

December 12, 2025

## Kutch Railway Company Limited: Long-term rating upgraded to [ICRA]A+; outlook revised to Positive

### 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+ (Positive); upgraded from [ICRA]A (Stable) and outlook revised to Positive from Stable
<b>Total</b>	<b>1,275.00</b>	<b>1,275.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The rating upgrade along with the revision in outlook to Positive for Kutch Railway Company Limited (KRCL) favourably factors in the improvement in the coverage metrics, driven by the downward revision in interest rate, which is now linked to the Reserve Bank of India's (RBI) repo rate instead of the earlier benchmark of the lender's marginal cost of funds-based lending rate (MCLR). The rating action also accounts for the improved revenue<sup>1</sup> growth trajectory as evident from the year-over-year (YoY) growth of ~10% in 8M FY2026 (vs.-4% in FY2025), which is likely to better earnings profile in the near term. The rating continues to factor in the company's long operational track record (over 18 years) and the 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<sup>1</sup> base (Rs. 830 crore in 8M FY2026 (provisional) and Rs. 1,132 crore in FY2025) and operating profitability margins (OPMs, based on adjusted revenue<sup>1</sup>, of 30.4% in FY2025) 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. 2,583.2 crore as on March 31, 2025). This has enabled it to fund most of the capital expenditure (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 the company.

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 its apportionment revenue share.

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 Ministry of Railways (MoR). Any material delay in remittances or increase in overhead cost could adversely impact its profitability and liquidity position 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 is still important from the credit perspective. Nonetheless, ICRA derives comfort from the established track

<sup>1</sup>Revenues net of construction contract revenue

record of operations with the WR. ICRA takes 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, reduced interest rate, steady improvement in revenues and operating profitability, KRCL's coverage metrics are likely to improve over the medium term.

## Key rating drivers and their description

### Credit strengths

**Established track record of operations and long concession tenor from 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, Gol, on November 8, 2005. The project achieved the commercial operation date (COD) in November 2006 and has an operational track record of nearly 18 years. In addition, KRCL has entered into 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 rail route and 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 33.5 million metric tonnes (MMT) of cargo transported in 8M FY2026 (vs. 45.0 MMT in FY2025, and 29.9 MMT in 8M FY2025). In 8M FY2026, the containers accounted for ~55% (FY2025: 55%) of the total cargo transported, whereas fertiliser and coal contributed to 22% (FY2025: 21%) and 5% (FY2025: 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.

**Comfortable financial profile** – KRCL's financial profile is underpinned by healthy revenues (estimated at over Rs. 1,200 per annum over the medium term, net of construction income) and a strong net worth position (~Rs. 2,583 crore as on Mar 31, 2025), driven by healthy accretion to reserves. The large capex programme (FY2017–FY2024) of Rs. 4,190 crore, including cost overruns, is largely complete and funded through Rs. 1,285 crore of long-term debt, Rs. 571 crore of equity infusion and internal accruals. Despite additional debt of Rs. 285 crore, operational cash flows remain adequate for debt servicing and maintenance capex. Full electrification and higher share of electric trains (currently 45–50%) should improve operating margins, while the recent reduction in financing costs will further strengthen coverage metrics (average debt service coverage ratio (DSCR) estimated at >1.4 times over FY2027–FY2029).

### 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, it witnessed a ~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 a ban on the export of wheat or reduced movement of coal/other commodities. However, in 8M FY2026, cargo volumes rebounded with a YoY growth of ~12%, driving a ~10% increase in revenues during the corresponding period and signaling a healthy recovery.

**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, it 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. 280.1 crore (including debt service reserve account (DSRA) of ~Rs. 107 crore) as on November 30, 2025. It has only interest-servicing obligations in FY2026 and debt-servicing obligations of ~Rs. 190 crore in 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 1.6 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 1.4 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	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not applicable
Consolidation/Standalone	The rating is based on the company’s standalone financials.

### About the company

Kutch Railway Company Limited (KRCL) was incorporated in January 2004 as a special purpose vehicle (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 WDFC. The project achieved COD on November 26, 2006. Subsequently, KRCL took up the project for doubling the existing railway line and completing its electrification, and these works were completed in February 2023 and May 2023, respectively. However, minor improvements/punch-list works are still being completed.

### Key financial indicators (audited)

KRCL (standalone)	FY2024	FY2025
Operating income (OI)	1,680.3	1,344.5
PAT	18.0	14.2
OPBDIT/OI (%)	21.5%	26.3%
PAT/OI (%)	1.5%	1.3%
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; 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:** 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 it 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

Current (FY2026)				Chronology of rating history for the past 3 years							
				FY2026		FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Dec 12, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based – Term loan	Long-term	1,275.00	[ICRA]A+ (Positive)	Aug 12, 2025	[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
Long-term – 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 loan	July 2022	NA	July 2030	1,275.0	[ICRA]A+ (Positive)

Source: Company, ICRA Research

[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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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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