DECEMBER 27, 2016

CARE REVISES THE RATING ASSIGNED TO THE BANK FACILITIES OF KESAR TERMINALS AND INFRASTRUCTURE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities – Term Loan	16.87 (Rupees Sixteen crore and eighty seven lakhs only	**CARE BB+ ; Stable (Double B Plus; Outlook: Stable)**	**Revised from CARE BBB- (Triple B Minus)**

Rating Rationale

The revision in the rating assigned to the Bank facilities of Kesar Terminals & Infrastructure Limited (KTIL) considers delay in commencement of the project under its subsidiary - Kesar Multimodal Logistics Limited (KMLL) and consequent delay in ramp-up of facilities post commencement of phase I of the project in April 2016. The repayment of project loan which is guaranteed by KTIL has started in FY17 (refers to the period April 1 to March 31). Re-schedulement of term loan taken by KMLL is underway in view of the delay in the project. Cash flow from the project has been lower than expected on account of delays in project implementation and insufficient traffic in the initial phase of operation, necessitating dependence on parental support for debt servicing at least for the next couple of years. Thus the credit profile and liquidity of the parent KTIL is also expected to remain stretched.

The rating continues to be constrained by the modest scale of operations, intense competition faced from other storage units at Kandla and Pipavav port. The rating favorably factors in the established track record of KTIL in storage operations, experienced management and healthy operational metrics.

The ability to attract the expected cargo for its logistic hub under its subsidiary KMLL (which commenced operations in April 2016) is the key rating sensitivity. Lower than expected fund generation from the project may necessitate financial support from KTIL for debt servicing in the medium term.

Analytical Approach

For arriving at the ratings, CARE has combined the business and financial risk profiles of KTIL and its subsidiary KMLL which are under a common management and have common treasury. KTIL has also extended corporate guarantee for the bank facilities availed by KMLL.

Background

KTIL was incorporated in 2008 to take over the storage division of Kesar Enterprises Ltd (KEL). KTIL provides storage facilities for liquid cargo which predominantly comprise chemicals, petroleum products, edible and non edible products and alcohol. The company operates two bulk liquid chemical terminals at Kandla, Gujarat having a total capacity of 127,000 kilo liters (KL) with a total of 64 tanks as of March 31, 2016. The storage facility is set up on leased land (about 15 acres) of Kandla Port Trust.

KTIL under its subsidiary "Kesar Multimodal Logistics Limited" is currently executing a project for setting up of a Composite Logistic Hub on an area of 88.3 acres of leased land provided by the Madhya Pradesh State Agricultural

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Marketing Board (Mandi Board) on design, build, finance, operate and transfer (DBFOT) basis. The total cost of the project stands revised to Rs.219.92 crore and is proposed to be commissioned in phases till 2018-19.

In FY16 (refers to the period April 1 to March 31), on a consolidated level KTIL reported a total operating income of Rs.44.44 crore (PY: Rs.42.44 crore) and a PAT of Rs.15.54 crore (PY: Rs.14.51 crore). Furthermore, KTIL on a standalone basis reported a total operating income of Rs.22.77 crore and a PAT of Rs.7.59 crore in H1FY17.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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