

March 28, 2025

Sparkle Port Services Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Short-term - Non-fund based	10.00	10.00	[ICRA]A1+; reaffirmed
Total	10.00	10.00	

*Instrument details are provided in Annexure I

Rationale

While arriving at the ratings, ICRA has taken a consolidated view of Ocean Sparkle Limited (OSL) and its subsidiaries, Sparkle Port Services Limited (SPSL) and Sparkle Terminal and Towage Services Limited (STTSL), collectively referred to as the OSL Group due to their managerial, operational and financial linkages.

The rating reaffirmation factors in the strong credit risk profile of the parent group - Adani Ports and Special Economic Zone {APSEZ, rated [ICRA]AAA(Stable)/[ICRA] A1+} - and the healthy credit profile of the OSL Group. At a consolidated level, the OSL Group reported a revenue of ~Rs. 627 crore in FY2024 and ~Rs. 495 crore in 9M FY2025. The company is likely to achieve a topline of Rs. 620-625 crore in FY2025, which is broadly similar to the previous year. The operating margins of the OSL Group improved to ~58% in 9M FY2025 and FY2024 from 47% in FY2023 owing to a reduction in costs effected by reducing idle time of tugs, optimisation of teams, reduced employee costs along with renewal of contracts at higher rates. The profitability is expected to remain healthy, going forward. Further, the capital structure and coverage indicators remain comfortable.

The ratings continue to factor in the company's extensive track record and considerable experience in port operations and management (O&M) services, its leadership position in the segment, the medium-to-long tenure of its contracts that provide revenue visibility and the take-or-pay provisions that safeguard the profitability. The credit profile derives comfort from the large and diversified fleet and OSL's track record of getting repeat business from contract renewals/extensions and the healthy bidding success rate of the new contracts. The renewal risk is mitigated by its dominant market share. Further, the long-term demand outlook for port O&M services remains favourable, driven by the large-scale ongoing and proposed port developments in India. ICRA notes that the company plans to expand its fleet of tugs over the next three years, though the capex is likely to be funded from internal accruals. Moreover, a positive demand outlook for tugs mitigates the market risk.

ICRA, however, notes that other segments, such as offshore supply vessel (OSV), entail additional business risks for the company. There has been a steep reduction in rates in the OSV segment during contract renewal/re-negotiation in the last few years, which adversely impacted the profitability from this segment. The impact has been partly mitigated by the rationalisation of the company's operating costs. The company has deployed two vessels in this segment for ONGC and both the contracts are long term in nature with a tenure of three years.

The ratings are, however, constrained by the inherently high capital intensity of the business that moderates the return indicators, and the ongoing expansion plans of the company. Moreover, while its profitability remains vulnerable to idle vessel time and competition in the port O&M sector, ICRA notes that the track record of healthy vessel utilisation and contract renewals mitigates the risk.

The Stable outlook on the long-term rating reflects ICRA's expectation that the OSL Group is likely to sustain its operating metrics. Further, the outlook underlines ICRA's expectation that the entity's incremental capex to increase the number of vessels will be funded in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing ratings.

Key rating drivers and their description

Credit strengths

Extensive track record and leading market position in Indian port O&M services sector - OSL, incorporated in 1995, along with its subsidiaries and JV, provides port O&M services. It is the largest player in the domestic O&M market with a fleet of around 88 vessels, as on December 31, 2024.

Favourable long-term demand outlook for port management and other marine services – OSL provides port O&M services and, accordingly the growth in its business is directly linked to the scale of activity and investments in the port sector. The favourable outlook for cargo growth is expected to boost the port O&M business, which augurs well for companies such as OSL.

Stable business model and good track record of repeat business – The Group's business model is primarily based on long-term contracts, with tenures ranging from two to 15 years and a provision for further extension/renewal based on mutual agreements. Further, the take-or-pay provision of contracts results in assured revenue, irrespective of the throughput and the vessels handled by the ports. The company got several contracts renewed at higher rates in the last two years. While a portion of its existing orders are due for renewal in the near to medium term, the renewal risk is mitigated by its dominant market position, a diversified fleet and a healthy track record of getting repeat business from contract renewals/extensions.

