February 17, 2022

Ripley & Co. Stevedoring & Handling Pvt. Ltd.: Long-term rating upgraded to [ICRA]A(Stable); Short-term rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term, fund-based/CC	20.0	20.0	[ICRA]A (Stable); Upgraded from [ICRA]A-(Stable)
Long-term, Fund based TL	26.0	-	-
Long term/Short-term non-fund based	90.0	90.0	[ICRA]A (Stable) /[ICRA]A2+; Long term rating upgraded from [ICRA]A-(Stable); short term rating reaffirmed
Long-term/Short-term Unallocated limit	14.00	40.00	[ICRA]A (Stable) /[ICRA]A2+; Long term rating upgraded from [ICRA]A-(Stable); short term rating reaffirmed
Total	**150.0**	**150.0**	

**Instrument details are provided in Annexure-1*

Rationale

The rating upgrade factors in the healthy revenue growth witnessed by Ripley & Co. Stevedoring & Handling Pvt. Ltd. (RSHPL) with operating income of Rs. 1060.97 crore and Rs. 758.68 crore in FY2021 and 9m FY2022 respectively against Rs. 900.35 crore in FY2020, following growth in cargo handling income as well as healthy growth in mineral trading segment. The profit margins have also witnessed improvement with operating profit margin(OPM) of 19.53% and 24.34% in FY2021 and 6m FY2022 respectively, against 15.12% in FY2020 due to benefit of operating leverage and cost optimisation in handling operations and improved margins in trading segment. ICRA expects the revenue growth trend to continue in the near term, while profit margins are expected to remain healthy. ICRA also takes note that the coal terminal project being executed under an SPV – Kalinga International Coal Terminal Private Limited is in advanced stages of completion, mitigating the project execution risks.

The rating continues to favourably factor in the extensive record of the promoter and the Group (including RSHPL) in providing port support services and the dominant market share of the Group at Haldia Dock Complex (HDC) despite competition. This is due to its exclusive licenses to provide certain services and established relationship with customers through short term and long-term contracts. 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 streams. ICRA also takes note of the company's diversification efforts in last few years and moderate working capital cycle.

ICRA, however, notes that the company has moderately high capex planned for equipment purchases for capacity enhancement/replacement over the next few years, which will be partly debt-funded (mainly equipment loans). Further, the company has provided loans and advances to some of its subsidiaries/JVs (excluding KICTPL), which stood at Rs. 178.01 crore crore as on March 31, 2021 (PY Rs. 68.96 crore), apart from equity investments which stood at Rs. 33.81 crore as on March 31, 2021 (PY Rs. 22.57 crore). Going forward, in the medium term, the funding support for some of the SPVs/subsidiaries are expected to further increase as the group tries to increase its operations in the trading segment. The company has also extended corporate guarantees to some of the subsidiaries/SPVs apart from KICTPL, which stood at Rs. 666.20 crore as on Jan

31, 2022 (Rs. 645.70 crore in March 31, 2020). Under KICTPL, an SPV co promoted by Ripley group (effective stake of 32.61%[1]), Kakinada Seaports Limited (35.39%) (rated [ICRA]A (Stable)/ [ICRA]A1) and Bothra Shipping Services Private Limited (BSSPL) along with Bothra group entities (31.99%); a new coal terminal is being set up at Paradip Port. RSHPL (along with group entities) has invested Rs. 45.99 crore as on March 31, 2021 and December 31, 2021 in the SPV and has also extended loans/advances of Rs. 32.83 crore as on March 31, 2021 and Rs. 45.56 crore as on December 31, 2021 to the entity. Further, apart from these RSHPL has 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. 627.00 crore as on March 31, 2021 and 577.00 crore as on Jan 31, 2022. Due to the capital commitments and contingent liabilities arising from the large corporate guarantees given, the company's credit profile remains susceptible to timely completion/commencement of projects and pace of incremental revenue growth and profitability improvement from the new projects. However, the risk pertaining to the coal terminal project is partially mitigated by strong credit profile of other sponsors and strong demand for coal from hinterland catered by the Paradip Port.

The ratings also take note of the increasing competition from private sector non-major ports resulting in shift of cargo from major ports over the last few years, although the impact on HDC is partly mitigated since 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 adverse impact on port traffic. Moreover, RSHPL operates in areas with highly unionised work force, which coupled with its labour-intensive nature of operations expose the company to the risk of strike/industrial actions. Nevertheless, the vast experience of the Group in the industry and at HDC, coupled with 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 broader import export cycle and vulnerability of port services sector to changes in the Government policies.

