Press Release

Redi Port Limited

September 23, 2022

Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	77.50	ACUITE BBB- | Stable | Assigned	-
Total Outstanding Quantum (Rs. Cr)	77.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has assinged the long-term rating of 'ACUITE BBB-' (read as ACUITE triple B minus) on the Rs.77.50 crore bank facilities of Redi Port Limited (RPL). The Outlook is Stable.

Rationale for rating assigned

The rating assigned considers long track record of operations, comfortable financial risk profile marked by debt free position across the group along with readily available liquid investments to support equity infusion of the proposed project. Further, the rating also considers strategic location of the port within the vicinity of the Sindhudurg industrial belt and the port's existing cargo handling activities generating stable cashflows. The rating is however, constrained by demand risk marked by competition faced by RPL from other ports along with corelation of the scalability of the port to the mining activities. Further, the company is undertaking a project, significantly higher compared to its current scale of operations with limited experience of the management in handling the project of this nature leading to a significant project implementation risk.
Further, the rating will be sensitive towards the financial closure that needs to be completed within a stipulated time frame.

About the Company

RPL a group company of Earnest John Group (EJG) was incorporated in 2009. The company is engaged in operating Cargo handling facilities at the port Redi, in Vengurla Maharashtra. The port is currently designed to handle 24 lakh t onnes of cargo per annum. The port facilities were allocated to RPL by Maharashtra Maritime Board (MMB) in the year 2009 under a BOOT Concession Agreement for a period of 50 years. The company's registered office is at Nariman Point, Mumbai. The Present Directors of the companies are Mr. Christopher John Joseph, Dr. Earnest Joseph John, Mr. Dean Christopher John, and Mrs. Doris John Lourdes.

Analytical Approach

Acuité has considered a standalone view of the business and financial risk profile of RPL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management , long track record of handling cargo activities and

strategic location of the port

RPL is a member of the larger conglomerate Earnest John Group (EJG) of companies. EJG has been in existence since 1970 and has diversified business interests in port operations & leasing of office spaces etc. The current Directors of RPL are Mr. Christopher Joseph John and Dr. Earnest Joseph John. RPL is a joint initiative undertaken by the EJG with the Maharashtra Maritime Board (MMB) to construct and develop the port REDI. A concession agreement between EJG and MMB was signed on 25th February 2009 for the development of a multipurpose port on BOOT basis for a period of 50 years. Since 2009, the group has been undertaking the existing cargo handling activities of the port. The port is currently designed to handle 24 lakh tonnes of cargo per annum and is already generating revenues from its operations. The company is in further plans to expand the handling capacity to 108 lakh tonnes per anum and has planned a debt funded capex to the tune of Rs. 453 Cr. The new project will be funded with debt to the tune of Rs. 300 Cr. and infused with an equity of Rs. 153 Cr. The company currently has liquid investments available for equity infusion to the tune of Rs. 96 Cr. Further, the port at Redi is strategically located near the border of Maharashtra and Goa along the Konkan Coast in Vengurla Taluka of Sindhudurg district, and lies 85 km north of Goa and 150 km south of Ratnagiri with relative proximity to major cargo generating centers in Kolhapur, Sangli, and North Karnataka and the iron ore mines at Sindhudurg, North Goa and Bellary Hospet. Being stratigically located, RPL can cater to the export and import needs of Maharashtra, Goa and Karnataka States. Further, there are several iron ore and bauxite mines located around Sindhudurg District, which are potential customers for RPL giving a stable revenue visibility for the company.

Stable operating performance and comfortable financial risk profile

The port is presently already in operations and operates during the fair season (October to May) generating stable cashflows for RPL. The company reported revenues of Rs. 26.42 Cr. during FY2022 (Prov.) against Rs. 43.09 Cr. in FY2021. The revenues during FY2022 were affected due to Severe Cyclonic Storm Tauktae in the Arabian Sea during May-2021 causing damage to the port. Presently, the company operates at 40 percent operating margin level, which is further expected to increase post the completion of the project. The port is currently handling only export cargo of iron ore using Barge operators for movement of cargo from the Jetties to mother vessel, which is anchored around 2 to 3 nautical miles from the Jetties. Presently, RPL is paying Rs. 50/- to 55/- per MT towards charges for barging. After construction of the new berths, the vessels can be directly loaded at the berth, resulting into saving of cost of barging and vessel turnaround time. Further, charges payable to MMB will also reduce from Rs. 28.50 per MT (existing) to Rs. 3.00 per MT (after construction of new berth) resulting in saving of Rs. 25 per MT. Further, RPL being a debt free company marks a comfortable financial risk profile with healthy networth and zero debt. The company reported tangible net worth at Rs. 99.82 cr as on March 31, 2022 against Rs. 94.97 Cr. as on March 31, 2021.Further, repayments for additional debt of Rs. 300 Cr. will begin post two years from COD expected in March 2025. Hence, there wont be any changes in the gearing levels in the coming two years in absence of any debt other than above. Further the ICR is expected to remain in the range of 15 times in FY2023 and DSCR in the range of 13.62 times for FY2023 respectively.

Weaknesses

Significant demand and project implementation risk

RPL plans to expand its current cargo handling capacities to 108 lakh MTPA from 24 lakh MTPA. Currently, the project is at a nascent stage with only ~10 percent of the cost incurred. Further, RPL may face demand risk pertaining to stiff competition from other major ports which may have higher capacity for handling tonnage. Also, identification of future clientele base and establishing relations with them would be critical to the growth in revenues. Further, scalability of the port operations is directly corelated to the mining activity. Additionally, the company is undertaking a project which is significantly higher compared to its current net worth and scale of operations and the management has limited experience in implementing projects of this nature in the past exposing it to significant implementation risk.

Rating Sensitivities

- Timely financial closure of debt within the stipulated time frame

- Timely completion of the project without significant time and cost overruns

Material covenants
None

Liquidity Position
Adequate
The company currently does not have any debt in its balance sheet or does not need to rely on any working capital facilities as it collects all payments from its customers immediately on loading of cargo and before sailing of the vessels. Hence the company also does not have any trade receivables. Further, the company currently has more than Rs. 18 Cr. liquid investments in quoted shares along with investments in gold and diamond which makes company's liquidity adequate. Further, the repayments for the debt that RPL is availing, for port expansion will start post two years from the COD which will give some liquidity comfort to RPL during its initial phase of expansion.

Outlook: Stable
Acuité believes the company will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and stable operations along with its comfortable financial risk profile. The outlook may be revised to 'Positive' in case of faster than expected completion and operations commencement of the project. The outlook may be revised to 'Negative' in case of deterioration in the company's scale of operations and profitability or capital structure, or in case of delays in completion of project leading to cost over runs affecting RPL's liquidity profile.

Other Factors affecting Rating
None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	26.42	43.09
PAT	Rs. Cr.	4.85	12.13
PAT Margin	(%)	18.36	28.15
Total Debt/Tangible Net Worth	Times	0.04	0.04
PBDIT/Interest	Times	236.18	520.33

Status of non-cooperation with previous CRA (if applicable)
Not Applicable

Any other information
None

Applicable Criteria
- Default Recognition :- https://www.acuite.in/view-rating-criteria-52.htm
- Infrastructure Sector: https://www.acuite.in/view-rating-criteria-51.htm
- Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/view-rating-criteria-55.htm

Rating History:
Not applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	77.50	ACUITE BBB- | Stable | Assigned

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Jaitashree Hukerikar Analyst-Rating Operations Tel: 022-49294065 jaitashree.hukerikar@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research
Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.