

Vizag Seaport Private Limited

March 12, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	66.98 (Reduced from 93.00)	CARE BB; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of the rating assigned to bank facilities of Vizag Seaport Private Limited (VSPL) remains tempered by a moderate financial risk profile, a weak credit profile of the holding company, and significant exposure through advances extended to it. The limited pricing control, concentrated cargo profile, high competition and susceptibility to economic cycle also constrain ratings. However, the rating derives benefit from experienced promoters, a strategically advantageous location with a rich hinterland, and consistent operational performance. The rating also considers the renewal of cargo-handling agreements with key clients, which provides medium-term revenue visibility and mitigates counterparty risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ramping-up cargo-handling revenue from terminal operations to ₹250 crore while maintaining profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin exceeding 40% on a consistent basis.

Negative factors

- Any increase in exposure to group or associate companies by way of investments or advances.
- Any unfavourable verdict against the pending litigations that may result in cash outflow impacting net worth position.
- Deteriorating PBILDT margin below 32%.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) expects the company to sustain its improved operational performance, supported by increasing demand and medium-term contracts with reputed clients.

Detailed description of key rating drivers:

Key weaknesses

Moderate financial risk profile

The company's financial risk profile remained moderate, as indicated by an improved overall gearing of 1.53x as on March 31, 2024, compared to 2.03x in the previous year, due to accumulated profits. However, the adjusted gearing was high at 4.98x due to loans and advances of ₹90.77 crore extended to the holding company against a net worth of ₹112.57 crore. VSPL's debt profile comprises term loans, vehicle loans, lease liabilities, and working capital borrowings. The working capital limits remained unutilised as on March 31, 2024, and in the first nine months of FY25. Total debt to gross cash accruals (GCA) stood at 3.37x as on March 31, 2024, and the interest coverage ratio was 3.53x in FY24, up from 2.88x in the previous year.

High exposure in the form of inter-corporate deposits to holding company

VSPL had extended inter-corporate deposits (ICDs) of ₹109.77 crore to one of the major shareholders, AJR Infra and Tolling Limited (AJR; erstwhile Gammon Infrastructure Projects Limited [GIPL]). Despite having reduced in FY25, the outstanding amount stood at ₹90.77 crore as on March 31, 2024, continuing to be on the higher side. The entity has successfully entered an agreement to settle a long-standing outstanding balance with M/s AJR Infra, receiving an amount of ~₹30 crore against the total dues of ₹90.77 crore in H1FY25.

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

Limited pricing control

The role of the Tariff Authority for Major Ports (TAMP) has been redefined. The Board of Major Port Authority has now been given powers to fix tariff for public-private partnerships (PPP) under tariff guidelines 2005, 2008, 2013, 2018, and 2019. Post commencement of the Major Port Trusts Act (MPT) Act 2021, PPP operators will fix their tariffs based on market conditions. The Board of the Port Authority has been delegated the power to fix the scale of rates for other port services and assets, including land. As per the change in the MPT Act, VSPL has approached Visakhapatnam Port Authority for revising its scale of rates, the approval has been received and Gazette notification is pending. Hence, VSPL is following the previous tariff that was revised in July 2020, and the same is valid up to July 2023 (for FY21-23), until port authorities issue new tariffs.

Concentrated cargo portfolio

Vizag port mainly handles coal due to its proximity to the mineral belt of India and relatively high volumes of imported coal and pet-coke, given that steel, power, and cement companies operate in the hinterland. Shares of top three commodities (coking coal, steam coal, and pet-coke) handled was ~80% in FY24.

High competition from nearby ports and susceptibility of cargo volumes to economic cycles

VSPL faces competition from other nearby ports such as Paradip (Odisha), Haldia, and Gangavaram Port Limited among others, all having longer operational track record compared to VSPL. The performance of the port is also linked to cargo traffic, which consequently depends on economic health. A slowdown in the economy is likely to result in subdued volume growth.

