Kamarajar Port Limited

December 04, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Infrastructure bonds	11.71	CARE AA; Stable	Reaffirmed
Infrastructure bonds	285.97 (Reduced from 365.47)	CARE AA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in ratings assigned to the debt instruments of Kamarajar Port Limited (KPL) continue to factor in established track record of operations and the port's ability to handle diverse cargo types. Ratings also factors in landlord port model and autonomy in tariff fixation resulting in strong profit margins and return indicators, revenue visibility from well-established coal handling operations, the concession agreements (CAs) entered with berth operators, robust financial position, and comfortable liquidity profile. The rating also factors in strength of the ultimate ownership held by the Government of India (GoI) and importance of the port being one of the 12 major ports of India.

The rating takes cognisance of the stable operational and financial performance for FY24 (refers to April 01 to March 31) and H1FY25. In March 2024, the company commercialised additional General Cargo Berth with capacity of 3 MMTPA, increasing total installed capacity from 60.44 MMTPA as on March 31, 2023 to 63.44 MMTPA as on March 31, 2024. KPL's capacity utilisation improved from 72% in FY23 to 75% in FY24 with the total cargo handled at 45.28 million metric tonne (MMT) against 43.51 million metric tonne (MMT) in FY23. The coal and container cargo continues to dominate the cargo composition with share of 53% and 29%, respectively, in FY24. In H1FY25, KPL reported 5% growth in Cargo Volumes to 23.68 MMT from 22.48 MMT in H1FY24 with utilisation of 75% in H1FY25.

The company proposes to incur capex of ~₹930 crore in FY25-FY27, towards capital dredging, training wall at Ennore Creek, breakwater rehabilitation works among others, which is expected to be funded through internal accruals. Per management articulation, the company could avail a term loan of ₹300 crore in FY26 towards final settlement with creditors of a BOT operator, which is under liquidation. Debt coverage metric is expected to remain comfortable despite the increase in debt levels. Total debt to earnings before interest, taxation, depreciation, and amortisation (EBITDA) stood below unity in FY24 and is expected to remain below unity in the medium term.

Rating strengths are tempered by delayed commencement of expanded capacities, significant cash outflow in the form of dividend payments to Chennai Port Authority (CPA) and relatively weaker financial position of the parent CPA, moderate cargo mix, and competition from nearby ports. Given the moderate credit profile of CPA, KPL has been supporting by dividend payments. However, CARE Ratings Limited (CARE Rating) understands that KPL would not extend further support beyond such dividend payments. Deviation in said stance would be important from a credit perspective.

CARE Ratings notes that there are contingent liabilities in the form of disputed claims under revenue contract with one of the PPP concessionaires and Appellate Tribunal judgement for arbitration proceedings against this dispute has been against the company. The company has appealed against it in the High Court and matter is sub judice. Impact of such liabilities on KPL's liquidity profile shall remain a key monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant-scale up of operation with cargo diversifications while maintaining comfortable leverage.

Negative factors

- Reduction in throughput to below 40% with decline in scale of operations.
- Aggressive debt-funded capex, leading to net debt/profit before interest, lease, depreciation and tax (PBILDT) exceeding 3x.
- Adverse outcome of ongoing dispute with existing berth operators impacting the company's liquidity position.
- Higher-than-envisaged funding support to CPA impacting KPL's liquidity profile/financial position.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Analytical approach: Standalone, factoring in likely support from ultimate parent, Government of India. KPL is one of the 12 major ports and assumes strategic importance for GoI.

Outlook: Stable

The company's operating and financial performance is expected to remain stable with efficient operations, favourable location of the port, long-term revenue share agreements with reputed players for handling of berths and presence of sticky customer in the form of Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO).

Detailed description of key rating drivers:

Key strengths

Government ownership and established track record of operations

KPL commenced operations in 2001 and has a presence of over two decades in the port infrastructure segment. The port is ultimately held by GoI through Chennai Port Authority (CPA). KPL is one of the corporatised major ports and remains strategically important to GoI, being one of the 12 major ports in India under the Ministry of Shipping.

