May 31, 2024

Kandla International Container Terminal 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	115.00	0.00	-
Long term – Non-convertible debentures	214.00	214.00	[ICRA]A+ (Stable); reaffirmed
Short-term – Non-fund-based – Working capital facilities	8.00	0.00	-
Long term/Short term – Unallocated limits	0.00	123.00	[ICRA]A+ (Stable)/[ICRA]A1; reaffirmed
Total	**337.00**	**337.00**	

**Instrument details are provided in Annexure-I*

Rationale

The assigned ratings factor in the strong parentage of Kandla International Container Terminals Private Limited (KICT/the company) i.e., JM Baxi Ports & Logistics Limited (JMBPL, [ICRA]A+ (Stable)/[ICRA]A1+). JMBPL is one of the leading players in the logistics sector in the country and has an established track record of presence across container train operations (CTO), project logistics, freight forwarding and port infrastructure i.e. container/bulk terminals, among others. Additionally, the presence of Hapag-Lloyd AG (HLAG[1]), which is one of the largest container handling companies globally, as a strategic investor in the Group with a 40% stake in JMBPL is expected to provide synergies in terms of increased container flow routed through the container terminals of the J M Baxi Group, which are present across the east and west coast in India.

KICT's revenue and profitability, at a standalone level, witnessed a healthy uptick in FY2024 (provisional), supported by higher contribution from the exim segment and incremental volumes from strategic partner - Hapag-Loyd AG (HLAG; rated Ba2 by Moody's) at the Group level.

The ratings also factor in the 30-year concession period for the container terminal and the long-tenor debt facility of ~12 years availed by the company. The long tail period of ~18 years provides healthy financial flexibility to the company for refinancing its debt, if required. Additionally, KICT is supported by its favourable location as the Kandla port has direct rail connectivity with the northern and northwestern hinterland. KICT's hinterland remains the biggest source of EXIM container cargo for the ports located on the west coast. The ratings also factor in the positive outlook for container traffic growth in India, given the low penetration of containerised cargo vis-à-vis the global levels.

The ratings are, however, constrained by competition from nearby ports on the western coast. Some of the largest container handling ports vie for a share from the hinterland, exposing KICT's cash generation to competition from the terminals located at these ports as well as the upcoming ports in the medium term. The company's container volumes also remain closely linked to the economic cycle and any significant downturn in the global economic activity may impact volumes.

The Stable outlook on the rating reflects ICRA's expectation that the credit profile of the entity will remain comfortable, supported by heathy incremental volumes and higher contribution from the export-import segment.

[1] *Hapag Lloyd AG; rated Baa2 (Positive) by Moody's*

Key rating drivers and their description

Credit strengths

Part of J M Baxi group with diversified service offering – The 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, container freight stations, inland container terminals, cold storage, warehousing, bulk logistics and port infrastructure involving container/other cargo terminal. 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 in April 2023, the Group is expected to benefit in terms of cargo volumes at its terminals.

Port serves northern hinterland; western DFC connectivity to provide impetus to container volumes – KICT operates a container terminal with a capacity of 600,000 TEUs at the Kandla port. The company's operations are positively supported by its favourable location as the port has direct rail connectivity with the northern and northwestern hinterland. This hinterland remains the biggest source of exim container cargo for the ports on the west coast. The strategic location will also help KICT gain from the commissioning of the western DFC (dedicated freight corridor) as several industrial clusters are located along this zone.

Concession supported by long-tenor debt financing with healthy tail period – KICT entered into a concession agreement with the Kandla port in 2016 to undertake the construction and development of a container terminal with a concession period of 30 years. The debt portion of the project was funded using a long-tenor debt facility of ~12 years. The long tail period of ~18 years beyond the maturity date of the term debt provides healthy financial flexibility to the company for refinancing its debt if required.

Positive long-term outlook for containerised cargo in India – Containerised cargo growth is expected to remain healthy in the country amid the rising penetration and increased use of goods that require containerised transportation. At present, the containerisation levels of cargo handled at various ports remain low in the country, which makes the long-term prospects for container traffic favourable.