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

Key rating drivers and their description

Credit strengths

Long standing experience in stevedoring industry and dominant market share at HDC – Incorporated in 2000, RSHPL is a part of Ripley Group, which is a part of broader Swapan Sadhan Bose Group (SS Bose Group) with interests in stevedoring and cargo handling, port handling, mining, coastal cargo movement, media, etc. The Group has 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 Paradip Port contributing to ~8%-15% of sales; and Vizag and Kolkata Port accounting for the remaining sales. The company had commenced operations in Vizag and Kolkata ports only since FY2015 and 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 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 also has specific contracts for operations at key berths, contracts with terminal operators or other entities (some of which are JV/SPV in which Ripley group has stake) operating at port for additional services/equipments.

Increasing revenue stream diversification – While port related services are the mainstay for the company in the last few years it has also entered mining and mineral trading segments and while, the share of mineral trading has been increasing, with the segment witnessing 45.49% growth in revenue in FY2021 from FY2020 level and the revenue share increasing to 34.61% in

[1] RSHPL and subsidiaries

FY2021 compared to 30.24% in FY2020 (17.50% in FY2019). The company will be further expanding its trading operations in other geographies and has set up subsidiaries in Dubai and Singapore, under which ships are also being acquired

Improvement in financial profile - RSHPL's revenue increased to Rs. 758.68 crore and Rs. 1061.00 crore in 9M FY2022 and FY2021 respectively from Rs. 900.40 crore in FY2020 supported by improved revenue from mineral trading and stevedoring operations. RSHPL started mineral trading in FY2019 and gross revenue form the same increased to Rs. 417.34 crore in FY2021 from Rs. 309.90 crore in FY2020. Gross revenue from stevedoring and shore-handling increased to Rs. 777.19 crore in FY2022 from Rs. 709.45 crore in FY2020. The operating profitability increased to 24.34% and 19.53% in 6MFY2022 and FY2021 respectively from 15.12% in FY2020 due to benefit of operating leverage and cost control measures and improved profitability from mineral trading segment Its 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 0.07 times and interest coverage of 34.92 times in FY2021. The company reported healthy return indicators with ROCE in the range of 40.51% in FY2021.

Moderate working capital intensity – The working capital intensity remained at 15%-20% over the past three years. The company maintains inventory of 50-65 days for mineral trading segment. RSHPL extends credit period of ~30 days to its customers, which sometimes gets stretched to 45-60 days and gets credit period of ~30-60 days from labor contractors and consumable suppliers. The working capital requirement is met through internal sources, working capital limits from banks and short-term loans from Group entities, should the need arise.

Credit challenges

Cargo handled is vulnerable to broader economic trends; commodity demand cyclicality and competition from other ports – RSHPL mainly handles bulk cargo such as coal (~53% of sales), followed by limestone, gypsum, pyroxenite, ores, Oliflux 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 impact on the exim traffic at the ports, demand cyclicality 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 superior facilities provided. Nonetheless, the impact on HDC has been mitigated, to some extent, on account of 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 work force – Due to the labour-intensive nature of business and operations in regions with highly unionised work force, the company remains exposed to the risk of strikes/industrial actions. 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 support for the same. Thus, the continued support for dredging remains critical for operations and any reduction in support may have 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 in faster lighterage operations owing to 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 is vulnerable to changes in Government regulations – During 2015-16, HDC had implemented the award of license 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 similar license scheme for stevedoring and shore-handling services at all major ports, whereas the operators had been mainly paying a modest license fees 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 Nov 2021, the new Major Port Authorities Act 2021 was operationalized and new tariff guideline 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 rates and the impact of the same on 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. 50-55 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. 145.18 crore as on March 31, 2021 (PY Rs. 56.44 crore), apart from equity investments which stood at Rs. 0.69 crore as on March 31, 2021 (PY Rs. 0.49 crore). Going forward, in the medium term, the funding support for some of the SPVs/subsidiaries are expected to further increase as the group tries to increase its operations in the trading segment. The company has also extended corporate guarantees to some of the subsidiaries/SPVs apart from KICTPL, which stood at Rs. 18.70 crore as on March 31, 2021 (Rs. 18.70 crore in March 31, 2020). Another Rs. 70.00 crore corporate guarantee has been extended by RSHPL in 9MFY2022. Under KICTPL, an SPV co promoted by Ripley group (effective stake of 32.61%[2]), Kakinada Seaports Limited (35.39%) (rated [ICRA]A (Stable)/ [ICRA]A1) and Bothra Shipping Services Private Limited (BSSPL) along with Bothra group entities (31.99%); a new coal terminal is being set up at Paradip Port. RSHPL (along with group entities) has invested Rs. 45.99 crore as on March 31, 2021 and December 31, 2021 in the SPV and has also extended loans/advances of Rs. 32.83 crore as on March 31, 2021 and Rs. 45.56 crore as on December 31, 2021 to the entity.

