May 30, 2023

Delhi International Cargo Terminal Pvt Ltd: Ratings upgraded; outlook revised to Stable from Positive

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term-Fund Based-Term Loan	64.34	64.34	[ICRA]A+(Stable); Rating upgraded from [ICRA]A-(Positive); outlook revised to Stable from Positive
Short Term-Fund Based-Working Capital Facilities	15.00	15.00	[ICRA]A1; Rating upgraded from [ICRA]A2+
Short Term-Non-fund Based Limits - Working Capital Facilities	6.00	6.00	[ICRA]A1; Rating upgraded from [ICRA]A2+
Long Term/Short Term-Unallocated limits	2.71	2.71	[ICRA]A+(Stable)/[ICRA]A1; Rating upgraded from [ICRA]A-(Positive)/[ICRA]A2+; outlook revised to Stable from Positive
Total	**88.05**	**88.05**	

**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 included in the consolidated view are Delhi International Cargo Terminals Private Limited (DICT -rated [ICRA]A+(Stable)/[ICRA]A1), Visakha Container Terminals Private Limited (VCTPL -rated [ICRA]A+(Stable)/[ICRA]A1), Haldia International Container Terminal Private Limited (HICT), Kandla International Container Terminal Private Limited (KICT -rated [ICRA]A+(Stable)/[ICRA]A1), Paradip International Cargo Terminal Private Limited (PICT -rated [ICRA]A+(Stable)/[ICRA]A1) and JM Baxi Heavy Private Limited (JMB Heavy -rated [ICRA]A+(Stable)/[ICRA]A1). While arriving at the ratings ICRA has consolidated the financials of the aforementioned entities along with the project stage subsidiaries - Ballard Pier Private Limited (BPPL), Tuticorin International Container Terminal Limited (TICTL) and Nhava Sheva Distribution Terminal Limited (NSDTL) - and joint ventures Nhava Sheva Freeport Terminal Private Limited (NSFTPL) and Vizag Multipurpose Terminal Private Limited (VMTPL). 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 the 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.

The rating upgrade factors in the expected improvement in the credit profile of the Group, driven by the equity infusion by Hapag-Loyd AG (HLAG; rated Ba2 by Moody's) to acquire a 40% stake in JMBPL. The current fund infusion will be adequate to meet the near- to medium-term equity funding requirements for the projects underway and thus support the growth plans of the company. Additionally, the equity funds will be used to repay the bridge funds raised from promoters and Bain Capital in Q4 FY2023 to meet the equity requirement for the projects till HLAG infused the funds.

ICRA also expects JMBPL to benefit from HLAG's global leadership position in the container handling segment and the potential synergies between the two partners. Going forward, ICRA expects the cash generation from operations to improve with the operationalisation of the assets currently under construction. The ramp up in volumes and cash generation from the new operations will remain a key monitorable.

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 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 marginal OPBDITA growth of ~2.6% at Rs. 398.8 crore (OPM of 23.8% in FY2022 compared with 27.3% in FY2021). In FY2023, the performance in the first half was impacted by the slower-than-anticipated ramp-up in container and bulk cargo operations at terminals, unfavourable regulatory decisions in segments such as iron ore, steel, food, and integration issues related to the recent acquisitions. However, in H2 FY2023, the handling volumes improved and there was a healthy recovery in profitability. As per the provisional results, the revenue grew ~16.6% YoY in FY2023 while the operating profit also rose ~13.3% YoY.

ICRA notes that the company has large capex plans in the medium term (including those under SPV/JV) which will be partially debt funded. As some of the projects under the subsidiaries are expected to start partial operations by FY2024, the company's credit profile is expected to improve. Nevertheless, the slow gestation period of the projects will keep the credit metrics slightly elevated in the near term. 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 Stable outlook on the rating reflects ICRA's expectation that the credit profile of the entity will remain stable, supported by the current fund infusion and expectation of timely completion and ramp up of the under-construction projects in a timely manner.

Key rating drivers and their description

Credit strengths

Leading player in logistics industry with significant experience and strong executional capabilities; investment by HLAG 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 warehouses 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.

With the onboarding of HLAG, the Group is expected to benefit in terms of cargo volumes at its terminals. 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 containerisation levels of the cargo handled at the 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 FY2023 to Rs. 2,418 crore (Provisional) from Rs. 1,903 crore in FY2022. Owing to a subdued performance in H1 FY2023, the total debt/OPBDITA is expected to have moderated to 5.2x at the end of FY2023 against 4.8x in FY2022.

The financial leverage of the company has increased owing to slower-than-expected ramp up of the recently commissioned facility in VICTPL although the same is expected to improve from FY2024 onwards. 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 9M FY2023 was subdued due to slower-than-expected cargo growth, the trend is improving with the gradual improvement in volumes since Q4 FY2023.

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 equity infusion by HLAG 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, a consortium of JMBPL and Indian Potash Limited also won the concession for the mechanisation of the 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 during FY2023-2025 (~Rs. 750-1,000 crore, including the capex under JV for container terminal at JNPT and JV for mechanization 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 the leverage levels and other credit metrics, although the recent 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 variation 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 the new terminal, unfavourable regulatory actions on certain bulk cargo segments and other factors. However, the favourable 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 face 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 better placed than its competitors, while VCTPL is the only container terminal operator in Visakhapatnam which provides it with a competitive edge. Going forward, the 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

The JM Baxi Group's liquidity is expected to remain adequate, given the comfortable debt repayments of ~Rs. 150 crore p.a. for FY2024 and FY2025 because of the long-tenor loans (~10 to 15 years) availed by the company vis-à-vis healthy cash accruals, going forward. With financial closure achieved for majority of the projects under execution and the equity infused by HLAG covering the equity funding requirements, the company is expected to comfortably meet its capital commitment requirements for the projects. The liquidity position is further supported by free cash balance of Rs. 307 crore as on March 31, 2022 and access to unutilised working capital limits.

