

Kakinada Seaports Limited

Instrument	Amount	Rating Action
Term Loans	Rs. 433.01 Cr. (Reduced from Rs. 855.25 Cr.)	[ICRA]A (Stable) <i>reaffirmed</i>
Non Fund Based Working Capital Limits	Rs. 109.55 Cr.	[ICRA]A1 <i>reaffirmed</i>

ICRA has reaffirmed the long-term rating at [ICRA]A (pronounced ICRA A) for the Rs. 433.01 crore (reduced from Rs. 855.25 crore) long term loan facilities Kakinada Seaports Limited (KSPL)¹. ICRA has also reaffirmed the short-term rating at [ICRA]A1 (pronounced ICRA A one) assigned to Rs. 109.55 crore short-term non-fund bank facilities of Kakinada Seaports Limited (KSPL)². The outlook on the long-term rating is 'Stable'.

The ratings reaffirmation reflect the operating strengths of the Kakinada deep water port including its advantageous location and all weather conditions; strategic proximity to the KG basin resulting in high margin OSV traffic and income and flexibility in tariff determination being a non major port. ICRA notes that the cargo volumes at the port during FY2016 were lower than anticipated due to lower imported coal throughput as well as lower exports due to global headwinds. However, financial risk profile remained steady as can be seen from the healthy profitability margins & the return indicators, healthy cash accruals, comfortable gearing levels and robust debt protection metrics. In ICRA's view, ability to sustain the volumes in the face of challenging macro economic conditions and high competition remain critical for generation of cash in line with the debt servicing obligations. ICRA expects the throughput to remain steady going forward and witness gradual ramp up over the medium term. Further, there remains upside potential to its business from other developments at the port and its hinterland including proposed R-LNG terminals over the medium to longer term.

The ratings are constrained by the large capex undertaken by the company for setting up the seventh berth for handling bulk and container cargo which entails market risks for the new capacity; however, despite the large capex, ICRA expects the credit metrics to remain satisfactory due to long tenure of the loans. The ratings are also constrained by the high competitive intensity for bulk cargo on the eastern coast which results in high commercial risks for the company's augmented capacity. However, the risk is however partly mitigated by the tie-ups entered into with a major cargo handling agent. ICRA also notes that in 2010-11, KSL had taken significant investment exposure to some of its promoter group companies. While there has been decrease in these investments in the past 2-3 years, timeliness of recovery of balance investments, as indicated by the company and any other new exposure to group companies will continue to be key rating sensitivities.

ICRA notes that KSL, as part of its expansion strategy, would continue to participate in future bidding rounds for setting up new ports or PPPT projects at the major ports. These event based risks for the company have not been factored while assigning the ratings and ICRA shall evaluate the impact of the same on its credit risk profile as and when they materialise.

Company Profile

Kakinada Seaports Ltd. (KSL) is engaged in the operations of the Kakinada Deep Water Port (KDWP) in Andhra Pradesh, under a Concession Agreement with the Government of Andhra Pradesh (GoAP) valid until March 2029 with an option for further extension in two blocks of 10 years each. As per the current shareholding structure, Kakinada Infrastructure Holdings Pvt Ltd. (KIHPL), which is an investment vehicle of Mr. K.V. Rao, an industrialist, holds 41% stake; the Consortium Group holds 29% (includes 17.35% stake of Consortium Ports Pte Ltd. (Mauritius) and 11.13% stake of South India Infrastructure Development Co. Pvt Ltd) while V.R. Investments (a group of NRIs) holds the balance 30%. KSL's operations are headed by Mr. K.V. Rao as its Chairman & Managing Director.

¹ For complete rating scale and definitions please refer to ICRA's Website www.icra.in or other ICRA Rating Publications

² For complete rating scale and definitions please refer to ICRA's Website www.icra.in or other ICRA Rating Publications



Recent Results

For the year FY2016, the company reported an operating income of Rs. 418 crores and profit after tax of Rs. 118 crores (provisional unaudited numbers). For the year FY2015, the company reported an operating income of Rs. 486 crores and profit after tax of Rs. 156 crores.

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