

March 15, 2023

Ripley & Co. Stevedoring & Handling Pvt. Ltd.: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based – Cash credit	20.0	65.0	[ICRA]A(Stable) reaffirmed/assigned
Long-term/Short-term – Non-fund based limits	90.0	150.0	[ICRA]A(Stable)/[ICRA]A2+ reaffirmed/assigned
Long-term/Short-term unallocated limits	40.0	145.0	[ICRA]A(Stable)/[ICRA]A2+ reaffirmed/assigned
Total	150.0	360.0	

*Instrument details are provided in Annexure-I

Rationale

The reaffirmation of the ratings factors in the long-standing experience of Ripley & Co. Stevedoring & Handling Pvt. Ltd. (RSHPL) and the extensive track record of the promoters in providing port support services and a dominant market share at Haldia Dock Complex (HDC). This is due to its exclusive licences to provide certain services and established relationship with customers through short-term and long-term contracts.

The ratings also factor in the increasing revenue diversification over the years. While port-related services have been the mainstay for the company in the last few years, it has also entered the mineral trading segment. The share of mineral trading has been increasing, with the segment witnessing a 41% growth in revenue in FY2022. Further, apart from the direct services, RSHPL has leased out equipment to Group entities with minimum guaranteed volume commitments, which provides an additional stable revenue stream. The Group is also involved in trading operations in other geographies. Also, the Group has entered the shipping business by acquiring three ships in the last two years under its overseas subsidiaries. ICRA also notes that the coal terminal project being executed under an SPV – Kalinga International Coal Terminal Private Limited's (KICTPL) - has commenced commercial operations.

RSHPL's standalone revenue was at Rs. 1007.50 crore in 9M FY2023 and Rs. 1,226.8 crore in FY2022, rising from Rs. 1,062.0 crore in FY2021, supported by improved revenue from the mineral trading and stevedoring operations. The operating margins moderated to 13.1% in FY2022 from 19.7% in FY2021 due to change in segmental revenue contribution and the same improved to 16.6% in 9M FY2023. ICRA expects the revenue growth trend to continue in the near term, while the profit margins are expected to remain healthy. The capital structure and coverage indicators (excluding the contingent liabilities) have remained healthy over the last few years on the back of healthy accretion to reserves with a gearing of 0.22 times and interest coverage of 25.7 times in FY2022. The return indicators remained healthy with ROCE of 25.7% in FY2022. The ratings also factor in the moderate working capital intensity which remained at 10-20% over the past three years.

ICRA, however, notes that the company has moderate capex plans for acquiring/replacing equipment/vehicles during the next two to three years, which will be partly debt-funded through equipment loans. The Group has moderately high capex planned for vessel purchases over the next few years, which will be debt-funded. Further, the company has provided loans and advances to some of its subsidiaries/JVs (excluding KICTPL), which stood at Rs. 255.27 crore as on September 30, 2022, apart from equity investments of Rs. 0.90 crore as on September 30, 2022. Going forward, in the medium term, the funding support for some of the SPVs/subsidiaries is expected to increase as the Group is planning to expand its shipping operations by acquiring new vessels.

The company has also extended corporate guarantees to some of the subsidiaries/SPVs, apart from KICTPL, which stood at Rs. ~71.5 crore as on March 31, 2022 (Rs. 18.7 crore as on March 31, 2021) and expected to increase to Rs. 227.5 crore by the end of FY2023. In KICTPL, RSHPL has invested Rs. 10.12 crore as on September 30, 2022 and has also extended loans/advances of Rs. 72.67 crore as on September 30, 2022 to the entity. RSHPL has also extended corporate guarantee to the debt availed by KICTPPL, along with the other JV partners, where the partners are severally liable to discharge their respective obligations in case of default. The corporate guarantee was extended for Rs. 547.00 crore as on December 31, 2022. Due to the large investments and contingent liabilities arising from the corporate guarantees, the company's credit profile remains susceptible to the timely ramp-up of operations of KICTPL. However, the risk pertaining to the coal terminal is partially mitigated by the healthy credit profile of the other sponsors and strong demand for coal from the hinterland, catered to by the Paradip port.

The ratings also take note of the increasing competition from private sector non-major ports, resulting in a shift of cargo from major ports over the last few years. The impact of competition on HDC is partly mitigated as there are large customers providing repeat business on account of favourable connectivity to their plants in the hinterland. HDC is a riverine port needing periodic dredging to maintain navigability, supported by the Central Government and any moderation in funds/support could have an adverse impact on port traffic. Moreover, RSHPL operates in areas with a highly unionised work force, which coupled with its labour-intensive operations, exposes the company to the risk of strike/industrial actions. Nevertheless, the vast experience of the Group in the industry and at HDC, coupled with the increased mechanisation of operations in the last few years, mitigates the risk to an extent. The ratings also consider the susceptibility of its operational and financial performance to the broader import-export cycle and the vulnerability of the port services sector to changes in Government policies.

