Kesar Terminals and Infrastructure Limited

March 30, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities (Term Loan)	11.88 (16.87)	**CARE B+; Stable (Single B; Outlook: Stable)**	Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable)
Total Facilities	**11.88 (Rs. Eleven crore and Eighty Eight Lakh only)**		

Details of instruments in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in rating assigned to the Bank facilities of Kesar Terminals & Infrastructure Limited (KTIL) considers the deterioration in operating performance in FY17 and 9MFY18. The rating revision also factors in the operating losses posted by of Kesar Multimodal Logistics Ltd (KMLL), the subsidiary of KTIL. KTIL has given irrevocable corporate guarantee to the lenders of KMLL for the facilities availed. However there were liquidity mismatches in KMLL

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 favourably 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 is the key rating sensitivity.

Detailed description of the key rating drivers

Key Rating Strengths

Established track record

KTIL was formed to take over the storage division of KEL, which was initially set up in 1977. As a part of KEL, the storage division was engaged in handling of bulk liquid storage with a capacity of 127,000 KL for both importers and exporters at Kandla Port for more than three decades. The promoters have a track record of more than seven decades in various business segments such as sugar, distillery, storage and other agro products. The key management personnel have more than a decade of experience in warehousing, storage and managing Container Freight Station (CFS) across various ports in India.KTIL is managed by a seven-member Board with Mr. H.R. Kilachand serving as the Chairman and Managing Director. The Board includes four non-executive independent directors and one executive non-independent director and is supported by well-qualified and experienced professionals in their respective fields.

Contracts providing partial revenue visibility and stability

KTIL enters into 12 month service contracts with its customers and the pricing terms of the contract is based on the nature of the liquid cargo stored and the dedicated tanks used to store the liquid cargo. Around 70-75% of the revenue is generated from these service contracts.

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

Key Rating Weaknesses

Inadequate business for the logistics hub has affected the liquidity and debt servicing capability for the companies

Cash generation from the logistics park implemented under its subsidiary KMLL has been lower than expected on account of insufficient tie-ups with the customer necessitating dependence on infusions from KTIL (the holding company) for debt servicing. However there were liquidity mismatches in KMLL. Further in FY17 KTIL invested Rs 16.55 crore in KMLL in form of preference shares.

Deterioration in operational performance

The PBILDT of the company decline from Rs 27.32 crore in FY16 to Rs 23.47 crore in FY17 at a consolidated level this was primarily due to operational level losses from KMLL of Rs 3.56 crore while KTIL on a standalone level reported a PBILDT of Rs 27.03 crore. The operating profitability at consolidated level declined from 61.48% in FY16 to 48.37% in FY17. The company reported a net loss of Rs 5.90 crore in FY17 compared to a profit of Rs 15.54 crore in FY16.

Deterioration of debt coverage indicators

The overall gearing of the company increased from 1.49x as on March 31 2016 to 1.84x as on March 31, 2017. This was primarily on account of the full draw down of the term loan facilities for the completion of the project. The total debt to GCA deteriorated from 5.91x as on March 31, 2016 to 39.14x as on March 31, 2017 primarily due to inability of the KMLL to generate business and the operational level losses posted by the company.

Analytical approach: Consolidated financials of KTIL along with its subsidiary KMLL has been considered for analysis purpose. KTIL has extended corporate guarantee to the bank facilities availed by KMLL.

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Financial ratios – Non-Financial Sector
Rating Methodology - Service Sector Companies
Rating Methodology: Factoring Linkages in Ratings

About the Company

Kesar Terminals and Infrastructure Ltd (KTIL) was incorporated in 2008 to take over the storage division of Kesar Enterprises Ltd (KEL; rated CARE D). The storage division was demerged from KEL with the intention to expand the business. KEL is engaged in manufacturing of sugar and also has a distillery unit.

KTIL provides storage facilities for liquid cargo which predominantly constitutes of chemicals, petroleum products, edible and non-edible products and alcohol. The company operates 2 bulk liquid chemical terminals at Kandla, Gujarat having a total capacity of 127,000 kilo liters (KL) with a total of 64 tanks (which includes specialized tanks such as stainless steel tanks, tanks equipped with heating and insulation facilities and coated tanks which stores specialty products). The storage facility is set up on leased land (about 15 acres) of Kandla Port Trust.

KTIL in association with KEL has set up a Special Purpose Vehicle named "Kesar Multimodal Logistics Limited" (KMLL) in FY12 to execute its project of setting up a Composite Logistic Hub on an area of 88.3 acres of leased land provided by Madhya Pradesh State Agricultural Marketing Board (Mandi Board) on design, build, finance, operate and transfer (DBFOT) basis. KTIL has extended corporate guarantee for the bank facilities (amounting to Rs.108.11 crore) to be availed by Kesar Multimodal Logistics Ltd (KMLL).

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	44.44	48.53
PBILDT	27.32	23.47
PAT	15.54	-5.90
Overall gearing (times)	1.49	1.84
Interest coverage (times)	9.91	1.73

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	11.88	CARE B+; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	11.88	CARE B+; Stable	-	1)CARE BB+; Stable (27-Dec-16) 2)CARE BBB- (19-Apr-16)	1)CARE BBB- (08-Apr-15)	-

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