Rating sensitivities

Positive Factors – ICRA could upgrade JMBPL's ratings if there is a sustained increase in cargo/container volumes, resulting in a healthy increase in operating profitability. ICRA could upgrade the ratings if the company is able to maintain a total debt/OPBDITA less than 2.5x on a sustained basis, going forward.

Negative factors - Pressure on the ratings could emerge if there is any significant impact on volumes and realisations and delay in the ramp-up of the upcoming projects, having an adverse impact on the company's cash generation and DSCR metrics. The ratings may also be under pressure if the company undertakes any large, funded capex or acquisition that would impact the coverage metrics.

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 J M Baxi Ports & Logistics Limited (JMBPL) and its subsidiaries on account of the management, business and financial linkages among these entities. The subsidiaries included in the consolidated view 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) and JM Baxi Heavy Private Limited (JMB Heavy) While arriving at the ratings ICRA has consolidated the financials of the aforementioned entities along with the project-stage subsidiaries Ballard Pier Private Limited (BPPL), Tuticorin International Container Terminal Limited (TICTL) and Nhava Sheva Distribution Terminal Limited (NSDTL)), and joint ventures Nhava Sheva Freeport Terminal Private Limited (NSFTPL) and Vizag Multipurpose Terminal Private Limited (VMTPL). Please refer to Anexure II for the entities consolidated

About the company

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 1,20,000 TEU capacity which has become operational from December 2014. The Capacity has been expanded to 240,000 TEU post expansion of yard in FY2021. JMBPL holds 99% 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 remain under DICT.

Key financial indicators (audited)

Standalone	FY2021	FY2022
	Standalone	
Operating income	101.2	121.5
PAT	-3.1	-1.3
OPBDIT/OI	24.8%	25.0%
PAT/OI	-3.1%	-1.0%
Total outside liabilities/Tangible net worth (times)	2.0	2.1
Total debt/OPBDIT (times)	8.0	6.7
Interest coverage (times)	1.2	1.4

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 (FY2024)			Chronology of rating history for the past 3 years					
		Type	Amount rated (Rs. crore)	Amount outstanding as on Dec 2022	Date & rating in FY2024	Date & rating in FY2023			Date & rating in FY2022	Date & rating in FY2021	
					30-May-2023	28-Feb-2023	22-Dec-2022	20-Apr-2022	-	02-Feb-2021	29-Jun-2020
1	**Fund Based -Term Loan**	Long-term	64.34	64.34	[ICRA]A+ (Stable)	[ICRA]A- (Positive)	[ICRA]A- (Positive)	[ICRA]A- (Positive)	-	[ICRA]A-(CE) (Positive)	[ICRA]BBB (CE) (Positive)
2	**Fund Based Limits – Working Capital Facilities**	Short-term	15.00	-	[ICRA]A1	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	-	[ICRA]A2+ (CE)	[ICRA]A3+ (CE)
3	**Non- Fund Based Limits – Working Capital Facilities**	Short-term	6.00	-	[ICRA]A1	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	-	[ICRA]A2+ (CE)	[ICRA]A3+ (CE)
4	**Unallocated limits**	Long-term/ Short-term	2.71	-	[ICRA]A+ (Stable)/ [ICRA]A1	[ICRA]A- (Positive)/ [ICRA]A2+	[ICRA]A- (Positive)/ [ICRA]A2+	-	-		-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based - Term Loan	Simple
Short-term Fund-based limits – Working capital facilities	Simple
Short-term Non-fund-based limits – Working capital facilities	Very 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**	Mar-18	1-year MCLR+0.55%	Jun - 33	**64.34**	[ICRA]A+ (Stable)
NA	**Working capital facilities**	NA	NA	NA	**15.00**	[ICRA]A1
NA	**Working Capital Facilities**	NA	NA	NA	**6.00**	[ICRA]A1
NA	**Unallocated Limits**	NA	NA	NA	**2.71**	[ICRA]A+ (Stable)/ [ICRA]A1

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 (DICT)	100%	Full Consolidation
Visakha Container Terminal Private Limited (VCTPL))	100%	Full Consolidation
Haldia International Container Terminal Private Limited (HICT)	100%	Full Consolidation
Kandla International Container Terminal Private Limited (KICT)	100%	Full Consolidation
Paradip International Cargo Terminal Private Limited (PICT)	100%	Full Consolidation
JM Baxi Heavy Private Limited (JMB Heavy)	100%	Full Consolidation
Ballard Pier Private Limited (BPPL)	100%	Full Consolidation
Tuticorin International Container Terminal Private Limited (TICT)	100%	Full Consolidation
Nhava Sheva Distribution Terminal Private Limited (NSDT)	100%	Full Consolidation
Nhava Sheva Freeport Terminal Private Limited (NSFTPL)	50%	Equity Method
Vizag Multipurpose Terminal Private Limited (VMTPL)	50%	Equity Method

Source: Company

Consolidated view includes JMBPL, DICT, VCTPL, HICT, KICT, PICT and JMB Heavy. Consolidated financials include aforementioned entities along with BPPL, TICT, NSDT, NSFTPL and VMTPL

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