February 28, 2023

Celebi Delhi Cargo Terminal Management India Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund Based – Working Capital Facilities	10.0	10.0	[ICRA]A+ (Stable); reaffirmed
Fund Based – Term Loan	120.0	120.0	[ICRA]A+ (Stable); reaffirmed
Total	**130.0**	**130.0**	

**Instrument details are provided in Annexure-1*

Rationale

The rating reaffirmation of Celebi Delhi Cargo Terminal Management India Private Limited (Celebi/the company) factors in its healthy market position as the major cargo handling operator at Delhi airport, low leverage and strong debt coverage metrics. Despite lower volumes in FY2023, the operating income is expected to remain steady at around Rs. 570 crore on the back of improved realisations. However, operating margins are expected to be lower at 21.0% (PY: 23.2%) on account of higher operating expenses. The operating income and margins are expected to improve in FY2024 on the back of improvement in volumes along with tariff hike of 4% from January 16, 2023. Celebi's financial risk profile has reported consistent improvement in the last four years with Total Debt/OPBDITA of 0.4 times for FY2022, which is likely to sustain going forward. The rating also factors in the established position of Celebi as a cargo handling service provider at Delhi airport, the busiest airport in India in terms of the cargo handled (28.3% of the total air cargo tonnage handled in 9M FY2023). The rating also draws comfort from the long track record of Celebi Hava Servici AS (CHS)—the primary shareholder in Celebi with a 74% stake—in providing air cargo handling services at several airports across different countries.

The rating is, however, constrained by the inherent vulnerability of Celebi's business operations to the cargo traffic at the Delhi airport, which is susceptible to the adverse developments in the Indian or global economy. While the Covid-19 pandemic resulted in a contraction of cargo volumes by 23% in FY2021 followed by 12% growth in FY2022, the slowdown in global economy, Russia-Ukraine war has resulted in volume contraction of around 6% in 9M FY2023 as compared to 9M FY2022. Additionally, the company faces direct competition from Delhi Cargo Service Center (DCSC), the other cargo management facility operator at the Delhi airport. This exposes it to the risk of migration of some of its clients to DCSC, although the company has been able to retain a substantial volume share till date. Further, competitive pressures may impact the tariffs charged by Celebi from its customers, notwithstanding the tariff hikes approved by the AERA.

ICRA notes that Celebi has given a total of Rs. 129 crore as loans and advances to various GMR group companies in the past three years. Also, the company has paid out dividends of Rs. 89.6 crore to its shareholders in FY2022 and Rs. 56 crore during 9M FY2023. Any sizeable upstreaming of cash flows to the parent group or any group advances that moderate Celebi's liquidity position could exert pressure on the rating. The company also has capex plans of around Rs. 100 crore in FY2023 and FY2024 towards the implementation of change of rooftop, relocation of some of the cargo facilities, automatic storage retrieval system (ASRS), and routine maintenance capex which is expected to be funded through internal accruals and fresh debt of Rs. 60 crore. Despite this, the debt coverage metrics are expected to remain strong over the medium term with interest cover expected to sustain above 15 times.

The Stable outlook on the rating reflects ICRA's opinion that Celebi's credit profile will be supported by its leading market share in the cargo business at the Delhi airport, healthy debt protection metrics and an adequate liquidity position.

Key rating drivers and their description

Credit strengths

Established position as cargo management operator at Delhi airport since 2009 – Celebi has been providing cargo-handling services at the Delhi airport under a 25-year concession agreement with DIAL since November 2009. Air cargo at DIAL is largely handled by two players—Celebi and Delhi Cargo Service Center Private Limited (DCSC). The Delhi airport is the busiest airport in the country in terms of cargo volumes, accounting for more than 29% of the overall cargo tonnage in FY2022. The company witnessed 11% CAGR growth in revenues during FY2017-FY2022 due to healthy increase in tariff levels. Further, the company has been able to maintain its market position by attracting international freighters along with retaining its market share in the domestic operations.

Strong financial risk profile – Celebi's financial risk profile is strong with net debt negative levels and healthy interest coverage ratio of 14.4 times in FY2022. Further, the debt coverage metrics are expected to remain strong on the back of healthy profitability margins and low interest cost. Despite lower volumes in FY2023, the operating income is expected to remain steady at around Rs. 570 crore on the back of improved realisations. However, operating margins are expected to be lower at 21.0% (PY: 23.2%) on account of higher operating expenses. The operating income and margins are expected to improve in FY2024 on the back of improvement in volumes along with tariff hike of 4% from January 16, 2023.

Long track record of promoters in the cargo handling industry – Celebi's primary shareholder, CHS, has an established track record of operations in the cargo industry. The company has been providing cargo handling and ground handling services at various airports in Turkey since 1958 and is also present through joint ventures (JVs) at airports in other countries, including India, Hungary and Germany.

