February 28, 2023

J M Baxi Ports & Logistics Limited: Ratings reaffirmed; rating assigned for NCD programme

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term-Fund-based-Term loan	432.89	432.89	[ICRA]A-(Positive); reaffirmed
Short term-Fund-based-Working capital facilities	56.00	56.00	[ICRA]A2+; reaffirmed
Short term - Non-fund based limits - Working capital facilities	120.00	120.00	[ICRA]A2+; reaffirmed
Short term - NCDs	-	196.00	[ICRA]A2+ assigned
Long term/Short term – Unallocated limits	30.82	30.82	[ICRA]A-(Positive)/[ICRA]A2+; reaffirmed
Total	**639.71**	**835.71**	

**Instrument details are provided in Annexure-I*

Rationale

To arrive at the ratings, ICRA has taken a consolidated view of J M Baxi Ports & Logistics Limited (JMBPL) and its subsidiaries on account of the management, business and financial linkages among these entities. The subsidiaries are Delhi International Cargo Terminals Private Limited (DICT), Visakha Container Terminals Private Limited (VCTPL), Haldia International Container Terminal Private Limited (HICT), Kandla International Container Terminal Private Limited (KICT), Paradip International Cargo Terminal Private Limited (PICT), JM Baxi Heavy Private Limited (JMB Heavy), Ballard Pier Private Limited (BPPL), Tuticorin International Container Terminal Private Limited (TICT) and Nhava Sheva Distribution Terminal Private Limited (NSDT). Besides the presence of cross-default clauses among these firms as per the lender's sanction, the ratings factor in the corporate guarantee extended by JMBPL to several entities and the fungibility of surplus funds among them, subject to the terms of loan agreements with the respective lenders and the escrow agreement for individual concession assets. These entities form a part of the J.M. Baxi Group and are collectively referred, hereinafter, as the Group.

ICRA takes note of the company signing a binding agreement with Hapag-Lloyd AG (HL) (rated Ba2 by Moody's) for the acquisition of stake in JMBPL. The timely completion of the transaction and fund infusion is a key monitorable. In the interim, till fund infusion by HL happens, the company is raising funds from the parent group entities and Bain Capital in the form of ICD and NCD, respectively, which will be interest bearing. These loans will be subordinate to the bank debt and interest and repayment will happen only post equity infusion.

The ratings continue to derive comfort from the track record of the J.M. Baxi Group as one of the leading port logistics players in the country with presence across the value chain, comprising container train operations (CTO), container freight stations (CFS)/inland container terminal (ICD), cold storage, warehousing, bulk logistics and port infrastructure comprising container/other cargo terminals.

ICRA takes note of the financial performance in FY2022 and 9M FY2023, with a healthy revenue growth of ~17.2% in FY2022, although the profit margin witnessed some moderation due to increased operating expenses, leading to only marginal OPBDITA growth of ~2.6% at Rs. 398.8 crore (OPM of 23.8% in FY2022 compared with 27.3% in FY2021). In the current fiscal, the performance in H1 FY2023 was impacted by the slower-than-anticipated ramp-up in container and bulk cargo operations at terminals, unfavorable regulatory decisions in segments such as iron ore, steel, food, and integration issues related to the recent acquisitions. The trend continued in Q3 FY2023 even as the volumes are expected to improve gradually, going forward.

ICRA notes that the company has large capex plans in the medium term (including those under SPV/JV) which will be partially debt funded, putting some pressure on the credit metrics in the medium term, although the successful completion of the above-mentioned fund raising will mitigate the impact. ICRA notes that the new projects will support growth in the scale of operations in the medium term, provide diversification benefits, improve its competitiveness and help attract customers due to presence across multiple strategic locations and tie-up with a major shipping line for one of the projects. Nonetheless, in the near to medium term, the company will be exposed to project execution risks and the completion of projects without major time and cost overruns will be a key monitorable.

The Positive outlook reflects ICRA's opinion that the credit profile of the Group is expected to improve with the ramp-up of cargo volumes at existing assets, including VCTPL T2, which would enhance the profitability and cash flows and result in some deleveraging and better credit metrics.

