

October 07, 2019

Angre Port Private Limited: Ratings reaffirmed at [ICRA]A-(CE)(Stable)/[ICRA]A2+(CE)

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loans	175.00	173.04	[ICRA]A-(CE) (Stable); reaffirmed
Capex LC (sub-limit of Term Loan)	(100.00)	(100.00)	[ICRA]A2+(CE); reaffirmed
Total	175.00	173.04	

*Instrument details are provided in Annexure-1

Rating Without Explicit Credit Enhancement

[ICRA]BBB

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. Earlier, the rating symbol for this instrument/facility used to be accompanied by the (SO) suffix. The change in suffix is not to be construed as a change in rating. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement

Rationale

The above rating is based on the strength of the DSRA guarantee provided by Chowgule and Company Private Limited (CCPL) for term loans of Rs. 166.4 crore. The Stable outlook on this rating reflects ICRA's outlook on the rating of the guarantor, CCPL.

Adequacy of credit enhancement

The rating of the instrument is based on the credit substitution approach whereby the rating of the guarantor has been translated to the rating of the said instrument. The guarantee is legally enforceable, irrevocable, unconditional, covers the entire amount and tenor of the rated instrument and has a well-defined invocation and payment mechanism. Given these attributes, the guarantee provided by CCPL is adequately strong to result in an enhancement in the rating of the said instrument to [ICRA]A-(CE) against the rating of [ICRA]BBB without explicit credit enhancement. In case the ratings of the guarantor were to undergo a change in future, the same would reflect in the rating of the aforesaid instrument as well.

Salient covenants related to the credit enhancement, as specified in the guaranteed documents

- » The guarantee is unconditional and irrevocable; The amount to be maintained as required DSR by the borrower as defined is equivalent to the amount maintained by the borrower in the ensuing three months to be maintained with the Lender. In the case of recall of facility, the required DSR shall mean the entire obligation on the facility.
- » In case the borrower fails to maintain the required DSR then each DSRA Guarantor shall jointly and severally be liable to forthwith (maximum within 15 days from the date of shortfall in required DSR)
- » Each payment made by the DSRA Guarantor shall be made immediately without any set-off, counterclaim, deduction or retention of any kind of payment

» *The DSRA Guarantor has waived the rights available to it under sections 133, 134, 135, 139 & 141 of the Indian Contract Act, 1872.*

Key rating drivers and their description

Credit strengths

Benefits from strong parentage - The company has been promoted by the well-reputed Chowgule group. The flagship company of the group, CCPL ([ICRA]A (Stable)/ [ICRA]A1+) has given an unconditional and irrevocable undertaking to meet any shortfall in the DSRA for the entire tenure of APPL's loan.

Favorable location of the port and flexibility in tariff determination - The port is favorably located between Mumbai and Goa, which enables APPL to serve as a distribution and service centre for hinterland in western Maharashtra and northern Karnataka. Also, the port enjoys an all-weather port location with tranquil weather conditions. Further, APPL is a non-major port and hence does not come under the purview of the Tariff Authority for Major Ports (TAMP). As a result, it enjoys a greater flexibility in tariff determination.

Growth in revenue - APPL reported a revenue of Rs. 18.3 crore in FY2019, up 144% from Rs. 7.5 crore in FY018 owing to increase in cargo throughput at the port during the fiscal. The company's revenues in the current fiscal are expected to increase further with the company targeting to handle total cargo throughput of ~0.5 million tonnes in FY2020, up from a combined throughput of 50,000 tonnes during FY2015-FY2018. The company also generated operating profit in the first quarter of the current fiscal.

Credit challenges

Low throughput at the port – The volume off-take at the port has been low since commencement due to weak economic environment and high competition from the JWS Jaigad port in the vicinity. However, as mentioned above, there has been a significant increase in the cargo throughput at the port over the last two-three quarters following a change in senior management and revamp in the marketing strategy.

Weak projected profitability and return indicators – While the port's profitability is expected to improve from current levels given the uptick in cargo throughput, it is expected to remain weak for the medium term on account of high capital servicing charges and moderate traffic. The port is currently in the process of generating demand in the hinterland and developing support infrastructure to facilitate trade.

Liquidity position: Adequate

The liquidity position of the DSRA guarantor, Chowgule and Company Private Limited (CCPL), is **adequate** with healthy cash balances and liquid investments of Rs. 84.6 crore as of March 31, 2019, however, the same has declined from Rs.184.4 crore as of March 31, 2018. CCPL has repayment obligations of Rs. 97 crore in the period between FY2020 and FY2022. The debt repayment would be met through steady generation of internal accruals. Also, CCPL's support to its subsidiaries is expected to decline going forward. While it would still be required to support its direct subsidiary, APPL, towards debt repayment and payment of interest obligations, APPL's debt servicing obligations have declined owing to the part refinancing of its term loan in March 2019.

