

February 14, 2020

Konkan Railway Corporation Limited: Provisional rating confirmed as final

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible Debenture Programme	120	120	Provisional [ICRA]AAA(CE)(Stable) confirmed as final
Non-convertible Debenture Programme	1,380	1,380	[ICRA]AAA(CE)(Stable); Outstanding
Total	1,500	1,500	

*Instrument details are provided in Annexure-1

Rating Without Explicit Credit Enhancement

[ICRA]AA

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

In August 2019, ICRA had assigned Provisional [ICRA]AAA(CE) rating to the Rs.120 crore NCD programme of Konkan Railway Corporation Limited (KRCL). KRCL has now shared the final version of the transaction documents. Since the documents are in line with the initial rating conditions, the rating for Rs. 120 crore NCD has now been confirmed as final. ICRA also has an outstanding rating of [ICRA]AAA(CE)(Stable) on Rs. 1,380 crore of NCDs.

For the [ICRA]AAA(CE)(Stable) rating

The above rating is based on the strength of the Letter of Comfort (LOC) issued by Ministry of Railways, Government of India (GOI) for the rated non-convertible debentures (NCD) programme. The Stable outlook on this rating reflects ICRA's outlook on the rating of the guarantor, GOI.

Adequacy of credit enhancement

The NCDs are backed by LOC issued by Ministry of Railways, GOI. The rating also factors a well-defined payment mechanism designed to ensure timely payment on the rated NCDs as per the terms of the transaction. Given these attributes, the LOC provided by Ministry of Railways, GOI is adequately strong to result in an enhancement in the rating of the said instrument to [ICRA]AAA(CE) against the rating of [ICRA]AA- without explicit credit enhancement.

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

- LOC Provider undertakes to make funds available to KRCL to the extent of Rs. 1,500 crore if required.
- LOC Provider ensures timely payment interest and repayment obligations of KRCL.
- The LOC is valid for a period co-terminus with the tenure of the NCDs.

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, Government of India (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

For the [ICRA]AAA(CE)(Stable) rating: Superior

The liquidity profile of the guarantor is **Superior**. The rated NCDs have a moratorium till FY2024 post which the NCD gets repaid over the next six years. The rating for the Rs. 1,500 crore NCD is based on the letter of comfort from the Ministry of Railways, GoI with a defined payment mechanism that would cover the repayment obligations to NCD holders.

Rating sensitivities

For the [ICRA]AAA(CE)(Stable) rating

The rating assigned to the NCD Programme would remain sensitive to any form of non-adherence to the NCD structure.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Approach for rating debt instruments backed by third-party explicit support Corporate Credit Rating Methodology
Parent/Group Support	Parent/Group Company: Ministry of Railways, GoI 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	Standalone

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

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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)

	FY2018	FY2019
Operating Income (Rs. crore)	2,437	2,825
PAT (Rs. crore)	123	102
OPBDIT/OI (%)	10.8%	7.8%
RoCE (%)	7.9%	7.2%
Total Outside Liabilities/Tangible Net Worth (times)	0.96	0.94
Total Debt/OPBDIT (times)	6.69	8.82
Interest Coverage (times)	2.00	1.63
DSCR	2.32	2.18

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Rating (FY2020)					Rating History for the Past 3 Years		
		Type	Amount Rated	Amount Outstanding	Current Rating	Earlier Rating	FY2019	FY2018	FY2017
					14-Feb-2020	30-Aug-2019	29-Nov-2018	27-Oct-2017	22-Sept-2016
1	NCD	Long Term	1380	1380	[ICRA]AAA(CE) (Stable)	[ICRA]AAA(S) (Stable)	[ICRA]AAA(S) (Stable)	[ICRA]AAA(S) (Stable)	[ICRA]AAA(SO) (Stable)
2	NCD	Long Term	120	120	[ICRA]AAA(CE) (Stable)	Provisional [ICRA]AAA(S) (Stable)	-	-	-

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	Instrument Name	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(CE) (Stable)
INE139F07097	NCD	Apr-16	8.30%	Apr-26	50.00	[ICRA]AAA(CE) (Stable)
INE139F07089	NCD	Mar-16	8.50%	Mar-26	250.00	[ICRA]AAA(CE) (Stable)
INE139F07063	NCD	Sep-14	9.08%	Sep-24	500.00	[ICRA]AAA(CE) (Stable)
INE139F07055	NCD	Aug-14	9.18%	Aug-24	110.00	[ICRA]AAA(CE) (Stable)
INE139F07048	NCD	Jul-14	9.15%	Jul-24	170.00	[ICRA]AAA(CE) (Stable)
INE139F07113	NCD	Oct-19	7.94%	Oct-29	120.00	[ICRA]AAA(CE) (Stable)

Source: KRCL

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