

Kakinada Gateway Port Limited

April 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	1,915.00	CARE BBB-; Negative	Reaffirmed; Outlook revised from Stable
Short-term bank facilities	50.00	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has reaffirmed ratings assigned to long-term and short-term bank facilities of Kakinada Gateway Port Limited (KGPL) while revising outlook from 'Stable' to 'Negative'. The Outlook has been changed considering delayed project progress compared to planned progress led by delay in fulfilling of conditions precedent of concession agreement and pending debt disbursement. Outlook shall be revised to stable in case the project progress is in line with planned progress alongwith debt disbursement.

Reaffirmation in ratings assigned to bank facilities of KGPL continues to derives strength from the resourcefulness of its ultimate parent RPR enterprises (RPR), which derives financial flexibility through its equity holding in Aurobindo Pharma Limited (APL). RPR holds 82.26% stake in KGPL's sponsor, Auro Infra Private Limited (AIPL; erstwhile Aurobindo Realty & Infrastructure Private Limited) as on March 31, 2024, and has supported AIPL in funding its existing and new projects including KGPL via infusion of unsecured loans and inter-corporate deposits in AIPL. However, business and financial risk profile of AIPL is moderated in 9MFY25 due to decline in revenue visibility owing to cancellation of some projects. Going forward, improvement in the business risk profile and consequent financial risk profile of AIPL is key rating monitorable.

Ratings also take note of strategic importance of the project under-implementation in KGPL to AIPL and economic incentive due to close linkages between KPGL and development of the industrial park, Kakinada SEZ Limited (KSEZ) towards which, AIPL has significant exposure.

Ratings also factor in signing of concession agreement (CA) with Andhra Pradesh Maritime Board (APMB) for 30 years, longer tenor of debt, healthy tail period, and corporate guarantee by AIPL and RPR towards entire tenor of debt, which suitably supports debt coverage indicators.

However, rating strengths are tempered by inherent project risk with limited track record of the group in ports sector and behind schedule project progress due to delay in fulfilling conditions precedents and pending debt disbursement. Ratings are further moderated by cargo ramp up risk, high susceptibility to economic cycles and competition from nearby ports & terminals on the eastern coast. Ratings also take note of the recent compliant filed with Andhra Pradesh Crime Investigation Department (APCID) against AIPL and its directors among others in connection with the acquisition of stakes in Kakinada Seaports Limited (KSL) and KSEZ. No action has been taken by APCID so far. Any negative outcome will be a key monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Completing project within envisaged time and cost parameters.
- Ramping cargo volume as anticipated.

Negative factors

- Significant delay in project progress or Significant cost and/or time overrun in the project.
- Non-achievement of the envisaged scale of operations and profitability due to slower cargo ramp-up and impacting debt service coverage ratio (DSCR).
- Changing stance of promoters AIPL and RPR to support the company.
- Deteriorating credit profile of the parent AIPL.
- Reducing financial flexibility of its ultimate parent RPR.

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

Analytical approach:

Standalone, factoring in financial and operational linkages with its parent AIPL and linkages with the ultimate parent RPR, which derives financial flexibility through, owning substantial shares of APL. CARE Ratings has applied parent notch up framework with AIPL to arrive at KGPL's ratings.

Outlook: Negative

The negative outlook reflects lag in project execution against planned progress led by delay in fulfilling conditions precedent of concession agreement and pending debt disbursement. Outlook shall be revised to stable in case the project progress is in line with planned progress alongwith debt disbursement.

Detailed description of key rating drivers:**Key strengths****Resourceful ultimate parent with financial flexibility derived from being part of Aurobindo group**

KGPL is the step-down subsidiary of AIPL, which is engaged in construction activities on engineering, procurement and construction (EPC) basis across sectors such as real estate, ports, roads, and mining. AIPL is ultimately held by RPR (82.26% stake as on March 31, 2024). RPR derives significant financial flexibility by virtue of owning ~33.50% stake in APL as on December 31, 2024. RPR has demonstrated track record of supporting AIPL by pledging a portion of its shareholding in APL for debt funded acquisitions of KSEZ and Kakinada Seaport Private Limited (KSPL).

Strategic importance of port to AIPL

KGPL is strategically near KSEZ, an industrial park spread over 5,600 acres of land under development by AIPL. AIPL has high exposure to KSEZ in terms of equity and guaranteed debt and its prospects are contingent on port development by KGPL. With the port and related infrastructure development, KGPL is a major investment of AIPL in the ports sector, which drives its strategic importance to AIPL.

Long-term concession, loan tenure and tail period supporting debt coverage

KGPL has entered CA with APMB on November 21, 2018, to undertake the development of a non-major port in Kakinada district on design, build, finance, operate and transfer (DBFOT) basis. The CA is for 30 years from commercial operations date (COD). Financial closure has been achieved and debt has been tied up. The long-term concession has been complemented by the long-tenor debt financing of 15 years and quarterly structured repayment, corporate guarantee of AIPL, and RPR for the entire debt tenor, which provides support to cashflows. The project has comfortable debt coverage indicators and long tail period of 15 years, which provides financial flexibility.