OSL's healthy bidding success rate in new contracts provides comfort to its growth prospects and revenue generation capability. ICRA also notes that the competitive intensity has moderated over the years in the O&M segment due to the financial constraints faced by some of the other players. The entry barriers are high in this segment because of the long gestation period, mitigating the risk of competition in the medium term. OSL also has a competitive bidding advantage over other players.

Comfortable financial risk profile with healthy profitability indicators – OSL's financial profile remains comfortable, evident from its healthy profitability indicators, capital structure and coverage indicators. On a consolidated basis, OSL's revenue remained broadly flat at Rs. 626.6 crore (P.Y. Rs. 615.2 crore) in FY2024. However, the profitability increased to 57.7% (P.Y. 47.1%). During 9M FY2025, the financials remained healthy with revenues of ~Rs. 495 crore and operating profitability of ~58% at the consolidated level. The revenues in FY2025 are expected to remain similar to the FY2024 levels. The improvement in operating profitability in FY2024 and 9M FY2025 is attributable to various factors, including a reduced idle time for the tugs, optimisation of the teams, lower employee costs and renewal of contracts at higher rates. The company's coverage and leverage metrics had remained comfortable with the low debt levels. On a consolidated basis, the interest coverage stood at 45.3 times and the DSCR at 22.4 times during 9M FY2025.

Credit challenges

High capital-intensive nature of business - The inherently high capital intensity of the business necessitates periodic large-scale expansion of the fleet. Further, any timing mismatches in the intermediary period between asset acquisition and deployment can impact its profitability. However, the company's policy of acquiring a vessel only when the visibility of the contract pipeline is good moderates the risk. The company is planning to add 11 vessels in the next three years (FY2026-FY2028), which is expected to be funded by internal accruals. At present, the company has no debt-funded vessel acquisition plan, for which the capital structure is expected to remain comfortable in the near term.

Business and financial risks associated with OSV segment - The company had entered the OSV segment a few years back to get diversification benefits and enjoy the healthy margin then available in this segment. However, over the years, there has been a steep reduction in rates for its platform supply vessels (PSVs) during contract renewal/re-negotiation, in line with the industry trends, which has adversely impacted the profitability from this segment. However, the impact has been partly mitigated by the rationalisation of operating costs by the company. OSL has deployed two vessels in this segment to ONGC and both the contracts are long term in nature with a tenure of three years.

Moderate return indicators - The inherently high capital intensity of the business results in moderate return indicators. The return indicators have been moderate till FY2023, despite a healthy profitability, due to the inherently high capital intensity of the business. However, the return on capital employed has improved in the last few years due to higher operating profitability and a significant reduction in the debt levels.

Liquidity position: Strong

At a consolidated level, OSL's liquidity position is expected to remain strong with healthy operating cash flows, unutilised working capital limits and unencumbered cash and bank balances. At a consolidated level, the surplus free cash and liquid investments stood at ~Rs. 44.3 crore as on December 31, 2024 and fund-based limits of Rs. 4 crore remained unutilised. The company has repayment obligations of ~Rs. 9.0 crore in FY2026 and FY2027 each which would be comfortably met from the healthy operating cash flows. Going forward, the company plans to incur a capex of ~Rs. 200 crore each in FY2026 and FY2027 to purchase vessels, which is expected to be funded by internal accruals.

Rating sensitivities

Positive factors – NA.