Key rating drivers and their description

Credit strengths

Leading player in logistics industry with significant experience and strong executional capabilities; investment by HL expected to provide synergistic benefits - J.M.Baxi Group is one of the leading port logistics player in the country with presence across the value chain, comprising container train operations (CTO), container freight stations (CFS)/inland container terminals(ICD), cold storage, warehousing, bulk logistics and port infrastructure involving container/other cargo terminals. The Group has a diversified geographical presence through its own CFS and warehouse near JNPT Port and Visakhapatnam, container terminals at the Visakhapatnam, Haldia, Kandla and Paradip (Paradip Port handles both cargo and container, nevertheless dominated by cargo) ports and an inland container depot (ICD) and cold storage at Sonepat, Haryana.

The company has signed a binding agreement with HL for the acquisition of stake in JMBPL. The timely completion of transactions and fund infusion is a key monitorable. In recent years, JMBPL has expanded its board with members having rich experience across logistics and shipping, business management, finance, public policy, management consulting and infrastructure development.

Positive long-term outlook for container traffic – At present, the overall containerisation levels of the cargo handled at various ports remain low in the country which makes the long-term prospects for container traffic favourable. Consequently, the Group has witnessed a healthy ramp-up of volumes in its port operations as well as its CFS and rail operations over the years.

Expected improvement in operational performance - The Group has executed a large capex programme in VCTPL to build terminal 2 with a capacity of 750,000 TEUs at a cost of Rs. 916 crore. The project was completed in February 2022 and the commercial operations started from March 2022, mitigating the execution risk. At a consolidated level, the Group's debt levels have increased in FY2022 to Rs. 1,903 crore from Rs. 1,252 crore in FY2021. The EBITDA was Rs. 399 crore, resulting in high leverage (net debt/EBITDA) of ~4.0 times in FY2022 against 2.3 times in FY2021. The leverage is high as the terminal 2 of VCTPL became operational at the end of FY22 and majority of debt for the project was already availed by end of FY22. The new terminal has a revenue-sharing arrangement with the port authority compared to the royalty model in the case of terminal 1 along with higher berth charges, which would result in better profitability. While the financial performance in H1 FY2023 was subdued due to slower-than-expected cargo growth, the trend continued in Q3 FY2023 even as the volumes are expected to improve gradually, going forward.
Further, while several large capex planned (at consolidated level) in the medium term and partial debt funding will put some pressure on the credit metrics, the expected growth in revenue and profits and the announced equity infusion by HL are expected to mitigate the impact and remain the key monitorables.

Credit challenges

Significant capex plan – The Group has various capex plans to increase its fleet of rakes for the CTO business, electrification at various port assets and a new cruise terminal at Mumbai port. For the recently secured contracts, the capex would be used to develop a container terminal at Tuticorin, shallow water and coastal berths at Jawaharlal Nehru Port Authority and a railway terminal at Inchchapuri, Haryana. In addition to this, a consortium of JMBPL and CMA Terminals (wholly-owned subsidiary of CMA CGM Group – a global shipping and logistics company) has secured the concession for O&M and expansion of JNPCT. In January 2023, consortium of JMBPL and Indian Potash Limited also won the concession for the mechanisation of EQ-7 berth at Vishakhapatnam Port. For the recently won concessions, the capital expenditure is estimated to be around ~Rs. 500-750 crore per year in FY2023-2025 (~Rs. 750-1,000 crore, including the capex under JV for container terminal at JNPT and JV for mechanisation of EQ-7 berth). The large capex plans will expose the company to execution risks in the near to medium term and put some pressure on leverage levels and other credit metrics, although the expected equity infusion will mitigate the impact.

Susceptibility of revenues to economic slowdown and variations in trade volumes – The revenues of the Group remain susceptible to the economic cycles in the CFS, ICD, CTO and container terminal businesses. The variations in exim trade volumes also impact the overall sales. In H1 FY2023, the bulk cargo and container volumes were impacted by slower-than-expected ramp-up in new terminal, unfavourable regulatory actions on certain bulk cargo segments and other factors. However, the favorable long-term prospects for container traffic and the Group's established relationships with all the major shipping lines along with its integrated presence in the logistics chain and port operations mitigate the risk to an extent.