Rating sensitivities

The rating assigned to the bank lines of APPL would remain sensitive to any movement in the rating or outlook of the guarantor, Chowgule and Company Private Limited.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Approach for rating debt instruments backed by third-party explicit support
Parent/Group Support	Parent: Chowgule and Company Private Limited The assigned ratings are based on unconditional, irrevocable DSRA guarantee extended by APPL's parent company, Chowgule and Company Private Limited.
Consolidation/Standalone	The ratings are based on the standalone financial profile of the company.

About the company

Angre Port Private Limited (APPL, previously known as Jaigad Ports Infrastructure Private Limited) has developed, and now operates an all-weather port at Jaigad near Ratnagiri, Maharashtra. On March 28, 2008, APPL and Maharashtra Maritime Board (MMB) entered into a Concession Agreement (CA), which granted APPL the right to develop Jaigad Port on a build-own-operate-share-transfer (BOOST) basis for a total lease period of 50 years (including a period of five years for construction). APPL is a wholly-owned subsidiary of Chowgule and Company Private Limited (CCPL) w.e.f. April 1, 2017, prior to which the company was a wholly-owned subsidiary of Chowgule Ports and Infrastructure Private Limited (CPIPL), (which in-turn was owned by CCPL). CPIPL was merged with APPL thereby making it a direct subsidiary of CCPL.

Key financial indicators (audited)

	FY2018	FY2019
Operating Income (Rs. crore)	7.5	18.3
PAT (Rs. crore)	-34.5	-26.4
OPBDIT/OI (%)	-99.6%	-66.2%
RoCE (%)	-3.6%	-2.2%
Total Outside Liabilities/Tangible Net Worth (times)	15.9	242.2
Total Debt/OPBDIT (times)	-60.2	-43.3
Interest Coverage (times)	-0.4	-0.8
DSCR	-0.2	-0.4

About the guarantor:

Chowgule and Company Private Limited (CCPL) is the flagship company of the Chowgule Group established in 1941 for mining and exports of iron ore in Goa. Over a period, the company has forayed into shipbuilding, manufacturing of material handling equipment, crane leasing and has two mining leases in Karnataka. The company also has a 1.8 million tonnes per annum pelletisation plant. CCPL entered the shipping business with the acquisition of a dry bulk carrier in July 2010. The company entered into ship repairs through its step-down subsidiary, Lavgan Dockyard Private Limited, which

got merged with CCPL w.e.f. April 1, 2017. CCPL also operates a port at Jaigad through its subsidiary, Angre Port Private Limited.

Key financial indicators (audited)

	FY2018	FY2019
Operating Income (Rs. crore)	428.3	275.6
PAT (Rs. crore)	-83.3	-191.1
OPBDIT/OI (%)	29.9%	-1.0%
RoCE (%)	-5.1%	-11.1%
Total Outside Liabilities/Tangible Net Worth (times)	0.2	0.2
Total Debt/OPBDIT (times)	2.4	-108.2
Interest Coverage (times)	5.2	-0.1
DSCR	2.1	0.1

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2020)				Rating History for the Past 3 Years				
		Type	Amount Rated	Amount Outstanding	Rating	FY2019	FY2018			FY2017
					7-Oct-2019	16-Aug-2018	16-Feb-2018	20-Jun-2017	12-Jul-2016	
1	Term Loan	Long Term	173.04	138.08	[ICRA]A-(CE) (Stable)	[ICRA]A- (SO)@	[ICRA]A-(SO)@	[ICRA]A-(SO) (Stable)	[ICRA]A-(SO) (Stable)	
2	Non-Fund Based Limits	Short Term	(100.00)	-	[ICRA]A2+ (CE)	[ICRA]A2+ (SO)@	[ICRA]A2+(SO)@	[ICRA]A2+(SO) (SO)	[ICRA]A2+(SO)	

Amount in Rs. Crore

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	March 2019	-	May 2027	125.00	[ICRA]A-(CE) (Stable)
NA	Term Loan	May 2012	-	May 2024	41.40	[ICRA]A-(CE) (Stable)
NA	Term Loan	Jan 2019	-	Jan 2024	6.64	[ICRA]A-(CE) (Stable)
NA	Short-Term Non-Fund Based Limits*	-	-	-	(100.00)	[ICRA]A2+(CE)

Source: Angre Port Private Limited; *Sub-limit of term loan facility

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