Press Release
Redi Port Limited
December 22, 2023
Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	77.50	ACUITE BB+ | Stable | Downgraded	-
Total Outstanding Quantum (Rs. Cr)	77.50	-	-

Rating Rationale

Acuité has downgraded the long-term rating to **'ACUITE BB+' (read as ACUITE double B plus)** from '**ACUITE BBB- (read as ACUITE t riple B minus)**on the Rs. 77.50 Cr. bank facilities of Redi Port Limited (RPL). The Outlook is '**Stable**'.

Rationale for rating.

The rating downgrade considers significant project execution risk as the project construction is currently at a very nascent stage. The project execution has not taken place as per Acuité's expectations. There has been a delay of almost a year in initiating construction of Phase 1 out of the total of 3 Phases of expansion and till date only around 20% construction has been accomplished. Going ahead, timely completion of the project without cost overruns will remain sensitive to the rating. Further, since the Port is already operational and generating some cashflows, construction pace has to be limited as both activities take place simultaneously keeping the Port only partially operational. This has affected RPL's operating income during FY2022 and FY2023. The revenues have remained stable at around Rs. 25 Cr. for last two years ended FY2023 against Rs. 43 Cr. in FY2021. This is further expected to reduce as and how the construction activity progresses. Further, the rating is 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. Additionally, the project also carries implementation risk as 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 size and nature.

The rating however continues to derive strength from RPL's long track record of operations, comfortable financial risk profile marked by debt free position across the group along with strategic location of the port within the vicinity of the Sindhudurg industrial belt. Post successful completion of the Port expansion, RPL will have tremendous business opportunities given its strategic location near Goa border and can cater to the export and import needs of Maharashtra, Goa and Karnataka States. The rating also considers already established financial closure, along with readily available liquid investments to support equity infusion of the proposed project which has largely reduced the financial risk for the project.

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 tonnes of cargo per annum while is under the process to expand its handling capacity to 108 lakh tonnes per annum and the COD is expected in April 2026. 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.

Unsupported Rating
Not Applicable

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
Long track record of operations 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 some revenues from its operations. The company is in further plans to expand the handling capacity to 108 lakh tonnes per annum and has planned a debt funded capex to the tune of Rs. 456.50 Cr. The new project will be funded with debt to the tune of Rs. 300 Cr. and infused with an equity of Rs. 156.50 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 strategically 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 post its successful Port expansion.

Comfortable financial risk profile.
EJG is a debt free group and RPL marks a comfortable financial risk profile with healthy net worth and zero debt as on date. The company reported healthy tangible net worth at Rs. 98.74 Cr. as on March 31, 2023 against Rs. 97.48 Cr. as on March 31, 2022. Currently, the Company is undertaking construction on the existing Port of Redi for an all-weather Port which includes (a) Construction of breakwater along with additional storage facilities, (b) Development of Berth 1 and (c) Development of Berth 2 alongside the Port. The COD is expected by April 2026.
RPL has already been sanctioned a debt to the tune of Rs. 300 Cr which it will avail in the coming two years. Repayments for the said debt will begin post two years from COD which is expected from FY2028. Hence, no significant change in RPL's overall financial risk profile is expected in the coming two years. Additionally, company has liquid investments to the tune of Rs. 78 Cr. readily available for the purpose of equity infusion of the project. Further, the port being already in operation generates stable cashflows for RPL. The company reported revenues of Rs. 26.96 Cr. during FY2023 against Rs. 25.10 Cr. in FY2022 and Rs. 43 Cr in FY2023. The revenues have remained subdued during last two years due to dredging activity going on for Port expansion keeping the Port only partially operational. However, RPL will derive benefits in the operating margin levels 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.
However, timely completion of the project without cost overruns will remain sensitive to the rating.

Weaknesses

Significant demand and project implementation risk.
RPL plans to expand its current cargo handling capacities to 108 lakh tonnes per annum from 24 lakh tonnes per annum. It involves developing the Port in three Phases. Phase 1 to include Construction of breakwater along with additional storage facilities, phase 2 will have development of Berth 1 and final phase will involve development of Berth 2. Currently, the project is at a nascent stage with only ~5 percent of the total project 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 completion of the project without significant time and cost overruns.
- Ability to undertake expansion activity without significantly impacting current operations of the Port.

All Covenants

Not Applicable.

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. 26 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 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

Not Applicable.

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	26.96	25.10
PAT	Rs. Cr.	1.26	2.53
PAT Margin	(%)	4.68	10.08
Total Debt/Tangible Net Worth	Times	0.06	0.05
PBDIT/Interest	Times	1277.56	175.94

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
In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
23 Sep 2022	Term Loan	Long Term	77.50	ACUITE BBB- | Stable (Assigned)

Annexure - Details of instruments rated

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

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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.