

August 12, 2025

Kutch Railway Company Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Term loan	1,275.00	1,275.00	[ICRA]A (Stable); reaffirmed
Total	1,275.00	1,275.00	

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation for Kutch Railway Company Limited (KRCL) continues to factor in its long operational track record (over 18 years) and importance of the rail line it operates, which provides connectivity to two major seaports [Adani Port (erstwhile Mundra Port) and Deen-Dayal Port (erstwhile Kandla Port)] with the northern mainland. The financial profile also remains healthy characterised by a sizeable revenue base (Rs. 1,132 crore in FY2025 (provisional)¹) and operating profitability margins (OPM, based on adjusted revenue, of 30.3% in FY2025 vs. 29.5% in FY2024) and expectation of steady improvement in the same in the medium term, supported by increasing freight movement and share of electric trains running on the project stretch. The redeployment of profits over the years is reflected in the company's strong net worth position (Rs. 2,582.3 crore as on March 31, 2025, provisional figures). This has enabled KRCL to fund most of the capex from its internal accruals/reserves with limited dependence on external borrowings. The rating notes the strong sponsor profile such as Rail Vikas Nigam Ltd. (RVNL), a Government of India (GoI) undertaking with 50% stake in KRCL and its demonstrated record of timely funding support. A healthy tail period (after project debt repayment) and its parentage lend strong financial flexibility to KRCL while negotiating favourable terms with lenders.

The rating however remains constrained by the exposure to risks inherent in rail development projects, including risks of diversion of traffic to alternate modes of transport, moderation in freight traffic growth rates, or non-revision in freight rates to account for increasing costs, which could weaken its coverage metrics. ICRA notes that the major capex towards the doubling and electrification of the project line was completed in FY2024, largely eliminating the project execution risk, barring minor residual work. The operationalisation of expanded capacity is expected to help reduce diversion of traffic from KRCL's stretch and support growth in KRCL's apportionment revenue share. However, ICRA notes that despite the increased capacity, KRCL witnessed a ~5% decline in cargo transported from the project stretch in FY2025 (leading to 4% decline in revenues) due to subdued movement of primary commodities (barring containerised cargo), especially coal. Moreover, the volume reduction in FY2025 contrasted with the volume growth in Mundra Port and Kandla Port, indicating some loss of freight to alternate modes.

The rating is also constrained by dependence of KRCL's cash flows on timely remittance of revenue share payments from the Western Railway (WR) after adjusting for operations and maintenance (O&M) charges, as well as freight rates, which are controlled by the MoR. Any material delay in remittances or increase in overhead cost could adversely impact the profitability and liquidity position of KRCL and, hence, its credit profile remains exposed to the operating efficiency of the WR. Moreover, its ability to keep the overall maintenance expenditure (other than O&M charges deducted by the WR) within the budgeted level remains important from the credit perspective. Nonetheless, ICRA derives comfort from the established track record of operations with the WR. ICRA derives comfort from the strategic location and diversified mix of commodities transported on the project stretch, which reduces the revenue volatility risk to an extent. Moreover, with no plans for any major debt-funded capex, steady improvement in revenues and operating profitability, KRCL's coverage metrics are likely to improve over the medium term. ICRA, however, notes that the near-term DSCR may remain relatively moderate, given the equitable repayment obligations.

¹Revenues net of construction contract revenue

The Stable outlook on the long-term rating reflects ICRA's opinion that KRCL will see a steady growth in its freight revenues (given the importance of the rail line it operates) and profitability (stemming from fuel cost savings with full electrification). Further, the outlook underlines ICRA's expectations that incremental capex, if any, will be funded in a manner that it is able to durably maintain its debt protection metrics.

Key rating drivers and their description

Credit strengths

Established track record of operations and long concession tenor from the Ministry of Railways (MoR) – KRCL was incorporated on January 22, 2004, as a special purpose vehicle (SPV) to convert the existing metre gauge to broad gauge on the existing 301-km railway line between Gandhidham and Palanpur, in Gujarat. The company signed a concession agreement (CA) for 32 years with the MoR, GoI, on November 8, 2005. The project achieved commercial operation date (COD) in November 2006 and has an operational track record of nearly 18 years. In addition, KRCL has entered a formal O&M arrangement with WR, wherein the latter will carry out the O&M work related to the project line for the entire concession tenor.

Strategic route providing rail connectivity to Mundra and Deendayal seaports with northern hinterland; project is a feeder to WDFC – The Gandhidham-Palanpur corridor is an important rail line that provides the shortest connectivity to two key ports in Gujarat—erstwhile Kandla and Mundra— with the northern hinterland through the Delhi-Ahmedabad main line. These are two of India's largest ports, handling over 20% of the total port cargo in the country. The commodity mix, besides petroleum and lubricants, includes edible oil, fertilisers, iron ore, coal, and containers. Further, the project merges with the Western Dedicated Freight Corridor (WDFC) at Palanpur and Chadotar and acts as a feeder route for the corridor. Given the prospective traffic on WDFC and the cargo trend at the ports, the potential serviceable cargo volumes are expected to be healthy on KRCL's stretch.

Revenues from diversified mix of commodities – The project stretch caters to a large volume of cargo transport, which is reflected in the ~45 million metric tonnes (MMT) of cargo transported in FY2025 (vs. ~47 MMT in FY2024). The containers accounted for ~55% of the total cargo transported, whereas fertiliser and coal contributed to 21% and 9%, respectively. Over the years, the dependence on bulk cargo has reduced and the share of containers has increased. Overall, the project line transports a relatively diversified mix of commodities, which mitigates the risk of volatility in revenues due to dependence on a single commodity.