Competitive pressures for volumes – KICT faces significant competition from existing container terminal operators on the west coast, resulting in lower profitability margins. The Pipavav and Mundra ports are the main competitors and any addition of container terminals at these ports poses a threat to the operations at Kandla. PICT and VCTPL faces competition from cargo and container terminal operators on the east coast such as Haldia, Dhamra, Kakinada and Visakhapatnam. However, considering the targeted hinterland, PICT is well-placed than its competitors, while VCTPL is the only container terminal operator in Visakhapatnam which provides it with a competitive edge. Going forward, the competition of new projects should strengthen the company's competitive profile and its ability to benefit from the synergies arising from presence across the logistics value chain and terminals at strategic locations.

Liquidity position: Adequate

In FY2022, the cash accruals at a consolidated level were ~Rs. 277 crore and are expected to improve over FY2023 and FY2024 with the expected ramp up in volumes and profits. The Group has capex plans of ~Rs. 500-750 crore per annum over the next three years (~Rs. 750-1,000 crore, including capex under JV with CMA Group and JV with Indian Potash Limited) and repayment obligation of ~Rs. 125 crore in FY2023 and ~Rs 100 crore in FY2024. However, despite the high debt levels, the long balance tenor of the loans with an average maturity of ~10-15 years (in some case 18 years) provides comfort. Further, the Group had cash and a bank balance of Rs. 307 crore as on March 31, 2022 and access to unutilised working capital limits, which also provide liquidity support. Further, while the fund raising is planned, in the interim the promoters are providing support through subordinated debt to meet the equity commitments for new projects.

Rating sensitivities

Positive Factors – ICRA could upgrade JMBPL's ratings if there is a substantial improvement in the capital structure and the credit metrics of the Group through the infusion of additional funds. A healthy growth in revenues through a volume ramp-up and improvement in operating margins, leading to better credit metrics, may also trigger an upgrade.

Negative factors - Pressure on the ratings could emerge if there is any significant impact on volumes and realisations, which will affect the profitability and cash flow. The ratings may be under pressure if the company undertakes any large debt-funded capex or acquisition that would impact the coverage metrics. The ratings may also be revised if the DSCR (excluding short term debt) falls below 1.5 on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating approach - Consolidation
Parent/Group support	Not Applicable
Consolidation/Standalone	To arrive at the ratings, ICRA has taken a consolidated view of JM Baxi Ports & Logistics Limited (JMBPL) and nine of its subsidiaries (details in Annexure II) on account of the management, business and financial linkages among these entities along with the presence of cross-default clauses as per lender's sanction, corporate guarantee extended by JMBPL to several entities and fungibility of surplus funds between entities, subject to the terms of respective loan agreements and escrow agreements for individual concession assets. ICRA has also considered the funding support needed for the JV. Please refer to annexure II for entities consolidated

About the company

J M Baxi Ports & Logistics Limited (earlier known as International Cargo Terminals and Infrastructure Private Limited) was set up in 1947 and started as a provider of shipping support services, mainly stevedoring. It gradually expanded its service offerings to container handling, cargo consolidation, shipping agency services, ship chartering etc. In 2002, it set up its own CFS at Dronagiri in Navi Mumbai near JNPT Port. At present, JMBPL operates one CFS of 90,000 TEU capacity at JNPT Port, rail operations with category-III licence, logistics park near JNPT, cold storage at Sonepat, pan-India bulk cargo operations and bulk cargo handling operations at Rozi Jetty in Jamnagar, Gujarat. In FY2021, Bain Capital (Integral Investments South East Asia VIII) invested Rs. 1,317 crore for a 39.20% stake as private equity investment of which Rs. 200 crore was infused in FY2022. This amount would be used for the acquisition of a 26% stake in VCTPL from DP World and two acquisitions under JM Baxi Heavy Private Limited. The Kotak family owns a 60.8% stake in JMBPL.

Profile of JMBPL's subsidiaries

a. **Delhi International Cargo Terminal Private Limited** (earlier knows as International Cargo Terminals & Rail Infrastructure Private Limited) was incorporated on February 20, 2006 as one of the first private rail operators in India which was later demerged into JMBPL. It has set up its own inland container depot (ICD) at Sonepat in Haryana of 2,40,000 TEU capacity which has become operational from December 2014. JMBPL holds a 100% stake in DICT. With the approved scheme of restructuring, the rail operations have been transferred under the parent viz. JMBPL in FY2016, while the ICD business continues to be under DICT.