Credit challenges

Competition from nearby ports - KICT shares its hinterland with some of the largest container handling ports on the west coast and thus remains exposed to competitive pressures from these ports. The key competing ports are the Mundra port, Pipavav port and Jawaharlal Nehru Port Trust (JNPT), while new container terminals are also expected to be operationalised over the next 3-4 years. Thus, KICT's cash generation will remain exposed to competition from these nearby ports. However, the presence of HLAG as a strategic investor and its intent to increase the flow of container volumes through the JM Baxi Group's network will mitigate the competitive pressures to some extent.

Operations exposed to economic cycles affecting trade volumes - The revenue of the terminal remains susceptible to the economic cycles. However, the favourable long-term prospects for container traffic and the Group's established relationships with all major shipping lines along with its integrated presence in the logistics chain and port operations partially mitigate the risk to an extent.

Liquidity position: Adequate

KICT's liquidity is expected to remain **adequate**, given no major capex plans in the near to medium term and modest debt repayments of Rs. 34.5 crore in FY2025 and Rs. 31.5 crore in FY2026 vis-à-vis the healthy net cash accruals. The maintenance of a one-quarter debt service reserve account (DSRA) along with ~Rs. 33.9 crore of free cash as on March 31, 2023 also supports the liquidity position.

Rating sensitivities

Positive factors – The rating may be upgraded if the consolidated credit profile of the J M Baxi Group improves.

Negative factors – The rating may be downgraded if the consolidated credit profile of the JM Baxi Group deteriorates and/or the linkages of the company with the JM Baxi Group weakens. The ratings may also witness downgrade pressure if the cargo volumes, revenue and profitability decline on a sustained basis, weakening the company's standalone capitalisation and coverage metrics.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology – Ports
Parent/Group support	**Parent**: **JM Baxi Ports & Logistics Limited** The ratings take into account the parentage i.e. JMBPL, and the company remains strategically important to JMBPL.
Consolidation/Standalone	The ratings are based on the standalone financials of the company

About the company

Kandla International Container Terminal Private Limited (KICT) is a special purpose vehicle (SPV) formed in February 2016 and a 100% subsidiary of JMBPL. It had been awarded a contract by the Kandla Port Trust to upgrade, operate and maintain two existing berths (no. 11 & 12, which had 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. KICT commenced commercial operations from both the berths in FY2018.

Key financial indicators (audited)

KICT Standalone	FY2022	FY2023
Operating income	158.8	170.6
PAT	-7.6	-23.1
OPBDIT/OI	26.7%	32.7%
PAT/OI	-4.8%	-13.6%
Total outside liabilities/Tangible net worth (times)	-19.9	-16.6
Total debt/OPBDIT (times)	3.6	3.6
Interest coverage (times)	0.8	1.0

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; 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 (FY2025)				Chronology of rating history for the past 3 years				
		Type	Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023			Date & rating in FY2022
					May 31, 2024	May 30, 2023	Feb 28, 2023	Dec 22, 2022	Apr 20, 2022	-
1	Fund based – Term loan	Long term	0.00	-	-	[ICRA]A+ (Stable)	[ICRA]A- (Positive)	[ICRA]A- (Positive)	[ICRA]A- (Positive)	-
2	Non-convertible debentures	Long term	214.00	189.21	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A- (Positive)	[ICRA]A- (Positive)	-	-
3	Non-fund based – Working capital facilities	Short term	0.00	-	-	[ICRA]A1	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	-
4	Unallocated limits	Long term/Short term	123.00	-	[ICRA]A+ (Stable)/ [ICRA]A1	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term – Non-convertible debentures	Simple
Unallocated limits	Not Applicable

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
INE785V07029	**Non-convertible debentures**	May 09, 2022	9.57%	April 15, 2034	101.38	[ICRA]A+ (Stable)
INE785V07011	**Non-convertible debentures**	May 09, 2022	9.57%	April 15, 2034	56.28	[ICRA]A+ (Stable)
INE785V07037	**Non-Convertible Debentures**	Feb 08,2024	9.48%	April 15, 2034	45.74	[ICRA]A+ (Stable)
NA	**Non-convertible debentures**	Yet to be placed	NA	NA	10.60	[ICRA]A+ (Stable)
NA	**Unallocated limits**	NA	NA	NA	123.00	[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 – Not Applicable

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About ICRA Limited:

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