The port was originally conceived to handle thermal coal to meet the coal requirements of TANGEDCO. The scope was expanded considering subsequent development plans in Tamil Nadu, including addition of coal-based power plants of large capacities in the port's vicinity.

Vast hinterland and state-of-the-art port facilities

The port has a vast hinterland comprising inland Tamil Nadu and Andhra Pradesh to the north and Karnataka to the west of the port. The port has adequate road and rail links with roads connected to NH-4, NH-5, and NH-45, while rails are linked to Southern Railway main lines.

KPL is one of the fastest-growing Indian sea ports. It started with a port capacity of 12 MMTPA, which has grown to 63.44 MMTPA in 2024 through the development of a state-of-the-art new cargo terminal under the public-private partnership (PPP) or captive models. In March 2024, the company commercialised General Cargo Berth with capacity of 3 MMTPA. KPL has the capacity to develop 20 berths for handling a variety of bulk, liquid, automobile, and container cargo. The existing coal terminal at KPL consists of two berths for accommodating two 280-m-long coal carriers of up to 77,000 DWT for the exclusive handling of coal required by TANGEDCO.

Landlord port model and autonomy in tariff fixation

KPL operates under the landlord port model, where the port's functions are limited to overall planning, development, mobilisation of investments for port development, and other infrastructure activities. Hence, capital investment is on the lower side. KPL also has a distinctive feature of autonomy in fixing tariffs and is not regulated by guidelines applicable to major ports with regard to tariff fixation. These structural features have resulted in strong profitability and return indicators for KPL. PBILDT margin stood at over 80% for the last three years and is expected to remain in the similar range. The return on capital employed (ROCE) has also remained stable at 24.72% for FY24 (FY23: 24.74%).

Long-term revenue visibility

Income from handling coal is the major contributor, accounting for 53% of the revenue in FY24 (FY23: 56%). This can be attributed to the port was originally conceived to primarily handle coal for thermal power plants of TNEB (presently TANGEDCO). The North Chennai Thermal Power Station (NCTPS) of TANGEDCO is adjacent to KPL's boundary. Coal from coal berths, CB1 and CB2, are moved through conveyers to NCTPS' storage yard. Factors such as cost advantages and proximity result in optimal utilisation of these terminals by TANGEDCO. Per this arrangement, KPL is paid composite coal tariff (cargo handling and vessel charges) on a per tonne basis with a revision in tariff every three years. Last revision was done in June 2022.

KPL has signed a 30-year CA with Ennore Coal Terminal Private Limited (ECTPL) and Ennore Tank Terminals Private Limited (ETTPL) for the construction and operation of a coal terminal (common user coal berth) and a marine liquid terminal, respectively. KPL also has an agreement with Adani Ennore Container Terminal Private Limited for a container terminal, specifying minimum guarantee clauses. Agreements stipulate a fixed revenue sharing, which provides a stable revenue stream.

Stable operational and financial performance

KPL's capacity utilisation has remained stable at 75% in FY24, having improved from 72% in FY23. Majority utilisation is driven by coal cargo and container terminals. The contribution of coal throughput in FY24 remained marginally lower at 53% (56% in FY23) considering maintenance works at coal terminal and conveyor belts of TANGEDCO. However, contribution of container terminal has increased from 24% in FY23 to 29% in FY24 considering increasing trend of containerization.

Considering stable cargo volume in FY24, the revenue has registered stable y-o-y growth of above 4% in FY24 with PBILDT margin of 83% (FY22: 83%).

In H1FY25, the company reported cargo throughput of 23.68 MTPA (22.48 MMTPA in H1FY24). The PBILDT and profit after tax (PAT) margins have remained comfortable at 83.51% and 47.44% respectively in H1FY25 (81.80% and 46.18% in H1FY24).