Above-average financial profile – KRCL's financial profile is underpinned by healthy revenues (net of construction income) and a strong net worth position, driven by healthy accretion to reserves. It had undertaken a large capex programme in FY2017, which was finally completed in FY2024, eliminating the execution risk. The final cost of the programme stands revised to Rs. 4,190 crore (including cost overrun). The same has been funded by Rs. 1,285 crore of long-term debt, Rs. 571 crore of equity infusion by the promoters and the balance through internal accruals. Despite additional debt of Rs. 285 crore, the operational cash flows are expected to remain healthy for debt servicing and maintenance capex requirements. Also, with complete electrification of the project stretch and ramp-up in share of electric trains running on the same (currently 45-50%), operating profit margins are expected to benefit over the medium term.

Credit challenges

Exposed to volatility in freight traffic volume and rack rates – The freight rates for bulk goods transport (i.e. rack rates) are decided by the MoR. This limits the company's pricing power and exposes it to the risk of lower growth in the freight rates against an increase in O&M costs. Also, like any rail project, KRCL is exposed to the risk of slowdown in the freight traffic, or competition from alternate modes of transportation, which could impact its revenues and profits. In FY2025, KRCL witnessed ~5% decline in cargo transported from the project stretch due to subdued movement of primary commodities (barring containerised cargo). Despite a diversified mix of cargo carried, the traffic on the project stretch remains vulnerable to policy decisions such as ban on export of wheat or reduced movement of coal and fertilisers on the project stretch as witnessed in FY2024 and FY2025.

Risks pertaining to operating efficiency of O&M contractor – The O&M works on the project stretch are being undertaken by the MoR through WR. The latter collects freight charges from users and apportions the revenues to KRCL (based on the distance carried on the route) after deducting O&M-related expenses. Thus, KRCL is dependent on WR’s operating efficiencies and timely remittance of its revenue share from the same. In the past, the company’s profitability was impacted as high overhead costs were apportioned by the WR. Any disproportionate increase in overhead or O&M cost, not mitigated by the increase in revenues, remains a risk to the project’s cash flows.

Liquidity position: Adequate

The company’s liquidity position is expected to remain adequate, with healthy cash flows from operations, supported by free cash balances of Rs. 265.1 crore (including DSRA of ~Rs. 113 crore) as on March 31, 2025. It has term loan repayment obligations of ~Rs. 213 crore in FY2026 and Rs. 202 crore for FY2027 (principal plus interest), apart from maintenance capex requirement. Its operational cash flows are likely to remain adequate for meeting the same. ICRA takes comfort from KRCL’s strong sponsor/shareholders and its strong cash flow profile, which provides financial flexibility to raise funds/refinance debt at competitive rates.

Rating sensitivities

Positive factors – The rating may be upgraded if the company ramps up its revenues and profitability satisfactorily, backed by sustained growth in traffic and cargo carried. Specific credit metrics which will be a monitorable will be three-year average DSCR above 1.4 times on a sustained basis.

Negative factors – Pressure on the rating could arise if lower traffic or cargo carried results in significantly lower apportionment or there are significant delays or deductions in apportionment due to higher-than-envisaged O&M costs or additional indebtedness leading to reduction in average three-year DSCR below 1.2 times on a sustained basis. The rating could also come under pressure if there is any non-adherence to the debt structure.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The rating is based on the company’s standalone financials.

About the company

KRCL was incorporated in January 2004 as an SPV for converting the existing 301-km railway line between Gandhidham and Palanpur in Gujarat from metre gauge to broad gauge. The company was formed as a joint venture among RVNL (50%), Mundra Ports and SEZ Ltd. (now Adani Ports and Special Economic Zone Limited; 20%), Kandla Port Trust (now Deendayal Port Trust; 26%) and the Government of Gujarat (4%). KRCL signed a 32-year CA in November 2005, with the MoR for operating the 301-km rail line between Gandhidham and Palanpur in Gujarat. The O&M of the project is conducted by the MoR through the WR. The project stretch will also be a feeder route to the Western Dedicated Freight Corridor (WDFC). The project achieved COD on November 26, 2006. Subsequently, KRCL took up the project for doubling the existing railway line and completing electrification of the same and these works were completed in February 2023 and May 2023, respectively.

Key financial indicators (audited)

KRCL Standalone	FY2024	FY2025*
Adjusted operating income** (Rs. crore)	1,179.3	1,132.3
PAT (Rs. crore)	18.0	13.2
OPBDIT/Adjusted OI** (%)	29.5%	30.3%
PAT/Adjusted OI** (%)	1.5%	1.2%
Total outside liabilities/Tangible net worth (times)	0.7	0.7
Total debt/OPBDIT (times)	3.3	3.0
Interest coverage (times)	2.9	3.1

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

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; **OI less Construction contract revenue under service concession agreement (SCA)

Status of non-cooperation with previous CRA: Not applicable

Any other information: The company faces prepayment risk, in case of debt acceleration upon the breach of covenants, including financial covenants, operating covenants, and rating linked covenants. Upon failure to meet the covenants, if the company is unable to get waivers from the lender or the lender does not provide it with adequate time to arrange for alternative funding to pay off the accelerated loans, the rating would face pressure.

Rating history for past three years

Instrument	FY2026			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Aug 12, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund-based – Term loan	Long-term	1,275.00	[ICRA]A (Stable)	Jun 30, 2024	[ICRA]A (Stable)	Jun 06, 2023	[ICRA]A (Stable)	May 09, 2022	[ICRA]A (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Fund-based – Term loan	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	Fund-based – Term loans	July 2022	NA	July 2030	1,275.0	[ICRA]A (Stable)

Source: Company

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

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

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