Negative factors – Pressure on the ratings may arise if there is significant reduction in revenue and profitability, or significant impact on the credit profile caused by high debt-funded capital expenditure. Further, weakening in the parent company's credit profile or weakening of linkages with the parent could be a negative trigger.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Parent/Group Company: Adani Ports and Special Economic Zone Limited (rated [ICRA]AAA(Stable)/[ICRA]A1+). The ratings draw comfort from the likelihood of support from the ultimate parent company for the rated entity, should there be a need in future, given the strategic importance of the rated entity to the parent group
Consolidation/Standalone	While arriving at the ratings, ICRA has taken a consolidated view of Ocean Sparkle Limited (OSL) and its subsidiaries- Sparkle Port Services Limited (SPSL), Sparkle Terminal and Towage Services Limited (STTSL). As on March 31, 2024, the company had four subsidiaries and a joint venture, which are all enlisted in Annexure II

About the company

SPSL is a wholly-owned subsidiary of OSL and was incorporated in October 2011 to execute the long-term contract for comprehensive port management services at PLL's LNG terminal in Kochi. As per the terms and conditions of the tender, the contract had to be executed in a new company and consequently OSL incorporated a 100% subsidiary to carry out the operations.

Adani Ports and Special Economic Zone Limited (APSEZ) through its subsidiary, Adani Harbour Services Limited (AHSL), acquired a majority stake in the company in May 2022. Accordingly, from May 2022, AHSL has become the holding company and APSEZ has become the ultimate holding company. AHSL directly or indirectly held 98.52% in OSL as on December 31, 2024.

Key financial indicators (audited)

SPSL Standalone	FY2023	FY2024	11M FY2025*
Operating income	31.0	31.7	29.9
PAT	13.4	17.9	16.3
OPBDIT/OI	61.6%	70.6%	64.1%
PAT/OI	43.3%	56.6%	54.5%
Total outside liabilities/Tangible net worth (times)	0.0	0.0	0.0
Total debt/OPBDIT (times)	0.0	0.0	0.0
Interest coverage (times)	106.8	223.7	209.2

OSL Consolidated	FY2023	FY2024	9M FY2025*
Operating income	615.2	626.6	495.3
PAT	188.0	288.4	232.2
OPBDIT/OI	47.1%	57.7%	58.1%
PAT/OI	30.6%	46.0%	46.9%
Total outside liabilities/Tangible net worth (times)	0.16	0.08	0.06
Total debt/OPBDIT (times)	0.54	0.22	0.19
Interest coverage (times)	10.49	36.69	45.33

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore; 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

Instrument	Type	Current (FY2025)			Chronology of rating history for the past 3 years					
		Amount Rated (Rs Crore)	FY2025		FY2024		FY2023		FY2022	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term Loan	Long Term	-	Nov 26, 2024	-	Mar 28, 2024	-	Apr 29, 2022	[ICRA]AA-(CE) (Stable); withdrawn	Apr 08, 2021	[ICRA]AA-(CE) (Stable)
			Mar 28, 2025	-			Mar 13, 2023	-		
Non-Fund based	Short Term	10.00	Nov 26, 2024	[ICRA]A1+	Mar 28, 2024	[ICRA]A1+	Apr 29, 2022	[ICRA]A1+; assigned, [ICRA]A1+(CE); Withdrawn	Apr 08, 2021	[ICRA]A1+(CE)
			Mar 28, 2025	[ICRA]A1+			Mar 13, 2023	[ICRA]A1+		

Complexity level of the rated instruments

Instrument	Complexity indicator
Short-term - Non-Fund Based	Very 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	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Short-term - Non-Fund Based	-	-	-	10.00	[ICRA]A1+

Source: Company

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

Annexure II: List of entities considered for consolidated analysis

Company name	ownership	Consolidation approach
Ocean Sparkle Limited	100.0%	Full Consolidation
Sparkle Port Services Limited	100.0% (rated entity)	Full Consolidation
Sparkle Terminal and Towage Services Limited	100.0%	Full Consolidation
Sparkle Overseas Pte. Ltd	100.0%	Full Consolidation
Sea Sparkle Harbour Services Limited	100.0%	Full Consolidation
Khimji's Sparkle Marine Services Co SOAC	49.0%	Equity Method

Source: annual report FY2024

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