

October 27, 2017

Konkan Railway Corporation Limited

Summary of rated instruments

Instrument*	Rated Amount (Rs. crore)	Rating Action
Non-Convertible Debentures	1500.00	[ICRA]AAA(S) (Stable); reaffirmed
Total	1500.00	

*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 crore¹ of Konkan Railway Corporation Limited (KRCL or the company)² at [ICRA]AAA(S) (pronounced ICRA triple A S)³. 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 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%).

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. 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 ownership pattern** - 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%).

¹ 100 lakh = 1 crore = 10 million

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

³ To denote ratings assigned to entities based on Letter of Comfort from a third-party, ICRA has started using the (S) suffix in place of the (SO) suffix. The change in suffix is not to be construed as a change in the credit rating. Please refer to ICRA's website www.icra.in for more details.

Credit weaknesses

- **Dependence of Ministry of Railways for timely debt obligations** - While the re-financing of existing debt in FY2017 supported the cash flow position of the company, KRCL will still need to depend upon the Ministry for any redemption/interest payment.
- **Large capex plans** –The company has various projects in pipeline such as electrification of 741 km of railway lines, doubling of tracks over the existing routes, which would require significant capital investment. KRCL proposes to finance the same through rights issue to existing shareholders. Timely infusion of capital from existing shareholders will remain important.

Analytical approach: For arriving at the ratings, ICRA has taken into account the Letter of Comfort from Ministry of Railways, Government of India to ensure timely payment of KRCL's debt obligations for the rated NCDs.

Links to applicable criteria:

[Approach for rating debt instruments backed by third-party explicit support](#)

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 (Consolidated Financials-Audited)

	FY2016	FY2017
Operating Income (Rs. crore)	1555.6	2076.0
PAT (Rs. crore)	133.9	62.2
OPBDIT/ OI (%)	16.0%	9.1%
RoCE (%)	8.9%	6.9%
Total Debt/ TNW (times)	1.15	1.17
Interest coverage (times)	1.91	1.23
NWC/ OI (%)	-56%	-60%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress); NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:

S. No.	Instrument	Current Rating (FY2018)			Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
				October 2017	Sep 2016	Dec-15	Sep-14
1	NCD	Long Term	1500.00	[ICRA]AAA (S)(Stable)	[ICRA]AAA (SO) (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	Date of Issuance / Sanction	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	9.14%	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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