Credit challenges

Vulnerability to fluctuations in cargo volumes at Delhi airport – Celebi's operations remain susceptible to fluctuations in cargo volumes at the Delhi airport as it derives ~91% of its revenues by providing cargo handling services at the airport. Further, it derives around ~84% of its revenues from international cargo handling and the cargo volumes are largely dependent on global economic conditions. While the Covid-19 pandemic resulted in a contraction of cargo volumes by 23% in FY2021 followed by 12% growth in FY2022, the slowdown in global economy, Russia-Ukraine war has resulted in volume contraction of around 6% in 9M FY2023 as compared to 9M FY2022. Despite this, the revenues are expected to remain steady at around Rs. 570 crore for FY2023 on the back of improved realisations and expected higher volumes in Q4 FY2023.

Potential risk of client loss and pricing pressure due to competition – Celebi faces direct competition from DCSC, the other cargo management facility operator at the Delhi airport. This exposes it to the risk of migration of some of its clients to DCSC, although the company has been able to retain a substantial volume share in cargo handling till date. Further, competitive pressures may impact the tariffs charged by Celebi from its customers, notwithstanding the tariff hikes approved by the AERA.

Sizeable loans and advances and dividend payouts; however, liquidity remains comfortable – Celebi has given a total of Rs. 129 crore as loans and advances to various group companies in the past three years. The company recovered Rs. 15 crore in 9MFY2023 and expects to receive around Rs. 54 crore in the near term. Also, the company has paid out dividends of Rs. 89.6 crore to its shareholders in FY2022 and Rs. 56 crore during 9M FY2023. Any significant upstreaming of cash flows to the parent group that moderate Celebi's liquidity position could exert pressure on the rating remains a key rating monitorable. The company has capex plans of around Rs. 100 crore in FY2023 and FY2024 towards the implementation of change of rooftop, relocation of some of the cargo facilities, automatic storage retrieval system (ASRS), and routine maintenance capex which is expected to be funded through internal accruals and fresh debt fund raise of Rs. 60 crore in FY2024. Despite the sizeable dividend payout and capex plans over the medium term, the liquidity is likely to remain adequate.

Liquidity position: Adequate

Celebi's liquidity remains adequate with cash and liquid investments of Rs. 126.0 crore and unutilised working capital limits of Rs. 10.0 crore as of December 31, 2022. The company has capex plans of Rs. 65 crore in FY2024 and Rs. 12.7 crore of repayments in FY2024 which can be comfortably met from its cash flows. Despite the sizeable dividend payout and capex plans over the medium term, the liquidity is likely to remain adequate.

Rating sensitivities

Positive factors – ICRA may upgrade Celebi's rating if there is a significant growth in the scale of revenues, operating profits and cash accruals supported by an increase in volumes while maintaining the market share, healthy debt coverage metrics and liquidity position on a sustained basis.

Negative factors – The rating could be downgraded if there is a significant decline in the revenues or earnings or any unanticipated large debt-funded capex that impacts the debt coverage metrics. Any significant upstreaming of cash flows to the parent group that weakens Celebi's liquidity position could lead to a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not applicable
Consolidation/Standalone	Standalone

About the company

Celebi, incorporated in June 2009, is a joint venture (JV) between CHS (Turkey) and DIAL. CHS holds a 74% stake in the JV, while DIAL holds the remaining 26%. Celebi was incorporated by CHS as a special purpose vehicle (SPV) to implement a 25-year concession agreement with DIAL (dated August 24, 2009) to operate, maintain and upgrade the cargo terminal at the Delhi airport. Celebi provides domestic and international cargo handling and warehousing services to various airlines as well as to carrying and forwarding (C&F) agents at the airport.

Key financial indicators (audited)

	FY2021	FY2022
Operating Income (Rs. crore)	574.3	569.6
PAT (Rs. crore)	89.3	95.6
OPBDIT/OI (%)	27.1%	23.2%
PAT/OI (%)	15.5%	16.7%
Total Outside Liabilities/Tangible Net Worth (times)	0.7	0.8
Total Debt/OPBDIT (times)	0.4	0.4
Interest Coverage (times)	15.9	14.4

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

Source: Company, ICRA Research

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 of Mar 31, 2022 (Rs. crore)	Date & Rating on	Date & Rating in FY2022	Date & Rating in FY2021		Date & Rating in FY2020
					Feb-28-2023	Nov-16-2021	Oct-5-2020	Apr-14-2020	Aug-30-2019
1	Fund Based – Working Capital	Long-term	10.0	-	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Stable)	[ICRA]A @	[ICRA]A (Stable)
2	Fund Based – Term Loan	Long-term	120.0	51.0	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Stable)	[ICRA]A @	[ICRA]A (Stable)

@under watch with negative implications

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund Based – Working Capital	Simple
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 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: Click Here

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs Crore)	Current Rating and Outlook
NA	Fund Based – Working Capital	-	7.50%	-	10.00	[ICRA]A+ (Stable)
NA	Fund Based – Term Loan	May 2017	7.50%	March 2026	120.00	[ICRA]A+ (Stable)

Source: *Company*

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

Annexure-2: List of entities considered for consolidated analysis – Not applicable

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