b. **Visakha Container Terminal Private Limited** (VCTPL) was incorporated in 2002 as a joint venture between JMBPL and M/s. Dubai Ports World FZE to operate the container terminal on built, operate and transfer (BOT) basis at the Visakhapatnam port. The terminal commenced operations in 2003 and the concession period extends till 2033. VCTPL is an all-weather container terminal that has a total yard side capacity of 5,50,000 TEUs and the capacity increased by another 750,000 TEUs after the commencement of Terminal 2, leading to total capacity of 1,300,000 TEU. VCTPL provides container handling facilities for container ships. JMBPL acquired a 26% stake in VCTPL from DP World in February 2022, hence, VCTPL is now 100% owned by JMBPL.

c. **Haldia International Container Terminals Private Limited** (HICTPL) is a special purpose vehicle and a 100% subsidiary of JMBPL which was formed in February 2015 to operate and maintain a container terminal at Haldia. Kolkata Port Trust has awarded the operation and maintenance contact for the Haldia Container Terminal to HICTPL for integrated container handling operations for a period of 10 years. The commercial operations of this company commenced in FY2016.

d. **Kandla International Container Terminals Private Limited** (KICT) is a special purpose vehicle and a 100% subsidiary of JMBPL formed in February 2016. It has been awarded a contract by the Kandla Port Trust to upgrade, operate and maintain two existing berths (no. 11 & 12, which have been non-operational since FY2014) at a container terminal at Kandla port. The container terminal has a capacity to handle 6,00,000 TEU of cargo per annum from these two berths which will be increased to 750,000 TEU in FY2023 post commissioning of new equipment. KICT achieved commercial operations for the berths in FY2017 and has witnessed healthy cargo throughput post inception.

e. **Paradip International Cargo Terminals Private Limited** (PICT) is a special purpose vehicle and a 100% subsidiary of JMBPL formed in February 2015. It has been formed for undertaking the construction and development of a multipurpose berth at Paradip port through PPP mode on a built, operate and transfer (BOT) basis. The multipurpose berth will cater to container traffic and clean cargo at Paradip Port. The concession agreement between Paradip Port Trust (PPT) and on behalf of Paradip Port and PICT was signed on March 07, 2016. PICT achieved commercial operations for the berths in July 2018 and has witnessed healthy cargo throughput post inception.

f. **JM Baxi Heavy Private Limited** (JMB Heavy) is a wholly-owned subsidiary of JMBPL. Under JMB Heavy, the Group has housed the project logistics division after the implementation of the NCLT scheme. JMB Heavy is also in the process of acquiring the project logistics division of Allcargo Logistics Ltd and Lift and Shift India Pvt Ltd. Post acquisition, JMB Heavy would be one of the leading project logistics players in the country. It will be a one-stop maritime, international and domestic logistics solutions provider. The company services diverse parts of the nation and delivers value-added services to sectors such as metals, power, oil and gas, fertilisers etc.

g. **Ballard Pier Private Limited** is a newly incorporated SPV, 100% held by JMBPL, to undertake the construction and development of the new cruise terminal building at Mumbai port. The estimated cost of the project would be ~Rs. 192 crore which would be funded from a mix of debt and equity. The total construction period is 24 months.

h. **Tuticorin International Container Terminal Private Limited** is a newly incorporated SPV, 100% held by JMBPL, to undertake the construction and development of a container terminal at V. O. Chidambaranar Port Authority. The estimated capex for this project would be ~Rs. 612 crore which would be funded from a mix of debt and equity. The capex is to be completed in 24 months

i. **Nhava Sheva Distribution Terminal Private Limited** is a newly incorporated SPV, 100% held by JMBPL, to run the shallow and coastal berths at JNPA. The estimated capex is ~Rs. 350 crore, to be completed in 24 months.

j. **Nhava Sheva Freeport Terminal Private Limited** is a joint venture of JMBPL and CMA Terminals (wholly-owned subsidiary of CMA CGM group) for the operations & maintenance and expansion of JNPCT. The estimated capex for this project is ~Rs. 1,400 crore which would be funded from a mix of debt and equity. This is an operational terminal expected to be handed over by February 2023 to the Group.

