

November 30, 2021

Transworld 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	50.00	50.00	[ICRA]A-(Stable); Reaffirmed
Short term - Non-fund based	15.00	15.00	[ICRA]A2+; Reaffirmed
Total	65.00	65.00	

*Instrument details are provided in Annexure-1

Rationale

While arriving at the ratings, ICRA has taken a consolidated view of the financials of Transworld Terminals Private Limited (TTPL) and its group company, TG Terminals Private Limited (TGPL) (referred to as the 'Group') due to their common promoters, similar business sector and the management's ongoing plans to merge TGPL into TTPL.

The rating reaffirmation reflects TTPL's established relationships with shipping lines and custom house agents as well as its strong parentage as part of Transworld Singapore, which has operations spanning the entire value chain in the shipping industry. The ratings also consider the favourable long-term demand outlook for container trade growth at Mundra and JNPT ports, along with the limited external borrowings of the Group, which has resulted in healthy coverage ratios. The ratings further take into consideration the improvement in cargo volumes at the Kolkata Container Freight Station (CFS), which had commenced operations in FY2021. ICRA notes that despite some moderation in volumes handed in FY2021 at consolidated level, the profit margins witnessed improvement due to higher storage and rental income and Kolkata CFS turning profitable.

The ratings are, however, constrained by the vulnerability of profitability to economic downturns and intensely competitive CFS market at the Mundra, JNPT (Mumbai) and Kolkata ports. Furthermore, the venture of TTPL into new business segments increases marketing risks and the company's ability to operate these businesses at healthy profitability levels remains to be seen.

The Stable outlook on the [ICRA]A- rating reflects ICRA's opinion that the Group's credit profile would remain comfortable given the limited outstanding external debt and it will continue to benefit from the extensive experience of its promoters in the CFS industry.

Key rating drivers and their description

Credit strengths

Established presence in the shipping industry value chain – TTPL enjoys established relationships with several shipping lines as well as custom house agents. It has a strong parentage as part of Transworld Singapore, whose operations have spanned the entire value chain in the shipping industry for over three decades. Transworld Singapore consists of several companies handling different aspects of shipping, providing a wide range of services involving shipping agency, vessel operation, freight forwarding, customs clearance, land transportations and container freight stations, break-bulk shipments, container empty depots and container repairs.

Favourable outlook for containerised cargo at Mundra and JNPT ports over long-term – As one of the top CFS players at Mundra and JNPT ports, the Group will benefit from the expected increase in containerised cargo at these ports over the long-term. The healthy demand scenario from the hinterland as well as from the domestic market is expected to support the cargo volumes being handled at these ports, going forward.

Limited external borrowings resulting in healthy coverage indicators – Owing to modest exposure to bank borrowings and healthy net worth base, TTPL's capital structure has remained comfortable over the years with gearing at 0.05, on a standalone basis, as on March 31, 2021. This has also resulted in healthy coverage indicators as reflected by interest coverage and Total debt/ OPBITDA estimated at 5.7 times and 0.8 time, respectively, in FY2021 on a standalone basis. At a consolidated level too, the gearing stood at 0.03 time as on March 31, 2021, and coverage indicators remained healthy with interest coverage and total debt/OPBITDA estimated at 17.1 times and 0.1 time, respectively, in FY2021.

Credit challenges

Modest profitability in Kolkata CFS and new business verticals; market risk with new businesses – TTPL set up the Kolkata CFS in February 2019, and since then its scale of business has increased substantially. Kolkata CFS turned profitable in FY2021 with EBITDA of Rs. 2.4 crore against negative EBITDA of Rs. 3.5 crore in FY2020. Further, the company ventured into several new businesses, i.e., cold chain transportation, freight forwarding, third party logistics, repair of refrigerated shipping containers and trading, which are still in their nascent stages and, hence, incurred losses in FY2020 and FY2021. This has led to moderation in operating profitability to ~17–19% in the last three years (FY2019-FY2021) from 24% in FY2018, though the same has improved marginally in FY2021. Moreover, even though the capex requirement for the new businesses is low with minimal dependency on external borrowings, the ability of TTPL to tie-up with customers and ensure healthy profitability from these businesses remains to be seen.