The Stable outlook on the [ICRA]A rating reflects ICRA's opinion that RSHPL will continue to benefit from its experience in the stevedoring industry and its dominant market share at HDC, which will aid revenue growth and healthy margin, going forward, and support its credit profile.

Key rating drivers and their description

Credit strengths

Long-standing experience in stevedoring industry and dominant market share at HDC – RSHPL, incorporated in 2000, is a part of the Ripley Group, which belongs to the broader Swapn Sadhan Bose Group (SS Bose Group) with interests in stevedoring and cargo handling, port handling, coastal cargo movement, media, etc. The Group has an established presence in the eastern ports for more than 120 years.

HDC accounts for a major share of RSHPL's revenues with 75-85% of sales, followed by the Paradip Port contributing to 8-15% of sales; and the Vizag and Kolkata ports accounting for the remaining sales. The company commenced operations in Vizag and Kolkata ports only since FY2015; while there has been incremental growth from these ports, their share remains moderate at present. The company has reputed customers, including Steel Authority of India Limited, Tata Steel Limited, Central Coal Fields Limited, TM International Logistics Limited, etc. There are a large number of licensed stevedoring companies operating in the Haldia Port. However, along with the other Ripley Group companies, RSHPL has maintained a dominant market share at HDC due to its reputation and relationship with customers. Apart from direct services, RSHPL has specific contracts for operations at key berths and contracts with terminal operators or other entities (some of which are JV/SPV in which the Ripley group has stake) operating at the ports for additional services/equipment.

Increasing revenue stream diversification - While port-related services have been the mainstay for the company in the last few years, it has also entered the mining and mineral trading segments. The share of mineral trading has been increasing, with the segment witnessing a 40.89% growth in revenue in FY2022 over FY2021 and the revenue share increasing to 47.92% in FY2022 from 34.61% in FY2021. The Group is also involved in trading operations in other geographies. Further, the Group has entered the shipping business by acquiring three ships in the last two years under its overseas subsidiaries.

Comfortable financial profile - RSHPL's revenue was at Rs. 1007.5 crore in 9M FY2023 and Rs. 1,227.07 crore in FY2022, supported by improved revenue from the mineral trading and stevedoring operations. RSHPL started mineral trading in FY2019 and the gross revenue from the same increased to Rs. 587.97 crore in FY2022 from Rs. 417.34 crore in FY2021. The gross

revenue from stevedoring and shore-handling decreased to Rs. 639.10 crore in FY2022 from Rs. 777.19 crore in FY2021. The operating margins moderated to 13.1% in FY2022 from 19.7% in FY2021 due to change in segmental revenue contribution and the same improved to 16.6% in 9M FY2023. The capital structure and coverage indicators (excluding the contingent liabilities) have remained healthy over the last few years on the back of healthy accretion to reserves with a gearing of 0.22 times and interest coverage of 25.7 times in FY2022. The return indicators remained healthy with ROCE in the range of 25.7% in FY2022.

Moderate working capital intensity - The working capital intensity has remained at 10-20% over the past three years. The company typically maintains an inventory of 50-65 days in mineral trading. RSHPL extends a credit period of ~30 days to its customers, which sometimes gets stretched to 45-60 days and gets a credit period of ~30-60 days from labour contractors and consumable suppliers. The working capital requirement is met through internal sources and working capital limits from banks.

Credit challenges

Cargo handled is vulnerable to broader economic trends; commodity demand cyclical and competition from other ports – RSHPL mainly handles bulk cargo such as coal, followed by limestone, gypsum, pyroxenite, ores, and the remaining revenue is driven by coke, steel, chemicals, etc. The cargo handled, and consequently, the financial performance remains vulnerable to the broader economic cycle's impact on exim traffic at the ports, demand cyclical for specific commodities such as coal and competition from other major and minor ports. In the last few years, there has been some shift in cargo from major to minor ports in India due to location benefits and the superior facilities provided. Nonetheless, the impact on HDC has been mitigated to some extent by the presence of large customers providing repeat business owing to better connectivity to their plants in the hinterland.

Labour-intensive operations with exposure to highly unionised workforce - The company remains exposed to the risk of strikes/industrial actions due to the labour-intensive operations in regions with a highly unionised workforce. However, the risk is mitigated to some extent on account of increasing mechanisation of operations over the last few years. Moreover, its long-standing experience in the industry and at HDC mitigates the impact and RSHPL has not faced any issues in the last few years.