Key strengths

Experienced management with established track record

VSPL has been promoted jointly by AJR and Lasting Holdings Limited (LHL). LHL is joint venture (JV) investment arm of the Swapan Sadhan Bose Group (SS Bose Group), having interests in stevedoring, cargo-handling, port-handling, mining, coastal cargo movement, and media, among others. The group has an established presence of over 120 years in eastern ports, with a presence in Haldia Port, Paradip Port, Vizag Port, and Kolkata Port. VSPL commenced operations in July 2004 and has a well-established track record of more than two decades of operations. The company is one of the early entrants holding a concession agreement (CA) with VPT in 2001, and benefits from favourable terms of the CA with lowest royalty payment and no minimum guaranteed tonnage. VSPL's management is led by Kishore Ragam, Vice Chairman, who manages operations.

Strategic and favourable location with satisfactory infrastructure in place for operations

VSPL has developed a multi-cargo handling terminal at the inner harbour of Vizag Port with an arrival draft of 16.5 m at both berths (EQ8: fully mechanised and EQ9: partly mechanised) for handling fully-laden Panamax vessels. The company has developed facilities for handling cargo volumes of 7.7 million metric tonne (MMT; gradually increased from 5 MMT per the CA) and has dedicated stack yard and stockyard spread across 69 acre. Each berth has a dedicated railway siding for moving cargo from vessels to stockyard.

Medium-term cargo handling agreements and agreement renewal with Steel Authority of India Limited

VSPL had medium-term cargo-handling service agreements with its clients, which provided revenue visibility for the medium term. The contracts are usually renewed at the end of expiry of the stipulated tenure (ranging from one to three years). VSPL has been successfully renewed its contract with Steel Authority of India Limited (SAIL). This apart, VSPL also has cargo-handling agreements with renowned clients such as AMNS (Essar Steels), Agarwal Coal, India Coke and Power limited, and Sanvira Industries, among others, which is renewed on a yearly basis.

Liquidity: Adequate

The liquidity position is characterised by adequate cushion in accruals (excluding exceptional expenses) against repayment obligations of ₹27 crore and comfortable cash balance of ₹27.95 crore as on February 20, 2025. This apart, VSPL also has unutilised CC limit of ~₹7.00 crore as on February 28, 2025.

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](#)
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About the company and industry

Industry classification

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

VSPL was incorporated on April 24, 2001, as Vizag Seaport Limited (VSL) by a consortium of companies of the Gammon group, Portia Management Services Limited (PMS; UK-based) and LHL. PMS later transferred its entire stake to AJR in FY04. The other current shareholders are Shripriya Ports Private Limited and LHL. VSPL has been granted 30-years concession (including a construction period of two years) by VPT on a build, operate, transfer (BOT) basis on November 28, 2001, for constructing, equipping, operating, managing, and maintaining two multi-purpose berths with an aggregate cargo handling capacity of 7.7 MMT in the Northern Arm of Inner Harbour of Vizag Port.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25(UA)
Total operating income	254.60	276.13	117.92
PBILDT	89.34	103.94	48.40
PAT	23.72	36.39	15.17
Overall gearing (times)	2.03	1.53	N.A.
Interest coverage (times)	2.88	3.54	4.18

A: Audited UA: Unaudited; N.A.: Not available; 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
Fund-based - LT-Term Loan		-	-	October 1, 2027	59.98	CARE BB; Stable
Fund-based - LT-Working Capital Limits		-	-	-	7.00	CARE BB; Stable

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	Fund-based - LT-Term Loan	LT	59.98	CARE BB; Stable	1)CARE D (28-Aug-24) 2)CARE BB; Stable (28-Aug-24)	1)CARE BB; Stable (18-Mar-24)	1)CARE BB; Stable (28-Mar-23)	1)CARE D (17-Feb-22) 2)CARE BB-; Stable (17-Feb-22)
2	Fund-based - LT-Working Capital Limits	LT	7.00	CARE BB; Stable	1)CARE BB; Stable (28-Aug-24) 2)CARE C (28-Aug-24)	1)CARE BB; Stable (18-Mar-24)	1)CARE BB; Stable (28-Mar-23)	1)CARE BB-; Stable (17-Feb-22) 2)CARE D (17-Feb-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short 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	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT-Working Capital Limits	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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