The vessel turnaround time for the port continues to show improvement with increase in efficiency of container movement at the port and increased capacity of crane and berth productivity. It improved from 45.40 hours in FY23 to 44.37 hours in FY24. While the turnaround time was marginally higher at 46.69 hours in H1FY25, considering maintenance works in port, which is expected to improve by the end of FY25.

Robust financial position

KPL's capital structure has been comfortable, with low debt in the books of account. With the landlord model, the port has to provide basic infrastructure such as road and rail connectivity, dredged basin and channel, marine services and other common utilities, and leases out terminals on long-term arrangements for development. Hence, overall capex has been moderately low. Overall gearing ratio was below unity at 0.17x as on March 31, 2024 (0.22x as on March 31, 2023). Debt coverage metrics have also been at a comfortable level, with the net debt/PBILDT below unity in FY24. KPL could avail debt of ₹300 crore in FY26. Despite the proposed additional debt, debt coverage metrics are expected to remain comfortable with total debt to EBITDA below unity in the medium term. Although strong, the net worth position has been impacted due to large dividend pay-outs to CPA.

KPL plans to incur capex in FY25-FY27 towards capital dredging, training wall at Ennore Creek, and breakwater rehabilitation works among others. The project-related capex over the next three years (FY25-FY27) is estimated to cost ~₹930 crore, which expected to be funded entirely through internal accruals.

Key weaknesses

Delayed commencement of expanded capacity

The company has proposed expansion of the capacity by 41.58 MMTPA. It has also completed construction of two additional new coal berths (CB3 and CB4) of 9 MTPA each, exclusively for TANGEDCO, in Q3FY18 and Q1FY19, respectively. However, these berths have not commenced operations due to pending infrastructure set up by TANGEDCO. CB-4 was expected to commence operations by June 2022; however, has been further delayed. While CB-3 was expected to commence operations by Q1FY24, it is also expected to be delayed. With the permission of TANGEDCO, the company has been utilising CB-4 berth for handling cargo of other vessels.

The iron ore terminal of 6 MTPA has also been non-operational since FY11 and contract with the built-operate-transfer (BOT) operator has been terminated, the operator is under the National Company Law Tribunal (NCLT) and is under resolution process (RP). The company is planning to convert the iron ore terminal to coal term post the settlement with the creditors of the BOT operator.

The entity also entered PPP for construction of container terminal (Phase-II) with Adani Ennore Container Terminal Private Limited, which is under dispute. CARE Ratings notes that the Appellate Tribunal Judgement for the arbitration proceedings have been unfavourable for the company. KPL has appealed against it in the High court and the matter sub judice. Adverse outcomes impacting KPL's liquidity profile will be important from a credit perspective.

Dividend payouts to CPA and relatively weaker financial position of CPA

In March 2020, CPA, which held a 33.33% stake in KPL until then, acquired the remaining 66.67% stake from the GoI at a cost of ₹2,383 crore. This was funded by CPA through ₹1,775 crore of structured term loan (15 years – with a ballooning repayment structure) and the rest through cash available with CPA.

CPA's financial performance has been moderate with operating loss registered till FY23, which has seen improvement from FY24 onwards. Given CPA's moderate financial position, KPL has been extending support in the form of dividend payouts for servicing CPA's debt obligations. Dividend outflow in FY24 and H1FY25 stood at ₹240 crore and ₹300 crore, respectively. CARE Ratings does not foresee additional support above dividend payments towards CPA. Deviations from this stance, impacting KPL's liquidity shall be important from credit perspective.

Moderate cargo mix

KPL is an all-weather port and can handle diverse cargo comprising petroleum (including LPG), oil, lubricants, coal, iron ore, cars, and container cargoes. KPL has ten berths with a total capacity of 63.44 MTPA (operational capacity 57.44 MTPA). This includes three coal berths of 26 MTPA, of which two are exclusively for TANGEDCO. Of the remaining seven berths, two are for general cargo and one each for liquid cargo, multi-cargo, container terminal, LNG and iron ore terminal.

