

November 27, 2024

## Konkan Railway Corporation Limited: Ratings reaffirmed; reaffirmed and withdrawn for part NCDs

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debenture	600.0	600.0	[ICRA]AAA(CE) (Stable); reaffirmed
Non-convertible debenture	900.0	-	[ICRA]AAA(CE) (Stable); reaffirmed and withdrawn
<b>Total</b>	<b>1,500.0</b>	<b>600.0</b>	

\*Instrument details are provided in Annexure-I

Rating Without Explicit Credit Enhancement	[ICRA]AA
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\*Instrument details are provided in Annexure-1

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement

### Rationale

The rating for the non-convertible debenture (NCD) programme of Konkan Railway Corporation Limited (KRCL) is based on the strength of the Letter of Comfort (LOC) issued by the Ministry of Railways, Government of India (GoI). The rating draws comfort from KRCL being a key implementation agency for executing complex projects under the Indian Railways and the majority shareholding by the GoI through the Ministry of Railways in the company (57.47% ownership). The balance 42.53% stake is being held by the Government of Maharashtra (19.47%), Government of Karnataka (13.27%), Government of Goa (4.48%) and Government of Kerala (5.31%). The Stable outlook on this rating reflects ICRA's outlook on the rating of the support provider, the Ministry of Railways (MoR), GoI.

ICRA has withdrawn the rating outstanding on the Rs. 900-crore NCD programme as the instrument has been redeemed and there is no amount outstanding against the same. The rating has been withdrawn in accordance with ICRA's policy on the withdrawal of credit ratings.

### Adequacy of credit enhancement

For rating the NCD programme, ICRA has assessed the attributes of the LOC provided by the MoR for the said instrument. The LOC has a well-defined payment mechanism to ensure timely support for servicing of the rated NCDs. Considering the credit enhancement from the LOC, ICRA has assigned a rating of [ICRA]AAA(CE) to the said instrument against the rating of [ICRA]AA without explicit credit enhancement. In case the unsupported rating of KRCL was to undergo a change in future, the same would have a bearing on the rating of the aforesaid instrument as well.

### Salient covenants of the rated facility

The bonds are secured by way of first pari-passu charge on the specific assets, except the debt on the company's book, with minimum asset coverage of 1.25 times of the aggregate face value of the bonds outstanding at all times.

## Key rating drivers and their description

### Credit strengths

**LOC from the MoR** – The NCDs are backed by an LOC from the MoR, which has given an undertaking to make funds available to KRCL, if required, to ensure timely payment of KRCL's debt obligations under the NCD issue. In the past, the MoR has provided financial support to KRCL in the form of loans and by enabling KRCL to raise funds from the market at competitive rates by providing LOC on the debt raised.

**Well-defined payment mechanism** – The NCDs have a well-defined payment mechanism to ensure timely payment on the rated NCDs. The transaction structure ensures that the NCDs effectively carry the credit risk of the MoR. There is a demonstrated track record of adhering to the payment mechanism.

**Strong promoters** – The rating draws comfort from the majority shareholding by the GoI in KRCL (57.47%). The balance 42.53% stake is held by the Government of Maharashtra (19.47%), Government of Karnataka (13.27%), Government of Goa (4.48%) and Government of Kerala (5.31%). The board of directors include nominees from the Railway Board and Principal Secretaries of Maharashtra, Karnataka, Goa and Kerala.

### Credit challenges

**Exposed to debt refinancing risk** - The company is exposed to refinancing risk as an NCD of Rs. 250 crore falls due for repayment in FY2026. However, ICRA has taken comfort from the strong financial flexibility enjoyed by the company, being a GoI entity, which is evident from its demonstrated track record of timely debt refinancing in the past at competitive rates. ICRA understands that the company would continue to maintain ~Rs. 1,500 crore of liquidity on a steady state basis, which can be utilised to service the debt, if the need arises.

### Liquidity position:

#### For the [ICRA]AAA(CE) (Stable) rating: Superior

The liquidity profile of the LOC provider is superior. The NCDs have a defined payment mechanism covering the repayment obligations to NCD holders.

#### For the [ICRA]AA rating: Strong

The company has a strong liquidity position with unencumbered cash balances and liquid investments of ~Rs. 1,500 crore as on September 30, 2024. It has Rs. 87.5 crore of long-term debt repayments in FY2025, which can be comfortably serviced from its operational cash flows.