Key weaknesses**Inherent project execution risk alleviated by delay in project execution**

KGPL is exposed to inherent project execution risk for developing large-sized green field port and limited track record in executing infrastructure project in ports sector. The project's scope includes breakwater construction, capital dredging, development of three berths, material handling system, development of storage yards, and internal roads. The project cost is ₹2,620 crore to be funded through debt equity of 70:30. KGPL has deployed ₹410 crore till December 31, 2024, funded through sponsor contribution towards land development and breakwater construction.

The project is progressing with lag due to delay in fulfilling conditions precedent and pending debt disbursement. However, it has received extension of time (EOT) of 611 days with revised scheduled COD (SCOD) of July 2026. The EPC work has been awarded to AIPL. As articulated by the management, debt disbursement is expected in April 2025, post which, speedy progress is expected. The channel dredging contract has been awarded to a globally reputed dredging contractor and placed three dredgers from company side for basin dredging. Berth construction activities are underway, with first berth targeted to be operational by November 2025.

KGPL is required to take amended environment clearance for more than mandated dredging work. As articulated by the management, it has initiated the process and is likely to be obtained by May 2025. Going forward, project progress per envisaged timelines and cost will be a key rating sensitivity.

Exposure to competition from nearby terminal and ports

KGPL will face stiff competition from other existing major and non-major ports on the eastern coast of India such as Kakinada Seaports, Gangavaram, Vizag, Krishnapatnam, and under-construction ports such as Ramyapatnam and Machlipatnam. KGPL is exposed to intense competition from established players having a strong presence on the eastern coast with integrated operations.

Cargo ramp up risk and susceptibility to economic cycles

Project is exposed to inherent cargo ramp up risk post commercial operations date (COD). Port/shipping sector is susceptible to economic downturns and local government policies regulating trade. Hence, KGPL remains exposed to risks arising out of macro-economic headwinds and variations in export-import (EXIM) trade, which may impact its overall revenue profile and profitability. Hence, unprecedented slowdown in the economy may challenge KGPL in volume volatility. KGPL has pricing flexibility, which is expected to support margins.

Liquidity: Adequate

The company's liquidity position is adequate as KGPL has access to timely and need based support from AIPL and RPR. Per terms of sanction, KGPL has moratorium of one year post COD, and repayment tenor of debt is spread over 15 years with structured quarterly payments, leaving healthy tail period of 15 years. The projected cash accruals are expected to adequately meet debt servicing obligation. Debt service reserve account (DSRA) of one quarter of debt servicing requirement is part of project cost aiding its liquidity. Additional quarter of DSRA to be created within first full year of operations, which with Trust and Retention Account (TRA) arrangement and other financial covenants also support the company's liquidity.

CARE Ratings takes cognisance that the lender has not been extended SCOD basis the EOT received by the KGPL. Basis the lender interaction undertaken, lender will undertake a review with updated progress and then change the SCOD accordingly. However, as articulated by management, it doesn't foresee challenges in extension of the SCOD. Hence, timely from promoters in case of exigences will be key rating monitorable.

Assumptions/Covenants: Not applicable

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

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[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

KGPL was incorporated on July 2016 to undertake construction of deep draft Greenfield Port in Kona Village, Thondangi Mandal, Kakinada District, Andhra Pradesh on DBFOT basis. It is a step-down subsidiary of AIPL, which holds 99% stake in KSEZ, which holds 74% stake in KGPL. The CA between Andhra Pradesh Maritime Board and KGPL was signed on November 21, 2018, for 30 years from COD. The project involves construction of three berths with a total capacity to handle 16 MTPA of cargo with one dedicated coal berth, and two multipurpose berths. Appointed date was achieved on November 17, 2021.

Brief Financials: Not applicable, as project phase entity

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		-	-	September 30, 2041	1835.00	CARE BBB-; Negative
Non-fund-based - LT-Bank Guarantee		-	-	-	80.00	CARE BBB-; Negative
Non-fund-based - ST-Credit Exposure Limit		-	-	-	50.00	CARE A3

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	1835.00	CARE BBB-; Negative	1)CARE BBB-; Stable (30-May-24)	-	-	-
2	Non-fund-based - LT-Bank Guarantee	LT	80.00	CARE BBB-; Negative	1)CARE BBB-; Stable (30-May-24)	-	-	-
3	Non-fund-based - ST-Credit Exposure Limit	ST	50.00	CARE A3	1)CARE A3 (30-May-24)	-	-	-

LT: Long term; ST: 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	Non-fund-based - LT-Bank Guarantee	Simple
3	Non-fund-based - ST-Credit Exposure Limit	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.

Contact us

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About us:

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