour Service Ltd (60:40 JV of OSL and PSAM for operations at Mormugao), Sealion Sparkle Maritime Services limited (51:49 JV of OSL and PSAM for operations at Ennore port) and Sealion Sparkle Ports & Terminals (Dahej) Ltd (49:51 JV of OSL and PSAM for operations at Petronet LNG Limited's jetty at Dahej), one JV company, Sparkle Overseas Pte Limited (89% OSL stake), formed for overseas business and another JV for undertaking large-scale dredging projects, Sai Sparkle Dredging & Infrastructure Developers Pvt. Ltd (the JV is, however, dormant at present and OSL has no significant investment plans for it in the near future).

At a consolidated level, OSL reported a profit after tax (PAT) of Rs. 342 million on an operating income (OI) of Rs. 1,807 million in 2008-09. As per unaudited results, the company has reported a PAT of Rs. 179 million on an OI of Rs. 1,012 million in H1 2009-10.

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

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*ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex".
The classification of instruments according to their complexity levels is available on the website www.icra.in*

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