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Brickwork Ratings downgrades IL&FS Maritime Infra Company's bank loans

Irregularities in debt servicing by parent IL&FS has weakened support for the subsidiary

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Last Updated at September 25, 2018 23:05 IST

Brickwork Ratings has revised the rating for IL&FS Maritime Infrastructure Company Limited's bank loan facilities worth Rs 5.29 billion to BWR C (very high risk of default in timely service of obligation) from BWR BB (BWR double B, indicating moderate risk of default).

The agency said it has revised the rating after factoring irregularities in the debt-servicing ability of parent IL&FS (Infrastructure Leasing & Financial Services Limited), continued elevated debt level and liquidity pressure at the group and delay in raising funds from the promoters of IL&FS. This has completely impaired the parent entity's ability to adequately support IL&FS Maritime Infrastructure Company Limited (IMICL), **Brickworks** said in its report on Tuesday.

The IL&FS groups impaired financial flexibility has reduced the refinancing ability of debts availed by IMICL from its group companies. As on March 2018, out of IMICL's total borrowings of Rs 21.52 billion, an amount of Rs 17.16 billion is from various group companies such as parent IL&FS, IL&FS Financial Services Limited, Sabarmati Capital One Limited and other IL&FS entities.

The rating continues to positively factor in IMICL's diversified project portfolio across the maritime logistics sector, consistent interest/dividend income from subsidiaries/associates/group investments, said **Brickwork**. The rating is, however, constrained by the highly capital-intensive nature of business, project execution risk of the ongoing projects, high losses leading to erosion of net worth during FY18 and elevated debt level of the company and the parent IL&FS.

Some of ICIML's operational projects include storage terminal for oil products at Emirates of Fujairah, stake in non-major Dighi port which is currently with National Company Law Tribunal (NCLT) and thermal power plant at Cuddalore, Tamil Nadu where it also has a license to develop captive port. Projects under development include an integrated maritime complex near Kandla along with a joint venture with ALBA Asia Pvt Ltd to develop mechanised fertilizer handling facilities in the inner harbour of Visakhapatnam port.