Originally, the port was conceived only to handle coal for the thermal power plants of TANGEDCO, and hence, the concentration on coal cargo has been high. Around 53% of the total cargo handled in FY24 pertains to coal. However, gradually, the port set up terminals for handling different cargoes, reducing coal dependability. The container terminal, which commenced operations in

FY18, enabled diversification of cargo. KPL's container cargo share improved to 29% in FY24 (24% in FY23) and remained at same levels in H1FY25. CARE Ratings notes that the ability to further diversify cargo mix will drive growth prospects.

Competition from nearby ports

KPL faces competition from the nearby ports of Adani, Krishnapatnam Port and Kattupalli Port. Kattupalli Port is within a few kilometre radius of KPL. The port currently has three berths including a container terminal and Bulk and Automobile terminal run by the Adani group, which also runs a container terminal in KPT on a BOT basis. Nearby ports are likely to compete in respect of major cargoes such as automobile and container cargo. However, there is assured revenue to KPT from captive customer, TANGEDCO, as it has made significant investments in coal handling equipment in the jetty and setting up conveyer system to move coal directly from the vessel to TANGEDCO's stockyard.

Liquidity: Adequate

The liquidity position is characterised by a sufficient cushion in accruals against repayment obligations. KPL has not availed working capital limits. The company receives revenue share and composite tariffs in advance, which is on a fixed contract basis. The company receives advance payments from its major customer – TANGEDCO – in most cases, and in some cases, before the ship sails out, negating risk of receivables from the utility. The company has free cash and bank balance of ₹316 crore as on September 30, 2024 (₹121 crore as on March 31, 2024).

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Port & Port services](#)
[Financial Ratios – Non financial Sector](#)
[Infrastructure Sector Ratings](#)
[Factoring Linkages Government Support](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Transport infrastructure	Port & port services

KPL was incorporated in October 1999 and was declared as a major port under the Indian Ports Act 1908. KPL's commercial operations started on June 22, 2001, and is one of the corporatised major port with Miniratna Category I status. KPL was initially held by GoI through the Ministry of Shipping, representing 67% share, while the remaining 33% was held by CPA. However, to optimise KPL's capacity usage and eliminate competition between KPL and CPA, the Cabinet Committee on Economic Affairs approved strategic disinvestment of 100% equity shares of GoI in KPL to CPA in a single stage process. As on March 31, 2024, CPA held 100% stake in KPL.
The port is ~24 km from Chennai. The port has 10 berths with an aggregate capacity of 63.44 MMTPA of cargo (operating capacity 57.44 MTPA).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (U/A)
Total operating income	984	1,062	535
PBILDT	820	886	447
PAT	374	496	254
Overall gearing (times)	0.22	0.17	0.16
Interest coverage (times)	13.97	14.14	20.20

A: Audited U/A: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Bonds-Infrastructure Bonds	INE363O07046	March 26, 2013	7.17%/7.67%	March 25, 2028	11.71	CARE AA; Stable
Bonds-Infrastructure Bonds	INE363O07095	March 25, 2014	9.00%	March 25, 2029	119.24	CARE AA; Stable
	INE363O07061	March 25, 2014	8.75%	March 25, 2029	72.41	
	INE363O07079	March 25, 2014	8.75%	March 25, 2034	18.71	
	INE363O07103	March 25, 2014	9.00%	March 25, 2034	75.61	

ISINs INE363O07087 and INE363O07053 have been redeemed.

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Bonds-Infrastructure Bonds	LT	11.71	CARE AA; Stable	-	1)CARE AA; Stable (07-Dec-23)	1)CARE AA; Stable (23-Dec-22)	1)CARE AA; Stable (28-Dec-21)
2	Bonds-Infrastructure Bonds	LT	285.97	CARE AA; Stable	-	1)CARE AA; Stable (07-Dec-23)	1)CARE AA; Stable (23-Dec-22)	1)CARE AA; Stable (28-Dec-21)

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Bonds-Infrastructure Bonds	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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