### Rating sensitivities

#### For the [ICRA]AAA(CE) (Stable) rating

**Positive factors** – Not Applicable

**Negative factors** – The rating assigned to the NCD programme would remain sensitive to any form of non-adherence to the NCD structure. Pressure on the rating could emerge if there is a significant deterioration in KRCL's credit profile or any weakening of linkages of KRCL with the MoR.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Construction Entities Methodology</a> <a href="#">Rating Methodology – Project Finance</a> <a href="#">Policy on Withdrawal of Credit Ratings</a>
Parent/Group support	Parent/Group Company: Ministry of Railways, Government of India  For arriving at the ratings, ICRA has taken into account, inter alia, the LOC provided by the MoR to ensure timely payment of KRCL's debt obligations for the rated NCDs.
Consolidation/Standalone	Standalone

## About the company

Incorporated in July 1990 as a public limited company, KRCL undertook the construction and operation of the Konkan Railway, a broad gauge 761-km railway line, along the west coast of India connecting Roha (near Mumbai) in the North to Mangalore in the South. KRCL was formed following an agreement between the Government of India (through the MoR) and the state governments of Maharashtra, Goa, Karnataka and Kerala. The project was completed in December 1997 at a total cost of Rs. 3,550 crore. At present, its major activities consist of management of operations of the Konkan Railway line, undertaking construction of various railway projects awarded by the MoR, a major one being the construction of the Katra Dharam section of the Udhampur-Srinagar-Baramulla rail project in Jammu & Kashmir. It also undertakes consultancy projects related to railways across India. Historically, 60-65% of the operating revenue is contributed by the project division, while the balance is from the traffic division (passenger and freight services).

### Key financial indicators (audited)

Standalone	FY2023	FY2024	H1FY2025*
Operating income (Rs. crore)	5,030.9	4,464.0	2,006.2
PAT (Rs. crore)	278.9	301.7	46.6
OPBDIT/OI (%)	10.2%	11.7%	8.8%
PAT/OI (%)	5.5%	6.8%	2.3%
Total outside liabilities/Tangible net worth (times)	3.9	3.6	2.9
Total debt/OPBDIT (times)	6.1	7.5	9.0
Interest coverage (times)	2.2	1.9	1.2

Source: Company, ICRA Research; All ratios as per ICRA's calculations; \*Provisional

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

### Status of non-cooperation with previous CRA: Not applicable

### Any other information: None

## Rating history for past three years

Current (FY2025)				Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	Nov 27, 2024	Date	Rating	Date	Rating	Date	Rating
NCD	Long-term	600.0	[ICRA]AAA(CE) (Stable)	Nov 29, 2023	[ICRA]AAA(CE) (Stable)	Nov 29, 2022	[ICRA]AAA(CE) (Stable)	Nov 29, 2021	[ICRA]AAA(CE) (Stable)
NCD	Long-term	900.0	[ICRA]AAA(CE) (Stable); withdrawn	Nov 29, 2023	[ICRA]AAA(CE) (Stable)	Nov 29, 2022	[ICRA]AAA(CE) (Stable)	Nov 29, 2021	[ICRA]AAA(CE) (Stable)

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-convertible debenture	Simple

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 / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE139F07048	NCD	July 21, 2014	9.15%	July 21, 2024	170.0	[ICRA]AAA(CE) (Stable); reaffirmed and withdrawn
INE139F07055	NCD	August 11, 2014	9.18%	August 11, 2024	110.0	[ICRA]AAA(CE) (Stable); reaffirmed and withdrawn
INE139F07063	NCD	September 25, 2014	9.08%	September 25, 2024	500.0	[ICRA]AAA(CE) (Stable); reaffirmed and withdrawn
INE139F07089	NCD	March 30, 2016	8.50%	March 30, 2026	250.0	[ICRA]AAA(CE) (Stable)
INE139F07097	NCD	April 29, 2016	8.30%	April 29, 2026	50.0	[ICRA]AAA(CE) (Stable)
INE139F07105	NCD	September 22, 2016	7.65%	September 22, 2026	300.0	[ICRA]AAA(CE) (Stable)
INE139F07113	NCD	October 01, 2019	7.94%	October 01, 2029	120.0	[ICRA]AAA(CE) (Stable); reaffirmed and withdrawn

Source: Company

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

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ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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