March 23, 2022 Revised

Angre Port Private Limited: Long-term rating reaffirmed, removed from rating watch with negative implications and Stable outlook assigned; short-term rating removed from rating watch with negative implications, reaffirmed and withdrawn

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-Term Fund-based – Term Loan	173.04	53.19	[ICRA]A-(CE)(Stable); reaffirmed and removed from rating watch with negative implications; Stable outlook assigned
Short-Term - Interchangeable	(100.00)	-	[ICRA]A2+(CE); reaffirmed and removed from rating watch with negative implications and withdrawn
Total	**173.04**	**53.19**	
Rating Without Explicit Credit Enhancement			[ICRA]BBB

**Instrument details are provided in Annexure-1*

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement.

Rationale

ICRA had placed the ratings of Angre Port Private Limited (APPL or the company), which were backed by the DSRA guarantee extended by Chowgule Industries Private Limited (CIPL) (rated [ICRA]A(Stable)/[ICRA]A1), Chowgule and Company Private Limited (CCPL) (rated [ICRA]A+(Stable)/[ICRA]A1), and Chowgule and Company (Salt) Private Limited, on watch with negative implications in January 2021, following the business restructuring within the Chowgule Group and the expected plans of CCPL to withdraw the DSRA guarantee and discontinue any funding support, going forward. ICRA also wanted to assess the support that will be extended by CIPL and other businesses within Group B to AAPL. As per the restructuring, the family business has been split into two groups – one headed by Mr. Padma Chowgule (Group A) and the other by Mr. Vijay Chowgule (Group B), with CIPL as a part of Group B, along with ship repair, construction chemical and port businesses. As a part of the restructuring, the joint DSRA guarantee has been withdrawn and the term loans have been subsequently refinanced with new loans backed by corporate guarantee from CIPL. Further, CIPL has provided security in the form of pledge of debt mutual fund of Rs. 54.05 crore to the lenders and provided support along with other Group entities in the form of non-convertible preference shares and unsecured loans of ~Rs. 83.5 crore, post which APPL's outstanding debt has reduced due to prepayment.

Following the restructuring and the developments, the rating of APPL's bank lines has also been removed from watch with negative implications and the long-term rating is backed by CIPL's corporate guarantee. ICRA has reaffirmed and withdrawn the short-term rating assigned to the bank facilities of APPL at the request of the company, and in accordance with ICRA's policy on withdrawal of credit ratings.

ICRA also notes that while the cargo handled by APPL moderated in FY2021 due to the pandemic, there has been recovery in the current fiscal. The company reported operating profits in 9M FY2022, although it is still reporting losses at the net level. Further, CCPL's loan of Rs. 336.6 crore to APPL has been written back as part of the restructuring process, leading to net worth turning positive

Adequacy of credit enhancement

The rating action is based on the guarantee which is legally enforceable, irrevocable, joint and several, unconditional and covers the entire amount and tenure of the rated instrument. Nevertheless, the guarantee is devoid of any defined invocation and payment mechanism. Given these attributes, the guarantee provided by CIPL is adequately strong to result in a rating enhancement of the said instrument to [ICRA]A-(CE) against the rating of [ICRA]BBB without explicit credit enhancement. In case the guarantor's rating undergoes a change in the future, the same would also reflect in the rating of the aforesaid instrument. The Stable outlook on this rating reflects ICRA's outlook on the rating of the guarantor, CIPL.

Salient covenants of the rated facility

- Promoters shall directly/indirectly continue to hold at least 51% of the shareholding of APPL & CIPL and retain their management control at all points during the tenor of the facility
- CIPL shall not merge/amalgamate/demerge itself with any other company without the consent of the lender
- CIPL shall not make any investment into/extend any loans & advances to any other entity in case an Event of Default is subsisting under the facility
- DSRA equivalent of three-months of interest and principal to be created upfront and maintained as FD
- Throughout the tenor of the facility, any shortfall in the stipulated DSRA amount to be maintained shall be made good by CIPL within 15 days from the occurrence of such event

Key rating drivers and their description

Credit strengths

Part of Chowgule Group; corporate guarantee from CIPL - The company is promoted by the reputed Chowgule Group. It benefits from the Group companies' financial support in the form of equity infusion/unsecured loans, which helps reduce its reliance on external borrowings. Additionally, APPL's credit profile is enhanced by the corporate guarantee provided by a Group company, CIPL, for the above-rated bank limits.

Favourable location of port and flexibility in tariff determination – The port is favourably located between Mumbai and Goa, which enables APPL to serve as a distribution and service centre for hinterlands in western Maharashtra and northern Karnataka. The port also has an all-weather port location, with tranquil weather conditions. Further, APPL is a non-major port, which does not come under the purview of the Tariff Authority for Major Ports (TAMP). As a result, it has greater flexibility in tariff determination

Credit challenges

Competition and susceptibility of volumes to economic cycle - The volume offtake at the port has been low since its commencement because of the weak economic environment and high competition from the JWS Jaigad port in the vicinity. However, cargo throughput has increased at the port, following a change in the senior management and revamp in marketing strategy. In 9M FY2022, APPL handled ~5.8 lakh tonnes of cargo against ~3.4 lakh tonnes in FY2021.

Weak financial profile - The company's scale of operations continues to be moderate. Its operating income declined ~30% to Rs. 37.6 crore in FY2021 as pandemic-led disruptions impacted cargo volumes. However, in the current fiscal, APPL's performance has improved with revenues at Rs. 68.0 crore in 10M FY2022; the company has reported operating profits, although it continues to report net losses. Further, CCPL's loan of Rs. 336.6 crore has been written back as part of the restructuring, improving its net worth. ICRA also notes that the company has partially prepaid the debt in the current fiscal with support from CIPL and other Group entities in the form of non-convertible preference shares and unsecured loans. However, a sustained improvement in the financial performance will depend on the company's ability to attract cargo and report net profits.