Further, apart from these RSHPL has 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. 627.00 crore as on March 31, 2021 and 577.00 crore as on Jan 31, 2022. Due to the capital commitments and contingent liabilities arising from the large corporate guarantees given, the company's credit profile remains susceptible to timely completion/commencement of projects and pace of incremental revenue growth and 2 profitability improvement from the new projects. The project execution risk related to KICTPL has moderated as it is in advanced stages of completion and operations are expected to commence operations in the next two months. Further, the risk pertaining to the coal terminal project is partially mitigated by strong credit profile of other sponsors and strong demand for coal from hinterland catered by the Paradip Port.

Liquidity position: Adequate

RSHPL(standalone) has expected capex plan of Rs. 50-55 crore per annum in FY2022 and FY2023, expected increase in loans and advances/investments of ~Rs. 80-100 crore over FY2022-23 in SPV/JV/subsidiaries and debt repayment obligation of Rs. 20.82 crore and Rs. 30.00 crore in FY2022 and FY2023 respectively. However, the liquidity position is adequate and will be met by expected healthy cash accruals, availability of unutilised working capital limits (average utilisation of 6.70% during past 12 months ending December 2021), unencumbered cash of Rs. 30.37 crore as on March 31, 2021 and expected new equipment loans.

Rating sensitivities

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

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

[2] RSHPL 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 used the consolidation approach under which the corporate guarantees extended, proposed equity investments/loans and advances for under-construction projects and funding support required to operational SPVs towards debt servicing and operational shortfall have been considered. For the guarantee extended by RSHPL to KICTPL, ICRA has also 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 considered for consolidation 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 (provisional)

RSHPL Standalone	FY2020	FY2021	6MFY2022
Operating Income (Rs. crore)	900.35	1,060.97	429.59
PAT (Rs. crore)	92.33	146.10	77.36
OPBDIT/OI (%)	15.12%	19.53%	24.34%
PAT/OI (%)	10.25%	13.77%	18.01%
Total Outside Liabilities/Tangible Net Worth (times)	0.52	0.43	
Total Debt/OPBDIT (times)	0.58	0.16	
Interest Coverage (times)	29.11	34.92	57.85

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	Current Rating (FY2022)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of February 08, 2022 (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					Feb 17, 2022	Oct 30, 2020	Apr 02, 2019	Mar 22, 2019
1	Cash Credit	Long-term	20.0	-	[ICRA]A (Stable)	[ICRA]A-(stable)		
2	Term loan	Long-term	-	-	-	[ICRA]A-(stable)		
3	Non-fund based	Long term/Short -term	90.0	-	[ICRA]A(Stable)/[ICRA]A2+	[ICRA]A-(stable)/[ICRA]A2+		
4	Unallocated	Long term/Short -term	40.00	-	[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/CC	Simple
Long-term, Fund based TL	NA
Long term/Short-term non-fund based	Very Simple
Long-term/Short-term Unallocated limit	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 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.	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (RS Crore)	Current Rating and Outlook
	Cash Credit	NA	NA	NA	20.0	[ICRA]A(Stable)
	Letter of Credit	NA	NA	NA	90.0	[ICRA]A (Stable)/[ICRA]A2+
	Unallocated limit	NA	NA	NA	40.00	[ICRA]A (Stable)/[ICRA]A2+

Source: *Company*

Annexure-2: List of entities considered for consolidated analysis

Company Name	RSHPL Ownership	Consolidation Approach
Kalinga International Coal Terminal Paradip Pvt. Ltd.	19.83%	Full consolidation^
Ripley Offshore Private Limited	74.00%	
Ripley Infrastructure Private Limited	100.00%	
Ripley Overseas PTE Limited	100.00%	
Ripley Commodities FZ LLC	100%	
Ripley Shipping Private Limited	100.00%	
OSL Ripley Shipping Pvt. Ltd	50.00%	
Ripley Northern Dredging Private Limited	55.00%	
High Return Rock Mining LLP	50.00%	

Source: *Company; ^ 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. For other subsidiaries/JVs/SPVs, the capital commitments and expected funding support has been considered and full consolidation of these entities have been done based on analyst estimates*

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