

Sparkle Port Services Limited

April 06, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loans	30.85	25.65	[ICRA]AA-(SO)(stable) reaffirmed
Non Fund Based	10.00	10.00	[ICRA]A1+(SO) reaffirmed
Total	40.85	35.65	

*Instrument details are provided in Annexure-1

Rating action

ICRA has reaffirmed the long-term rating of [ICRA]AA- (SO) (pronounced ICRA double A minus Structured Obligation) to Rs. 25.65-crore¹ (revised from Rs. 30.85 crore) term loan facilities of Sparkle Port Services Limited (SPSL or the company)². The outlook on the long-term rating is Stable. ICRA has also reaffirmed the short-term rating of [ICRA]A1+(SO) (pronounced ICRA A one plus Structured Obligation) outstanding on Rs. 10.0-crore non-fund based facilities of SPSL. The letters SO in parenthesis suffixed to a rating symbol stands for Structured Obligation. An SO rating is specific to the rated issue, its terms and structure. An SO rating does not represent ICRA's opinion on the general credit quality of the issuers concerned. These ratings are based on the guarantee provided by Ocean Sparkle Limited (OSL) for due payment of the captioned facility to the lenders.

Rationale

The ratings take into consideration the corporate guarantee extended by OSL (rated at [ICRA]AA-(Stable) / [ICRA]A1+) for the entire bank facilities of SPSL.

Outlook: Stable

ICRA believes the OSL Group will continue to benefit from its dominant market position, large fleet and extensive experience in the port O&M segment. The outlook may be revised to 'Positive' if substantial growth in revenue and profitability and improvement in capital structure strengthens the financial risk profile. The outlook may be revised to 'Negative' if cash accrual is lower than expected, or if any major capital expenditure, or a stretch in the working capital cycle, weakens its liquidity.

¹100 lakh = 1 crore = 10 million

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

Key rating drivers

Credit strengths

Corporate guarantee from OSL - SPSL executes the long-term contract for comprehensive port management services at Petronet LNG Limited's (PLL) LNG terminal in Kochi. The scope of services includes a provision of comprehensive port O&M services including time charter of four tug boats, 1 mooring-cum-pilot launch at Kochi PLL Jetty. The aforementioned ratings are principally based on a corporate guarantee from OSL (rated [ICRA]AA-/stable/[ICRA]A1+) and an undertaking provided by the guarantor that it would ensure that the related debt obligations are serviced on or prior to the due date.

Analytical approach: For arriving at the ratings, ICRA has taken into account inter alia, the explicit support provided by OSL to the company in the form of a corporate guarantee.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

[Approach for rating debt instruments supported by structural features \(Non-securitized transactions\)](#)

About the company:

SPSL is a wholly-owned subsidiary of OSL and was incorporated in March, 2011 to execute the long-term contract for comprehensive port management services at PLL's LNG terminal in Kochi. As per the terms and conditions of the tender, the contract had to be executed in a new company and consequently OSL incorporated a 100% subsidiary to carry out the operations. The Board of Directors of SPSL comprise Mr. P. Jairaj Kumar, Mr. Sanjeev Dhawan, Mr. R. Virender Prasad and Mr. A. K. Sawhney.

The company reported an operating income (OI) and profit after tax (PAT) of Rs. 26.3 crore and Rs. 4.6 crore in FY2017 compared to Rs. 25.5 crore and a loss of Rs. 3.0 crore in FY2016.

About the guarantor:

Ocean Sparkle Limited (OSL), its subsidiary and its joint-venture (JV) companies, collectively referred to as the OSL Group, are involved in the provision of marine vessels and comprehensive port management services across various major, non major and captive ports in India and abroad. The core promoters of OSL include four technocrats, namely, Mr. P. Jairaj Kumar (Chairman cum Managing Director), Mr. Sanjeev Dhawan, Mr. A. K. Sawhney and Mr. R. Virender Prasad, who together hold a 35% stake in the company. Another 2% stake is held by friends and relatives of the promoters, a 10% stake is with NRIs, while the balance 53% is held by various PE investors and venture capital funds including Park Equity, Infrastructure India Holdings Fund, Marina III (Singapore) Ptd. Ltd. and IFC Washington.

The OSL Group includes one JV entity with PSA Marine Pte Ltd (PSAM), Singapore, a multinational maritime major, namely, Sea Sparkle Harbour Service Ltd (56:44 JV of OSL and PSAM for operations at the Ennore port, at present) and three 100% subsidiaries, viz. Sparkle Port Services Limited (for operations at PLL's jetty at Kochi), Sealion Sparkle Port and Terminal Services (Dahej) Ltd (for erstwhile operations at PLL's jetty at Dahej) and Sparkle Terminal and Towage Services Limited (at present handling operations at PLL's jetty at Dahej). Other entities within the Group include Sparkle Overseas Pte Limited (100% OSL stake) formed for overseas business and one JV for undertaking large-scale dredging projects, Sai Sparkle Dredging and Infrastructure Developers Pvt. Ltd (this is, however, dormant at present and OSL has no significant investment plans for it in the near future).

In FY2017, the company (consolidated) reported a net profit of Rs. 101.7 crore on an OI of Rs. 470.7 crore, as compared to a net profit of Rs. 71.8 crore on an OI of Rs. 491.8 crore in the previous year.

Key financial indicators (audited)

	SPSL		OSL – Consolidated	
	FY2016	FY2017	FY2016	FY2017
Operating Income (Rs. crore)	25.5	26.3	491.8	470.7
PAT (Rs. crore)	-3.0	4.6	71.8	101.7
OPBDIT/ OI (%)	70.7%	67.9%	51.1%	48.3%
RoCE (%)	6.4%	10.9%	12.2%	12.3%
Total Debt/ TNW (times)	1.6	1.4	0.9	0.6
Total Debt/ OPBDIT (times)	4.4	4.0	2.5	2.3
Interest coverage (times)	1.6	2.0	3.8	4.3
NWC/ OI (%)	15.5%	14.5%	19.0%	22.2%

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 Apr 2018	Date & Rating in FY2017 Feb 2017	Date & Rating in FY2016 Dec 2015	Date & Rating in FY2015 Nov 2014
1	Term Loans	Long Term	25.65	25.65	[ICRA]AA-(SO)(stable)	[ICRA]AA-(SO)(stable)	[ICRA]AA-(SO)(stable)	[ICRA]A+(SO)/Stable
2	Non Fund Based	Short Term	10.00	10.00	[ICRA]A1+(SO)	[ICRA]A1+(SO)	[ICRA]A1+(SO)	[ICRA]A1(SO)

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 / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	15-May-2015	-	FY2022	25.65	[ICRA]AA-(SO)(stable)
NA	Non Fund Based Limits	-	-	-	10.0	[ICRA]A1+(SO)

Source: SPSL

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