

February 13, 2024

DP World Multimodal Logistics Hyderabad Private Limited (erstwhile Continental Multimodal Terminals Private Limited) : 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	29.37	0.00	-
Long term/Short term - Fund/Non-fund-based limits	10.00	10.00	[ICRA]A+ (Stable)/[ICRA]A1; reaffirmed
Total	39.37	10.00	

*Instrument details are provided in Annexure-I

Rationale

While arriving at the ratings of DP World Multimodal Logistics Hyderabad Private Limited (DP Hyderabad; erstwhile Continental Multimodal Terminals Private Limited), ICRA has taken a consolidated view of DP Hyderabad, its parent DP World Multimodal Logistics Private Limited (DP Multimodal; erstwhile Continental Warehousing Corporation (Nhava Sheva) Limited), DP World Express Logistics Pvt Ltd (DP Express; erstwhile Delex Cargo India Private Limited) and DP World Rail Logistics Private Limited (DP Rail; erstwhile Kribhco Infrastructure Private Limited) due to the strong operational, managerial and financial linkages among them.

The rating reaffirmation factors in the strong parentage of DP Multimodal i.e., Hindustan Infralog Private Limited (HIPL), a joint venture between DP World Limited {65% stake; rated Baa2 (Stable) by Moody's} and The National Investment and Infrastructure Fund (NIIF; 35% stake). Dubai-based DP World is the world's fourth-largest container terminal operator by throughput, while NIIF is a fund set up by the Government of India (GoI) in collaboration with leading global and domestic institutional investors. Owing to its parentage, DP Multimodal (and its subsidiaries) enjoys strong financial flexibility, which enables the company to tie up funds at competitive rates.

Further, DP Multimodal is an established player in the domestic logistics, inland container depot (ICD), private freight terminal (PFT) and container freight station (CFS) businesses. The ratings also factor in the steady revenue visibility derived from its established relationships with customers and the expected benefits from leveraging the customer base of DP World, which would help improve the utilisation of its facilities. The ratings also factor in the steady ramp up in the performance of the company's CFS and PFT business along with the improving scale of operations of DP Rail.

The ratings, however, are constrained by the relatively moderate profitability of DP Multimodal on a consolidated basis owing to the subdued performance of DP Express, which is an integrated logistics service provider. The leverage position continues to remain high with moderate coverage indicators in FY2023. The leverage is expected to remain elevated in the current fiscal as well, driven by the significant capex for rake and container acquisitions by DP Rail. Moreover, the ratings are constrained by the exposure of the company's operations to economic downturns. The leverage and coverage indicators are expected to witness some pressure because of the large capex planned at the consolidated level in the near to medium term. However, the projects are expected to be funded equally by debt and inter-corporate deposits (ICD) and internal accruals, which will mitigate the impact. Further, with the expected improvement in scale and profits, the credit metrics are expected to gradually improve and will be monitored.

The Stable outlook factors in the expectation that the credit profile of DP Hyderabad and consolidated DP Multimodal will continue to be supported by an improvement in the financial profile with the scaling up of the PFT facilities and CTO operations under DP Rail and better operating profits. Further, DP Multimodal will continue to benefit from the established position of

DP World in the ports, CFS and ICD/PFT businesses as well as the additional flexibility from having NIIF as one of the promoters.

Key rating drivers and their description

Credit strengths

Strong parentage with DP World and NIIF being the ultimate promoters – DP Hyderabad benefits from the established position of its parent, DP Multimodal, that owns four CFS and three PFT/ICD facilities in the country. DP Multimodal in turn was acquired by Hindustan Infralog Private Limited (HIPL), a joint venture between DP World (65%) and NIIF (35%), in July 2018. The presence of DP World at five container terminals across India would enhance the volumes at DP Multimodal warehousing facilities. Both DP Multimodal and DP Hyderabad enjoy high financial flexibility owing to the presence of strong promoters. The board of directors of DP Multimodal and DP Hyderabad also include several representative from DP World.

Integrated service offerings of DP Multimodal Group in logistics sector – DP Multimodal owns four container freight stations at JNPT, Redhills, Seahorse and Tuticorin in addition to three PFT/ICDs at Hyderabad, Panipat and Ahmedabad. With the acquisition of DP Rail, the Group has expanded to a few more geographies in addition to bringing in a few related businesses under the same Group. DP Rail operates container train services and a network of four ICDs/PFTs at Pali (Haryana), Modinagar (Uttar Pradesh), Hazira (Gujarat), and Hindaun City (Rajasthan).

Improvement in utilisation of CFS and PFT facility, and rail operations – The scale of operations of all the three PFTs under DP Multimodal improved in FY2023 and in the current fiscal, especially in the CFS at JNPT and the PFT at Panipat, supported by the relationships built with its customers and the improved trade volumes in the hinterland. The overall revenue from the PFT segment improved to ~Rs. 741 crore in FY2023 from ~Rs. 611 crore, a growth of ~21%. In similar lines, revenues in the CFS segment rose ~17% to ~Rs. 365 crore in FY2023 from ~Rs. 310 crore in FY2022. The rail operations under DP Rail also improved, marked by a revenue growth of ~23% at Rs. 581 crore in FY2023. DP Multimodal reported a ~23% YoY growth in consolidated revenue at ~ Rs. 1,972 crore in FY2023.

Credit challenges

High leverage and moderate coverage indicators – The total debt, on a consolidated level, increased to ~Rs. 879.0 crore as on March 31, 2023, from ~Rs. 597.1 crore as on March 31, 2022 on account of the debt availed by DP Rail for the capex. The increase in debt and the moderation in profitability on a consolidated basis increased the total debt/OPBDITA to 6.7 times as on March 31, 2023 from 3.9 times as on March 31, 2022. Going forward, DP Multimodal (consolidated) plans to undertake significant capex over the next 12-18 months to acquire rakes and containers (through DP Rail) and set up new ICD/PFTs. The capex will be funded through an equal proportion of debt and inter-corporate deposits/equity.

