

April 29, 2024

Karanja Terminal & Logistics Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund based - Long term - Term loan	406.48	408.06	[ICRA]D; reaffirmed
Fund based - Long term – FITL	49.30	44.25	[ICRA]D; reaffirmed
Fund based - Long term – GECL	9.38	7.71	[ICRA]D; reaffirmed
Fund based - Long term - Term loan	-	0.76	[ICRA]D; reaffirmed
Unallocated limits - Long term	1.84	6.22	[ICRA]D; reaffirmed
Issuer rating	-	-	[ICRA]D; reaffirmed
Total	467.00	467.00	

*Instrument details are provided in Annexure-I

Rationale

ICRA has reaffirmed the rating of Karanja Terminal & Logistics Private Limited (KTPL). The rating action factors in the continued irregularities in debt servicing by KTPL on account of poor liquidity. A subdued financial performance on the back of slower-than-expected customer addition and ramp-up in volumes has eroded the company's liquidity position.

ICRA, however, takes into account the strategic location of the terminal with good connectivity to the state and national highways along with several infrastructure projects planned in the vicinity. Nonetheless, the ramp up in volumes and cash generation from the operational activity will remain a key monitorable.

Key rating drivers and their description

Credit strengths

Strategic location of terminal with good connectivity - KTLPL's port and logistics facility is strategically located at Karanja Creek in Navi Mumbai, in proximity to the industrial hinterland and two major ports – JNPT and Mumbai Port. Further, the facility comes under the Jawaharlal Nehru Customs House (JNCH), which does the clearing for JNPT. This, coupled with good connectivity to the state and national highways, no evacuation restrictions and less congestion, should help attract bulk and container cargo. Further, there are several infrastructure projects which are going on/planned in the vicinity, which will provide opportunity for bulk cargo for these projects.

The facility has currently leased around 25 acres of the 100 acres of reclaimed land developed for phase 1 of the project for 40 months, which provides a stable rental income. KTLPL has approvals in place to develop 200 acres of reclaimed land and the lease with Maharashtra Maritime Board (MMB) is till 2059. At present, the company is in the process of getting approvals for additional land reclamation, which should aid future expansion of the project.

Tariff flexibility from being a non-major port – The company is a non-major port and has the flexibility to set the tariff based on market conditions and competition. The tariff charged will depend on the services provided and may include any discounts for committed volumes with specific customers.

Credit challenges

Delay in debt servicing – The company continues to delay in meeting its debt servicing obligations owing to subdued volume ramp-up and thus weak cash generation from operations.

Risk of stabilisation of operations; ability to attract cargo volumes - Post the commencement of operations, the ramp-up in cargo volumes has been subdued, partly on account of the impact of Covid-19 pandemic. It is crucial for the company to achieve a healthy ramp-up in cargo volumes and service contracts to improve its financial profile and meet its debt servicing obligations. However, while the company is in talks with several customers, it now has only a few contracted customers with committed volumes. Its ability to attract new customers and the quantum of volume and profitability from such contracts remain the key monitorables.

Liquidity position: Poor

The company's liquidity position remains poor due to inadequate ramp-up in cargo traffic at the port, which has resulted in significantly lower-than-required cash generation to meet the debt servicing obligations. The company has been delaying its debt servicing obligations since February 2023.

Rating Sensitivities

Positive factors – The ability of the company to regularly meet its debt servicing obligations on an ongoing basis may lead to an upgrade.

Negative factors – Not Applicable

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Ports Policy on Default recognition
Parent/Group support	Not Applicable
Consolidation/Standalone	The rating is based on the standalone financial profile of the company

About the company

Karanja Terminal & Logistics Private Limited (KTLPL, the company) is an SPV formed by Mercantile Ports and Logistics Limited (MERCPL; erstwhile SKIL Ports and Logistics Limited) to develop an all-weather port and a logistics facility at Karanja Creek, Chanje village, Raigad district, Maharashtra. A concession agreement (CA) was entered into between KTLPL and Maharashtra Maritime Board (MMB) on August 31, 2009, granting KTLPL the right to develop the Karanja port on a built-own-operate-transfer (BOOT) basis for a total lease period of 30 years (including two years construction period). Subsequently, in May 2018, MMB gave an in-principle approval to extend the concession to 50 years. The approvals are for 200 acres of reclaimed land and 1,000m waterfront. However, at present, 100 acres of land have been reclaimed and developed, with 800m of berthing space. The port has a draft of 6m and can accommodate vessels of up to 5,000 DWT at the port and 60,000 DWT at anchorage.

Key financial indicators (audited)

	FY2022	FY2023
Operating income	22.71	55.86
PAT	-56.96	-113.75
OPBDIT/OI	10.8%	24.2%
PAT/OI	-250.8%	-203.7%
Total outside liabilities/Tangible net worth (times)	0.94	1.13
Total debt/OPBDIT (times)	210.14	37.92
Interest coverage (times)	0.05	0.28

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

Status of non-cooperation with previous CRA:

	Ratings	Date
CRISIL Ratings	[CRISIL]D; ISSUER NOT COOPERATING	April 8, 2024

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years					
		Amount rated (Rs. crore)	Amount outstanding as on Dec 31, 2023 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023			Date & rating in FY2022
				Apr 29, 2024	-	Feb 08, 2023	Aug 04, 2022	Jul 27, 2022	-
1 Fund based - Term loan	Long-term	408.06	408.06	[ICRA]D	-	[ICRA]D	[ICRA]B (Stable)	-	-
2 Fund-based - Funded interest term loan	Long-term	44.25	44.25	[ICRA]D	-	[ICRA]D	[ICRA]B (Stable)	-	-
3 Fund based – GECL	Long-term	7.71	7.71	[ICRA]D	-	[ICRA]D	[ICRA]B (Stable)	-	-
4 Fund based - Term loan	Long-term	0.76	0.76	[ICRA]D	-	-	-	-	-
5 Unallocated	Long-term	6.22	-	[ICRA]D	-	[ICRA]D	[ICRA]B (Stable)	-	-
6 Issuer rating	Long-term	-	-	[ICRA]D	-	[ICRA]D	[ICRA]B (Stable)	[ICRA]B (Stable)	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term – Fund based – Term loan	Simple
Long term – Fund based – Funded interest term loan	Simple
Long term – Fund based – Others	Simple
Long term - Unallocated limits	Not Applicable
Issuer rating	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund based - Term loan	Jun-21	9.50%	Sep-29	246.11	[ICRA]D
NA	Fund based - Term loan	Jun-21	9.50%	Sep-29	81.37	[ICRA]D
NA	Fund based - Term loan	Jun-21	9.50%	Sep-29	80.58	[ICRA]D
NA	Fund based - Term loan	Jun-21	9.50%	Sep-29	0.76	[ICRA]D
NA	Fund based – Funded interest term loan	Jun-21	10.50%	Dec-24	26.82	[ICRA]D
NA	Fund based – Funded interest term loan	Jun-21	10.50%	Dec-24	8.31	[ICRA]D
NA	Fund based – Funded interest term loan	Jun-21	10.50%	Dec-24	9.12	[ICRA]D
NA	Fund based – Others*	Mar-21	7.95%	Mar-26	7.71	[ICRA]D
NA	Unallocated limits	-	-	-	6.22	[ICRA]D
NA	Issuer rating	-	-	-	-	[ICRA]D

Source: Company; * GECL

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis: Not Applicable

ANALYST CONTACTS

Girishkumar Kadam

+91 22 6114 3441

girishkumar@icraindia.com

Prashant Vasisht

+91 124 4545 322

prashant.vasisht@icraindia.com

Varun Gogia

+91 98 7115 6542

varun.gogia1@icraindia.com

Abhijit Nadkarni

+91 70 4530 9908

abhijit.nadkarni@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



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