December 26, 2023

Visakhapatnam Port Logistics Park Ltd: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	91.51	91.51	[ICRA]B-(Stable); reaffirmed
Total	**91.51**	**91.51**	

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation considers Visakhapatnam Port Logistics Park Limited's (VPLPL) weak financial profile because of its small scale of operations, sizeable debt repayments relative to the expected cash flow generation. ICRA notes that VPLPL, which has developed a multi-modal logistics hub (MMLH) at Visakhapatnam port, has received the license to operate a container freight station (CFS) in January 2023 and started the CFS operations from March 2023. Till FY2023, the revenue sources of the company were limited to rental receipts from the warehouse, open storage area, cold storage and charges for using the railway siding. While the CFS operations are yet to stabilized and major ramp up is expected from FY2025 onwards, which will support overall scale of operations. In the current year, revenues are expected to be ~Rs. 20-21 crore with an operating margin of ~40%. Going forward, with the ramp up of CFS operations, the scale is expected to significantly increase, given the experience of the parent entity in the logistics industry. However, the expected cash generation is likely to remain inadequate relative to the debt servicing requirement, thus adversely impacting the already stretched liquidity position. In H1 FY2024, the company serviced its debt obligation by using the operational cash flows and unsecured loan from the parent, BLCL. Going forward, till the CFS operations are not stabilised, cash flows will remain low, leading to inadequate liquidity position to service its debt obligations and will remain a key rating monitorable.

Key rating drivers and their description

Credit strengths

Established track record of parents in logistics industry – VPLPL is a joint venture of BLCL with a 60% stake and Visakhapatnam Port Trust (VPT) with a 40% stake. BLCL is a mini-ratna public sector company under the administrative control of the Ministry of Petroleum and Natural Gas and has diversified operations across industrial packaging, grease and lubricants, leather chemicals, travel and vacations, logistics and refinery and oil field services. As a part of its logistics vertical, BLCL operates CFS in Chennai, Kolkata and Navi Mumbai. Over the medium-to-long term, VPLPL stands to benefit from BLCL's existing relationships with players in the logistics business.

Expected increase in scale post the ramp up of CFS operations – The company achieved revenues of Rs. 12.4 crore in FY2023, which is expected to increase to ~Rs. 20-22 crore in the current year. VPLPL has received the CFS license in January 2023 and operations started from March 2023 onwards. However, due to changes in Government policies, volumes were impacted, thus, leading to lower scale. Going forward, successful ramp-up of CFS operations, resulting in improved cash flows, will be a key monitorable.

Credit challenges

Weak financial profile and sizeable debt repayments – VPLPL's financial profile is weak, characterised by cash losses till FY2023, except for minor cash profits in FY2022. Moreover, the debt repayments started from September 2022. The company has serviced its debt in FY2023 and FY2024 by using operational cash flows, utilising a portion of DSRA and via unsecured loans from parent, BLCL. Post the ramp up of CFS, while the scale and profits are expected to increase in FY2025, the cash generation is likely to remain inadequate relative to the debt-servicing requirement, adversely impacting the already stretched liquidity.

Small scale of operations – VPLPL's scale of operation remains small with an operating income of Rs. 12.4 crore in FY2023 and expected to reach ~Rs. 20-22 crore in FY2024. Till FY2023, the revenues were restricted to rental receipts from the warehouse, open storage area, cold storage and charges for using the railway siding. While the CFS license has been received in January 2023, volumes remain low till date. Successful ramp-up of CFS operations would remain a key monitorable.

Liquidity position: Stretched

The company's liquidity profile is stretched, characterised by high debt repayments and interest expenses in the near term against weak internal cash flows. While the company had maintained DSRA of Rs. 3 crore as on March 31, 2022, it was used in debt servicing in FY2023, which has not been replenished till date. Moreover, the debt servicing during H1 FY2024 was met from unsecured loans from the parent. Going forward, the liquidity is expected to remain stretched, given the ballooning repayment structure and cash generation is expected to remain inadequate.

Rating sensitivities

Positive factors – ICRA may upgrade VPLPL's rating upon ramp-up of CFS operations, significantly improving the cash accruals and profitability.

Negative factors – A rating downgrade is likely if the company is unable to scale up its operations from the current level and improve its profitability. Also, any further deterioration in liquidity position will also be a trigger for rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology]()
Parent/Group support	Parent Company: BLCL BLCL holds a 60% stake in the company. Except for one time support in current year, no further financial support is envisaged.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of the entity

About the company

VPLPL is a joint venture between BLCL with a 60% stake and VPT with a 40% stake. VPLPL was incorporated in 2014 to develop a multi-modal logistics hub at Visakhapatnam port. The project achieved the commercial operation date (CoD) in October 2019.

Key financial indicators (audited)

VPLPL	FY2022	FY2023
Operating income	14.0	12.4
PAT	-9.0	-10.5
OPBDIT/OI	62.9%	60.6%
PAT/OI	-64.3%	-85.3%
Total outside liabilities/Tangible net worth (times)	1.2	1.3
Total debt/OPBDIT (times)	11.3	12.5
Interest coverage (times)	1.1	0.9

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2024)			Chronology of rating history for the past 3 years			
	Type	Amount rated (Rs. crore)	Amount outstanding as of Sept 30, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & Rating in FY2022	Date & rating in FY2021
				Dec 26, 2023	Jan 27, 2023	Oct 25, 2021	-
1 **Term loans**	Long term	91.51	81.28	**[ICRA]B-(Stable)**	[ICRA]B-(Stable)	[ICRA]B-(Stable)	-

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: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Term Loan**	FY2018	8.75%	FY2030	91.51	[ICRA]B-(Stable)

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA.

Annexure II: List of entities considered for consolidated analysis – Not Applicable

ANALYST CONTACTS

Jayanta Roy
91 33 7150 1100
jayanta@icraindia.com

Sumit Jhunjhunwala
91 33 7150 1111
sumit.jhunjhunwala@icraindia.com

Priyesh Ruparelia
91 22 6169 3328
priyesh.ruparelia@icraindia.com

Maitri Vira
91 79 4027 1538
maitri.vira@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches