

Konkan Railway Corporation Limited

November 29, 2018

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-Convertible Debenture Programme	1,500	1,500	[ICRA]AAA(S) (Stable); Reaffirmed

*Instrument details are provided in Annexure-1

Rating action

ICRA has re-affirmed the long-term rating for the non-convertible debenture (NCD) programme aggregating to Rs. 1,500 crore of Konkan Railway Corporation Limited (KRCL) at [ICRA]AAA(S) (pronounced ICRA triple A S). The outlook on the long-term rating is 'Stable'. The letter S in parenthesis suffixed to a rating symbol denotes that the rating is supported by a Letter of Comfort. An (S) rating does not represent ICRA's opinion on the general credit quality of the issuer concerned.

Rationale

The rating is based on the strength of the Letter of Comfort issued by Ministry of Railways, Government of India (GOI). The rating also factors the payment mechanism designed to ensure timely payment on the rated NCDs as per the terms of the transaction. Further, the rating draws comfort from KRCL being a key implementation agency for executing complex projects under Indian Railways and the majority shareholding of Government of India through Ministry of Railways in Konkan Railway Corporation Limited (51% ownership). The balance 49% stake is being held by Government of Maharashtra (22%), Government of Karnataka (15%), Government of Goa (6%) and Government of Kerala (6%).

Outlook: Stable

ICRA expects Ministry of Railways will continue to extend timely financial support to KRCL.

Key rating drivers

Credit strengths

Letter of Comfort from Ministry of Railways - The NCDs are backed by a Letter of Comfort (LOC) from Ministry of Railways, Government of India (GOI). Vide this letter; the Ministry of Railways 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, GOI has provided financial support to KRCL either in the form of loans extended to the company or by enabling KRCL to raise funds from the market at competitive rates by providing LOC / Guarantee on the debt raised.

Strong 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 Ministry of Railways. The company has a demonstrated track record of adhering to the payment mechanism.

Strong promoters - The rating draws comfort from the majority shareholding of GoI in KRCL (51% ownership). The balance 49% stake is being held by Government of Maharashtra (22%), Government of Karnataka (15%), Government of Goa (6%) and Government of Kerala (6%).

Liquidity Position

The liquidity profile of the company remains strong as reflected by liquid surplus of around Rs. 1,090 crore and proposed equity infusion of Rs. 196 crore through rights issue in the current fiscal. Overall, the liquidity profile is expected to remain comfortable as the external debt repayment obligation falls due in FY2025.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	Approach for rating debt instruments backed by third-party explicit support
Parent/Group Support	Parent/Group Company: Ministry of Railways For arriving at the ratings, ICRA has taken into account; inter alia, the letter of Comfort provided by Ministry of Railways, Government of India to ensure timely payment of KRCL's debt obligations for the rated NCDs.
Consolidation / Standalone	NA

About the company:

Incorporated in July 1990 as a Public Limited Company, Konkan Railway Corporation Limited (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 pursuant to an agreement between Government of India (acting through Ministry of Railways) and the Governments of Maharashtra, Goa, Karnataka and Kerala. The project was completed in December 1997 at a total cost of Rs. 3,550 crore. The major activities of the company presently consist of management of operations of the Konkan Railway line and other construction and consultancy projects related to railways across India.

Key financial indicators (audited)

	FY2017	FY2018
Operating Income (Rs. crore)	2,087	2,437
PAT (Rs. crore)	60	126
OPBDIT/OI (%)	9.5%	10.8%
RoCE (%)	6.8%	8.0%
Total Debt/TNW (times)	1.17	0.96
Total Debt/OPBDIT (times)	8.89	6.65
Interest coverage (times)	1.28	2.01

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

		Current Rating (FY2019)			Chronology of Rating History for the Past 3 Years			
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating November 2018	Date & Rating in FY2018 October 2017	Date & Rating in FY2017 September 2016	Date & Rating in FY2016 December 2015	
1	NCD	1,500.00	1,500.00	[ICRA]AAA(S) (Stable)	[ICRA]AAA(S) (Stable)	[ICRA]AAA(SO) (Stable)	[ICRA]AAA(SO) (Stable)	

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE139F07105	NCD	Sep-16	7.65%	Sep-26	300.00	[ICRA]AAA(S) (Stable)
INE139F07097	NCD	Apr-16	8.30%	Apr-26	50.00	[ICRA]AAA(S) (Stable)
INE139F07089	NCD	Mar-16	8.50%	Mar-26	250.00	[ICRA]AAA(S) (Stable)
INE139F07063	NCD	Sep-14	9.08%	Sep-24	500.00	[ICRA]AAA(S) (Stable)
INE139F07055	NCD	Aug-14	9.18%	Aug-24	110.00	[ICRA]AAA(S) (Stable)
INE139F07048	NCD	Jul-14	9.15%	Jul-24	170.00	[ICRA]AAA(S) (Stable)
INE139F07030	NCD	Jul-14	9.14%	Jul-24	120.00	[ICRA]AAA(S) (Stable)

Source: KRCL

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