JMBPL and its subsidiaries belong to the Mumbai-based J.M. Baxi Group of companies – one of the leading end-to-end maritime-shipping-logistic players in the country. The Group was established by three individuals - Mr. J. M. Baxi, Mr. Jayantilal Kotak and Mr. Manilal Kotak - and has a history of 100 years in the shipping/logistics sector. The three partners started a partnership firm, named J M Baxi & Company, in 1916 to provide stevedoring services at the Mumbai port. Over the years, the operations of the Group have grown quite significantly with the expansion of services in the shipping business and foray into port infrastructure related activities. The Group has demonstrated execution capabilities of port infrastructure assets and established track record of operations in various fields of maritime industry. The Group divides its operations in four segments, namely 1) shipping services 2) logistics 3) infrastructure and 4) information technology which are handled by different entities. Further, the Group has a private equity investment from Bain Capital with a 39.20% of equity holding in JMBPL. Bain Capital also have two representatives in the board of JMBPL. Bain Capital is the world's leading multi-asset alternative investment firm with an AUM of US$150bn.

Key financial indicators (audited)

JMBPL	FY2021	FY2022	FY2021	FY2022
	Consolidated		Standalone	
Operating income	1428.03	1673.53	691.22	762.22
PAT	32.27	104.10	-34.86	43.79
OPBDIT/OI	27.25%	23.83%	12.43%	12.36%
PAT/OI	2.26%	6.22%	-5.04%	5.74%
Total outside liabilities/Tangible net worth (times)	2.22	2.88	0.32	0.43
Total debt/OPBDIT (times)	3.22	4.77	2.86	4.52
Interest coverage (times)	1.57	2.92	0.71	3.55

Source: *Company; 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 (FY2023)						Chronology of rating history for the past 3 years				
		Type	Amount rated (Rs. crore)	Amount outstanding as on Feb 2023 (Rs. crore)	Date & rating in FY2023			Date & rating in FY2022	Date & rating in FY2021		Date & rating in FY2020	
					28-Feb-2023	22-Dec-2022	20-Apr-2022	-	02-Feb-2021	29-Jun-2020	09- Dec-2019	15- Apr-2019
1	**Term loan**	Long-term	432.89	432.89	[ICRA]A- (Positive)	[ICRA]A- (Positive)	[ICRA]A- (Positive)	-	[ICRA]A- (Positive)	[ICRA]BBB (Positive)	[ICRA]BBB (Positive)	[ICRA]BBB (Positive)
2	**Fund-based limits**	Short-term	56.00	-	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	-	[ICRA]A2+	[ICRA]A3+	[ICRA]A3+	[ICRA]A3+
3	**Non-fund based limits**	Short-term	120.00	-	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	-	[ICRA]A2+	[ICRA]A3+	[ICRA]A3+	[ICRA]A3+
4	**NCDs**	Short-term	196.00	-	[ICRA]A2+	-	-	-	-	-	-	-
4	**Unallocated limits**	Long-term/ Short-term	30.82	-	[ICRA]A- (Positive)/ [ICRA]A2+	[ICRA]A- (Positive)/ [ICRA]A2+	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term loan	Simple
Cash credit	Simple
Non-fund based limits	Very Simple

Instrument	Complexity Indicator
NCDs	Simple
Unallocated limits	-

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 to FY2022	1-year MCLR+ 0.6-1.65%	FY2035	**432.89**	[ICRA]A-(Positive)
NA	**Fund-based limits**	NA	NA	NA	**56.00**	[ICRA]A2+
NA	**Non-fund based limits**	NA	NA	NA	**120.00**	[ICRA]A2+
NA	**Unallocated limits**	NA	NA	NA	**30.82**	[ICRA]A-(Positive)/[ICRA]A2+
NA	**Short term - NCDs**	Yet to be placed	NA	NA	**196.00**	[ICRA]A2+

Source: Company.

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

Annexure II: List of entities considered for consolidated analysis

Company Name	JMBPL	Consolidation Approach
Delhi International Cargo Terminal Private Limited	100%	Full Consolidation
Visakha Container Terminal Private Limited	100%	Full Consolidation
Haldia International Container Terminal Private Limited	100%	Full Consolidation
Kandla International Container Terminal Private Limited	100%	Full Consolidation
Paradip International Cargo Terminal Private Limited	100%	Full Consolidation
JM Baxi Heavy Private Limited	100%	Full Consolidation
Ballard Pier Private Limited	100%	Full Consolidation
Tuticorin International Container Terminal Private Limited	100%	Full Consolidation
Nhava Sheva Distribution Terminal Private Limited	100%	Full Consolidation
Nhava Sheva Freeport Terminal Private Limited	50%	Equity Method

Source: Company

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