Operations exposed to economic cycles affecting trade volumes – The revenues of the company remain susceptible to economic cycles in the ICD/PFT and container terminal businesses. In addition, variation in exim (export-import) trade volumes would impact the revenues.

Liquidity position: Adequate

DP Multimodal, on a consolidated basis, had free cash and bank balance of ~Rs. 49.4 crore as on March 31, 2023. Despite the large capex plans and subdued profitability, the liquidity of DP World Group entities is expected to remain adequate, underpinned by the timely infusion of funds by the shareholders. ICRA derives comfort from the track record of the shareholders, providing timely support in the past and the stated intent to support the group entities for their fund requirements.

Rating sensitivities

Positive factors – The rating may be upgraded if there is improvement in consolidated financial performance of DP Multimodal with growth in scale and profitability on a sustained basis, while its leverage and coverage position also improves

significantly on a sustained basis. Any substantial improvement in the credit profile of the ultimate parent - DP World - may also be a positive factor.

Negative factors – The rating may be downgraded if there is material weakening of DP Multimodal's performance on a consolidated level, and/or weakening of DP World's credit profile and/or weakening of linkages with DP World.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Parent Entities: DP World Limited and NIIF ICRA expects DP Hyderabad's ultimate parents, DP World and NIIF, to be willing to extend financial support to DP Hyderabad (and consolidated DP Multimodal), should there be a need, given the high strategic importance that DP Hyderabad holds for DP World and NIIF
Consolidation/Standalone	While arriving at the rating of DP Hyderabad, ICRA has taken a consolidated view of DP Hyderabad, its parent DP Multimodal and group entities - DP Express and DP Rail

About the company

DP World Multimodal Logistics Hyderabad Private Limited (DP Hyderabad ; erstwhile Continental Multimodal Terminals Private Limited) is held by DP World Multimodal Logistics Private Limited (96.6%) and DP World Rail Logistics Private Limited (DP Rail; erstwhile Kribhco Infrastructure Private Limited) with a 3.4% stake. It has developed a private freight terminal (PFT) at Thimmapur (Hyderabad) in close proximity to National Highway 7. The PFT is equipped with three-line railway sidings and over 250,000-sq-ft warehousing to cater to the needs of both domestic and EXIM (export-import) trade. The facility, spread over 47 acres, is India's first PFT facility developed post the launch of the private freight terminal scheme by the Indian Railways in 2011.

Key financial indicators (audited)

DP Hyderabad Standalone	FY2022	FY2023
Operating income	116.5	129.6
PAT	15.2	13.1
OPBDIT/OI	20.4%	15.5%
PAT/OI	13.1%	10.1%
Total outside liabilities/Tangible net worth (times)	0.2	0.1
Total debt/OPBDIT (times)	0.9	0.0
Interest coverage (times)	9.5	17.2

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

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

About the Parent

DP Multimodal was incorporated in 1997 as a service sector public company. It operates four CFSs at JNPT (Mumbai), Tuticorin, Redhills (Chennai) and Seahorse (Chennai), and three ICD/PFTs at Ahmedabad (Gujarat), Panipat (Haryana) and Thimmapur (Hyderabad). In addition, the company provides services such as less than container load (LCL) consolidation, bonded warehousing, PFT, warehousing, empty container depot, transportation and equipment leasing. It has also ventured into operating container train services through DP Rail. DP Multimodal was acquired by Hindustan Infralog Private Limited (HIPL), a joint venture between DP World (65%) and NIIF (35%) in July 2018.

Key financial indicators (audited)

DP Multimodal Consolidated	FY2022	FY2023
Operating income	1599.0	1972.2
PAT	-2.7	-36.3
OPBDIT/OI	9.6%	6.7%
PAT/OI	-0.2%	-1.8%
Total outside liabilities/Tangible net worth (times)	0.4	0.6
Total debt/OPBDIT (times)	3.9	6.7
Interest coverage (times)	3.2	2.2

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years				
		Amount rated (Rs. crore)	Amount outstanding (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022		Date & rating in FY2021
				Feb 13, 2024	Dec 28, 2022	Jan 17, 2022	Nov 30, 2021	Aug 07, 2020
1 Term loans	Long term	0.00	-	-	[ICRA]A+ (Stable)	[ICRA]A (Positive)	[ICRA]A (Positive)	[ICRA]A (Stable)
2 Fund-based /Non-fund based facilities	Long term and short term	10.00	-	[ICRA]A+ (Stable)/ [ICRA]A1	[ICRA]A+ (Stable)/ [ICRA]A1	[ICRA]A (Positive)/ [ICRA]A1	[ICRA]A (Positive)/ [ICRA]A1	[ICRA]A (Stable)/ [ICRA]A1

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term loan	Simple
Long term/Short term - Fund/Non-fund based limits	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	Fund-based bank/Non-fund based facilities	NA	NA	NA	10.00	[ICRA]A+ (Stable) /[ICRA]A1

Source: Company

Annexure II: List of entities considered for consolidated analysis-

Company Name	Ownership	Consolidation Approach
DP World Multimodal Logistics Private Limited	Parent	Full Consolidation
DP World Express Logistics Pvt Ltd	100.00%*	Full Consolidation
DP World Rail Logistics Private Limited	76.00%*	Full Consolidation
DP World Multimodal Logistics Hyderabad Private Limited	96.6%*	Full Consolidation

Source: Company; * Owned by DP Multimodal

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