Being a riverine port, Haldia Port faces challenges related to low draft - Being a riverine port, HDC requires periodic dredging to maintain its draft and navigability and is dependent on the Central Government's support for the same. Thus, the continued support for dredging remains critical for operations and any reduction in support may have an adverse impact on operations. Additionally, due to issues of low draft, large vessels are partly unloaded at other ports before entering the Haldia Port. However, the floating jetty project and floating cranes installed at Saugor have aided faster lighterage operations owing to the higher capacity of the floating cranes and the jetty being outside the lock gates, which handles the barges carrying cargo unloaded from the larger vessels at the lighterage point.

Port services sector vulnerable to changes in Government regulations -- During 2015-2016, HDC had implemented the award of licence for shore handling on the basis of competitive bidding for revenue share and imposed ceiling rates (ceiling rates of Rs. 119.48/tonne and revenue share of Rs. 14.77/tonne). Subsequently, the Ministry of Shipping has announced a policy to implement a similar licence scheme for stevedoring and shore-handling services at all the major ports, whereas the operators had been mainly paying a modest licence fee to the port and charge rates from customers based on the market dynamics. In FY2017, the Government announced the new stevedoring policy under which the ceiling rates and revenue share will be imposed on specific commodities on a per tonne basis for stevedoring and shorehandling operations. In November 2021, the new Major Port Authorities Act 2021 was operationalised and a new tariff guideline was announced in December 2021. Going forward, the tariff will be decided by the Major Port Authority itself and there will be more flexibility with regards to tariff setting, although they will still have a ceiling rate and the impact of the same on the company remains to be seen.

Debt-funded capex plans, investment requirements and large contingent liabilities may put pressure on capital structure - The company has capex plans of ~Rs. 20 crore per annum for acquiring/replacing equipment/vehicles during the next two to three years, which will be partly debt-funded through equipment loans. Further, the company has provided loans and advances to some of its subsidiaries/JVs (excluding KICTPL), which stood at Rs. 255.27 crore as on September 30, 2022, apart from equity investments of Rs. 0.90 crore as on March 31, 2022 and September, 2022. Going forward, in the medium term, the funding

support for some of the SPVs/subsidiaries is expected to further increase as the Group tries to increase its shipping operations by acquiring new vessels. The Group has moderately high capex planned for vessel purchases over the next few years, which will be debt-funded.

The company has also extended corporate guarantees to some of the subsidiaries/SPVs apart from KICTPL, which stood at Rs. ~71.5 crore as on March 31, 2022 (Rs. 18.7 crore as on March 31, 2021) and expected to increase to Rs. 227.5 crore by the end of FY2023. In KICTPL, RSHPL has invested Rs. 10.12 crore as on September 30, 2022 and has also extended loans/advances of Rs. 72.67 crore as on September 30, 2022 to the entity. RSHPL has also extended corporate guarantee to the debt availed by KICTPPL, along with the other JV partners, where the partners are severally liable to discharge their respective obligations in case of default. The corporate guarantee was extended for Rs. 547.00 crore as on December 31, 2022. Due to the large investments and contingent liabilities arising from the large corporate guarantees given, the company's credit profile remains susceptible to the timely ramp-up of operations of KICTPL. However, the risk pertaining to the coal terminal is partially mitigated by the healthy credit profile of the other sponsors and the strong demand for coal from the hinterland catered to by the Paradip Port.

Liquidity position: Adequate

RSHPL (standalone) has a capex plan of Rs. 20-25 crore per annum in FY2023 and FY2024, besides expected increase in loans and advances/investments of ~Rs. 20-25 crore over FY2023-24 in SPV/JV/subsidiaries and moderate debt repayment obligations. At a standalone level, the company has repayment obligations of Rs. 12.35 crore in FY2023. At the consolidated level, the company has repayment obligations of ~Rs. 70-75 crore for FY2023. However, the liquidity position is adequate and will be met by expected healthy cash accruals, availability of unutilised working capital limits, unencumbered cash and cash equivalents of ~Rs. 99 crore at a standalone level and ~Rs. 126.8 crore at a consolidated level as on March 31, 2022.

Rating sensitivities

Positive factors – The ratings could be upgraded if the company exhibits a substantial improvement in revenue and profitability on a sustained basis, while maintaining healthy capital structure (including corporate guarantees) and coverage indicators. A ramp-up in the operations of the Kalinga terminal projects will remain a monitorable.

Negative factors – Pressure on the ratings could arise if there is a significant moderation in revenue and profitability on a sustained basis, or higher-than-expected debt-funded capital expenditure/investments in subsidiaries or JVs; or a stretch in the working capital intensity that would weaken RSHPL's liquidity profile. The ratings could also witness pressure if there is a lower-than-expected ramp up in performance/completion of projects of JVs and subsidiaries.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has taken the consolidated financials of RSHPL ICRA has also considered corporate guarantees given to the JVs and other related entities. For the guarantee extended by RSHPL to KICTPL, ICRA has taken into cognisance the presence of other JV partners who, along with RSHPL, are jointly and severally liable to discharge the guaranteed obligations in case of default. The list of companies consolidated is given in Annexure 2

About the company

RSHPL, incorporated in 2000, is primarily involved in providing stevedoring, shore handling and other port support services. The company has major presence in the Haldia Dock Complex (HDC), along with other Group entities. It has also been providing services at the ports of Kolkata, Paradip and Vizag. The company has a registered office in Kolkata and branches in Haldia, Paradip and Vizag. It owns a fleet of 200 mobile equipment (mobile harbour cranes, dumpers, loaders, forklifts, excavators and dozers) and has a workforce of over 1,200 employees. Since FY2019, the company is engaged in mineral trading at Haldia, Paradip, Vizag and Kolkata ports. It is a part of the larger group of companies promoted by Mr. Swapan Sadhan Bose, with business interests in port support services, coastal cargo movement, mining and media, and longstanding presence in the eastern ports, especially in HDC.

Key financial indicators (audited)

RSHPL Standalone	FY2021	FY2022	9M FY2023
Operating income	1,062.0	1,226.8	1007.5
PAT	147.2	121.1	114.6
OPBDIT/OI	19.7%	13.1%	16.6%
PAT/OI	13.9%	9.9%	11.4%
Total outside liabilities/Tangible net worth (times)	0.07	0.22	-
Total debt/OPBDIT (times)	0.16	0.84	-
Interest coverage (times)	34.7	25.7	24.8

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

RSHPL Consolidated	FY2021	FY2022
Operating income	1173.2	1398.1
PAT	147.5	126.7
OPBDIT/OI	18.5%	13.6%
PAT/OI	12.6%	9.1%
Total outside liabilities/Tangible net worth (times)	0.68	1.13
Total debt/OPBDIT (times)	0.17	1.65
Interest coverage (times)	34.16	17.21

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2023)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
				Mar 15, 2023	Feb 17, 2022	Oct 30, 2020	April 02, 2019
1 Cash credit*	Long-term	65.0	-	[ICRA]A (Stable)	[ICRA]A(Stable)	[ICRA]A-(stable)	
2 Term loan	Long-term		-	-	-	[ICRA]A-(stable)	
3 Non-fund based	Long term/Short-term	150.0	-	[ICRA]A (Stable)/[ICRA]A2+	[ICRA]A(Stable)/[ICRA]A2+	[ICRA]A-(stable)/[ICRA]A2+	
4 Unallocated	Long term/Short-term	145.0	-	[ICRA]A (Stable)/[ICRA]A2+	[ICRA]A(Stable)/[ICRA]A2+	[ICRA]A-(stable)/[ICRA]A2+	[ICRA]A-(stable)/[ICRA]A2+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Cash credit	Simple
Long-term/Short-term – Non fund-based limits	Very Simple
Long-term/Short-term unallocated limits	NA

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: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
	Cash credit*	NA	NA	NA	65.0	[ICRA]A(Stable)
	Letter of credit	NA	NA	NA	150.0	[ICRA]A(Stable)/[ICRA]A2+
	Unallocated limits	NA	NA	NA	145.0	[ICRA]A(Stable)/[ICRA]A2+

Source: Company; *Rs. 45.0 crore of cash credit is interchangeable.

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	RSHPL Ownership	Consolidation Approach
Ripley Shipping Private Limited	100.00%	Full Consolidation
Ripley Offshore Private Limited	74.00%	Full Consolidation
Ripley Infrastructure Private Limited	100.00%	Full Consolidation
Ripley Northern Dredging Private Limited	100.00%	Full Consolidation
Ripley Commodities FZ LLC	100.00%	Full Consolidation
Ripley International DMCC	100.00%	Full Consolidation
Ripley Overseas Pte Ltd	100.00%	Full Consolidation
OSL Ripley Shipping Private Limited	50.00%	Joint Venture
High Rock Mining LLP	50.00%	Joint Venture
Kalinga International Coal Terminal Private Limited	33.33%*	Joint Venture

Source: RSHPL Annual report; *Effective holding RSHPL along with RIPL

Note: ICRA has taken a consolidated view of the parent (RSHPL), its subsidiaries and associates while assigning the ratings. ^ ICRA has also considered the corporate guarantee extended to KICTPL. For the guarantee extended by RSHPL to KICTPL, ICRA has also taken into cognisance the presence other JV partners who, along with RSHPL, are jointly and severally liable to discharge the guaranteed obligations in case of default.

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