Liquidity position

Chowgule Industries Private Limited (Guarantor): Strong

The company's liquidity profile has been supported by healthy cash accruals in the past, along with free cash and cash equivalents of Rs. 65 crore as on March 31, 2021. The working capital utilisation has been nil in the current fiscal, lending support to its liquidity profile in the form of unutilised limits of Rs. 108 crore. In the absence of any major debt-funded capital expenditure (capex), CIPL's liquidity is expected to be healthy, going forward.

Angre Port Private Limited: Stretched

APPL's liquidity is stretched due to weak cash flows from operations and debt servicing obligations. The company's unencumbered cash balance and investments were Rs. 4.98 crore as on March 31, 2021. APPL has outstanding term loans of Rs. 53.31 crore as on January 31, 2022. The company has repayment obligations of Rs. 0.23 crore in Q4 FY2022 and Rs. 3.14 crore in FY2023.

Rating sensitivities

Positive factors – ICRA could upgrade APPL's ratings if there is an improvement in the guarantor's (CIPL) credit profile. The ratings may also be upgraded if APPL shows a healthy growth in revenue and profitability on a sustained basis, that would improve its credit metrics and liquidity profile.

Negative factors –Pressure on APPL's ratings could arise if the guarantor's credit profile weakens. Further, weakening of linkages with the parent may be a negative trigger. A significant decline in scale and profitability on a sustained basis and overall weakening of the financial risk profile may also lead to a rating downgrade.

Link **to** the rating rationale of the support provider, CIPL**.**

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA Policy on Withdrawal of Credit Ratings Corporate Credit Rating Methodology Rating Methodology for Port Approach for rating debt instruments backed by third-party explicit support
Parent/Group Support	Group company: Chowgule Industries Private Limited Explicit support in the form of corporate guarantee for the rated bank lines.
Consolidation/Standalone	The ratings are based on the standalone financial profile of the company.

About the company

Angre Port Private Limited, previously known as Jaigad Ports Infrastructure Private Limited, has developed and now operates an all-weather port at Jaigad, near Ratnagiri, Maharashtra. On March 28, 2008, APPL and Maharashtra Maritime Board's (MMB) concession agreement (CA) granted APPL the right to develop the Jaigad port on a build-own-operate-share-transfer (BOOST) basis for a total lease period of 50 years (including a period of five years for construction). APPL became a wholly-owned subsidiary of Chowgule and Company Private Limited (CCPL) w.e.f. April 1, 2017, prior to which the company was a wholly-owned subsidiary of Chowgule Ports and Infrastructure Private Limited (CPIPL), (which in turn was owned by CCPL). CPIPL was merged with APPL, which made it a direct subsidiary of CCPL. However, as per the restructuring plan, the shares of APPL held by CCPL will be transferred to the entities of Group B.

In FY2021, the company reported a PAT of Rs. 292.6 crore (due to write back of loans from CCPL of Rs. 336.6 crore) on an operating income of Rs. 37.6 crore compared to a net loss of Rs. 30.0 crore on an operating income of Rs. 53.5 crore in FY2020.

Key financial indicators (audited)

APPL- Standalone	FY2020	FY2021
Operating Income (Rs. crore)	53.5	37.6
PAT (Rs. crore)	(30.0)	292.6 ^
OPBDIT/OI (%)	-0.1%	-37.8%
PAT/OI (%)	-2.4%	778.2%
Total Outside Liabilities/Tangible Net Worth (times)	(17.5)	0.7
Total Debt/OPBDIT (times)	(9262.1)	(12.4)
Interest Coverage (times)	(0.0)	(0.8)

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ^ includes write back of loan from group entity of Rs. 336.6 crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on Feb 28, 2022 (Rs. crore)	Date & Rating on	Date & Rating in FY2021		Date & Rating in FY2020	Date & Rating in FY2019
					March 23, 2022	Jan 25, 2021	Oct 06, 2020	Oct 07, 2019	Aug 16, 2018
1	Term Loans	Long-term	53.19	53.19	[ICRA]A-(CE)(Stable)	[ICRA]A-(CE)@	[ICRA]A-(CE)(Stable)	[ICRA]A-(CE)(Stable)	[ICRA]A-(SO)@
2	Capex LC	Short term	(100.00)	-	[ICRA]A2+(CE); reaffirmed and withdrawn	[ICRA]A2+(CE)@	[ICRA]A2+(CE)	[ICRA]A2+(CE)	[ICRA]A2+(SO)@

@ Under rating watch with negative implications

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Term Loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, are available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No.	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Term Loan- I	Aug-2021	9.25%	Mar-2028	50.00	[ICRA]A-(CE)(Stable)
NA	Term Loan-II	Nov-2018	8.35%	Nov-2023	3.19	[ICRA]A-(CE)(Stable)
NA	Capex LC	NA	NA	NA	(100.00)	[ICRA]A2+(CE); reaffirmed and withdrawn

Source: *Company*

Annexure-2: List of entities considered for consolidated analysis: Not Applicable

Corrigendum

Document dated March 23, 2022 has been corrected with revisions as detailed below:

- *Salient covenants of the rated facility on page no. 2: Language edited in the last covenant*
- *Liquidity section on page no. 3: Name of the rated entity corrected in the heading*

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