Operations in CFS businesses exposed to economic downturns – The profitability of the Group remains vulnerable to economic downturns, which affect the amount of trade flows in and out of the country. The realisation levels of the CFS players are also impacted by the fluctuations in the world economies. Vulnerability of profitability to high competitive intensity at Mundra, JNPT and Kolkata CFS. The competitive intensity at Mundra and JNPT ports is very intense on account of several competitor CFSs at the ports, which has led to build up of surplus container storage and handling capacity. Further, the Kolkata CFS, which was set up recently, is yet to establish its position and has not yet captured strong market share at the Kolkata port.

Liquidity position: Adequate

TTPL's liquidity profile is adequate with positive fund flow from operations generated over the last three years. On a consolidated basis, the group had external term loans of Rs. 7.3 crore and a free cash balance of Rs. 27.9 crore as on March 31, 2021, while the company has not availed any fund-based working capital facilities. ICRA does not foresee any concerns on liquidity, given the limited burden of long-term debt repayments and no major capital expenditure plans in the near term.

Rating sensitivities

Positive factors – The ratings may be upgraded if the company ramps up its scale of operations and improves its profitability margins, while efficiently managing its working capital cycle on a sustained basis.

Negative factors – The ratings may be downgraded if there is any decline in revenues and profitability affecting the liquidity profile and coverage ratios.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not applicable
Consolidation/Standalone	While arriving at the ratings, ICRA has taken a consolidated view of the financials of Transworld Terminals Private Limited (TTPL) and its group company, TG Terminals Private Limited (TGPL) (referred to as the 'Group') due to their common promoters, similar business sector and the management's ongoing plans to merge TGPL into TTPL w.e.f. from FY2022.

About the company

Transworld Terminals Private Limited (erstwhile Meridian Shipping Agency Private Limited) is a part of the Transworld Singapore Group. It was incorporated in 1990 to exclusively represent Ignazio Messina & C (Messina) as their sole shipping agent in India. In 2005, TTPL entered into an agreement with Adani Port SEZ Limited (APSEZ) for setting up a CFS business named, 'Transworld – CFS', which became operational in September 2007. In April 2013, it shifted the agency business to another group company, Transworld Shipping and Logistics, and kept only the CFS business in this company and renamed itself from MSAPL to TTPL in May 2013. The company currently operates two CFSs, one at Mundra port and the other at Kolkata port. TG Terminals Private Limited, incorporated in 2015, is a wholly-owned special purpose vehicle (SPV) of Transworld Singapore. The SPV currently handles operations from two CFSs, one at Mundra and the other at JNPT, which were acquired from the Shapoorji Pallonji Group.

Key financial indicators (Consolidated)

Transworld Terminals Private Limited - Consolidated	FY2020	FY2021
Operating Income (Rs. crore)	268.4	264.3
PAT (Rs. crore)	17.4	37.0
OPBDIT/OI (%)	16.9%	18.8%
PAT/OI (%)	6.5%	14.0%
Total Outside Liabilities/Tangible Net Worth (times)	0.4	0.2
Total Debt/OPBDIT (times)	0.9	0.1
Interest Coverage (times)	7.6	17.1

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Source: Financial statements of TTPL, TGPL and ICRA research

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 (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					Nov 30, 2021	Aug 28, 2020	Mar 31, 2020	Sep 27, 2018
1	Term Loan	Long-term	50.00	Nil	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]BBB (Stable); ISSUER NOT COOPERATING	[ICRA]A- (Stable)
2	Non-fund based limits	Short-term	15.00	-	[ICRA]A2+	[ICRA]A2+	[ICRA]A3+; ISSUER NOT COOPERATING	[ICRA]A2+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund based-Term Loan	Simple
Non-fund based-Working Capital Facilities	Very 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 analyzing 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, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No/Banker Name	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Term Loan	FY2017	NA	FY2024	50.00	[ICRA]A- (Stable)
NA	Non-fund based Limits	NA	NA	NA	15.00	[ICRA]A2+

Source: Company

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Transworld Terminals Private Limited	-	Full Consolidation
TG Terminals Private Limited	98.00%*	Full Consolidation

* held by BLPL Singapore Pte. Ltd. – part of Transworld Group

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