May 31, 2024 (Revised)

J M Baxi Ports & Logistics Limited: Bank Loan ratings reaffirmed; NCD ratings reaffirmed and withdrawn

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	447.23	[ICRA]A+ (Stable); reaffirmed
Short term – Fund-based – Working capital facilities	56.00	56.00	[ICRA]A1; reaffirmed
Short term – Non-fund based limits – Working capital facilities	120.00	120.00	[ICRA]A1; reaffirmed
Short term – NCDs	196.00	0.00	[ICRA]A1; reaffirmed and withdrawn
Long term/Short term – Unallocated limits	30.82	16.48	[ICRA]A+ (Stable)/[ICRA]A1; reaffirmed
Total	**835.71**	**639.71**	

**Instrument details are provided in Annexure-I*

Rationale

To arrive at the ratings for J M Baxi Ports & Logistics Limited (JMBPL), ICRA has used the consolidated financials of the company which include the subsidiaries and joint ventures (JVs) enumerated in Annexure-II. The company, along with the entities that form part of the consolidated financials, jointly form the J M Baxi Group and are herein referred to as the Group.

The rating reaffirmation factors in the established track record and leadership position of the Group in the logistics industry with presence in container and bulk cargo handling terminals across ports, containerised train operations (CTO), inland container depots (ICDs), container freight (CFS), warehousing, bulk storage, agency business for cruise ships and project cargo handling.

ICRA has withdrawn the rating outstanding on the Rs. 196 crore non-convertible debenture programme as the NCDs have been redeemed and there is no amount outstanding against the rated instrument. The rating has been withdrawn in accordance with ICRA's policy on withdrawal of credit ratings.

The ratings factor in JMBPL's strategic partnership with Hapag-Loyd AG (HLAG;rated Ba2 by Moody's) wherein HLAG has acquired a 40% stake in JMBPL. The equity proceeds from HLAG is being used to meet the equity commitment for the Group's projects under execution, thereby mitigating funding risk for the ongoing capex plans. ICRA expects the Group to benefit from the leadership position of HLAG in the global container shipping segment and the intent of the partners to increasingly route HLAG's Indian container volumes through the Group's infrastructure in India.

The ratings also factor in the positive long-term outlook for containerised cargo volumes in India as the penetration of the segment in India remains low at present even as containerisation has picked up pace over the last few years. The operations at Nhava Sheva Distribution Terminal (shallow berth coastal berth) and Nhava Sheva Freeport Terminal (a JV of JMBPL with CMA-CGM) started in FY2024 and are generating revenues for the Group. The volumes in these two terminals are expected to grow further, thereby supporting the overall cash generation.

ICRA also takes note of the ongoing capex plan in the Group, a major part of which is expected to be operationalised in FY2025 itself. The operationalisation of the container terminal at Tuticorin, the Gati Shakti terminal at Incchapuri, Haryana, the CFS at Kandla and the cruise terminal at Ballard Pier, Mumbai, along with the expected realisation of synergies with HLAG is expected to improve the cash generation from operations in the near to medium term. However, given the large size of the capex, the

Group remains exposed to project execution risks. The timely commissioning of the projects within the estimated capital outlay and the subsequent ramp up of the operational performance will remain the key monitorable, going forward.

The ratings are also constrained by the significant competitive intensity in the logistics business wherein the existing terminals face competition from upcoming and recently commissioned terminals at their port locations as well as nearby ports. The CTO operations face increasing competition as the industry has ramped up capacity, which may result in longer-than-expected gestation period for the capacity utilisation to achieve the optimal levels. Additionally, the container and cargo volumes handled at the terminals remain susceptible to the macro-economic environment as the export-import driven cargo movement remains closely tied with the overall economic activity. Any slowdown in the overall economic activity can impact the volumes and realisations of the cargo handling operations.

ICRA takes note of the healthy revenue growth in FY2024 along with an improvement in profitability. The performance in the first half was impacted by the slower-than-anticipated ramp-up in container and bulk cargo operations at terminals and moderation in the cargo volumes of the key segments such as iron ore, steel, food. However, there was marginal recovery in H2 FY2024, which supported healthy revenue and operating profit growth over FY2023 . As per the provisional financials for FY2024, the revenue grew ~15.2% YoY while the operating margin was ~26%.

The Stable outlook on the rating reflects ICRA's expectation that the credit profile of the entity will remain comfortable, supported by the recent fund infusion and expectation of timely completion and ramp-up of the under-construction projects in a timely manner which will support the cash flow generation and keep the leverage and coverage metrics satisfactory.

Key rating drivers and their description

Credit strengths

Leadership position in logistics industry with established track record; presence of Hapag Lloyd as a strategic investor expected to be beneficial – 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 (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 bulk cargo and container, nevertheless dominated by bulk 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.

Positive long-term outlook for container traffic and logistics segment – 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. There has been an increasing trend in containerisation of the cargo movement which bodes well for the company. Consequently, the Group has witnessed a healthy ramp-up of volumes at its port as well as in its CFS and rail operations over the years.

Expected improvement in operational performance with incremental project completions – The Group has various projects under varied stages of execution. The container terminal at Tuticorin and the cruise terminal at Ballard Pier, Mumbai, are slated to be commissioned in FY2025. While the credit metrics are expected to moderate in FY2025 as majority of the capex will be executed during the year, cash generation from the projects is expected to start from FY2026 that should improve the credit metrics from the next fiscal. While the financial performance in FY2024 was slightly subdued due to slower-than-expected cargo growth, the synergy with HLAG is expected to result in healthy incremental volumes at the existing and upcoming terminals. Though the large capex planned at the consolidated level in the medium term and the 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 shall remain the key monitorable.

Credit challenges

Project execution risk from significant capex plans – 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, 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 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 the Vishakhapatnam Port. For the recently won concessions, the capital expenditure is estimated at ~Rs. 1,400-1,500 crore for FY2025 and ~Rs. 370 crore for FY2026. 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 FY2024, the bulk cargo volumes at Paradip International Cargo Terminal Private Limited (PICT) were impacted by 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.

Elevated competitive intensity in logistics and container train operations – The competitive intensity in the logistics business remains high wherein the existing terminals face competition from upcoming and recently commissioned terminals at their port locations as well as nearby ports. The CTO operations face increasing competition as the industry has ramped up capacity which may result in longer-than-expected gestation period for the capacity utilisation to achieve the optimal levels. Kandla International Container Terminal Private Limited (KICT) faces significant competition from existing container terminal operators on the west coast, resulting in lower incremental volumes. 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 Visakha Container Terminal Private Limited (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 its 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. 188 crore in FY2025 and ~Rs. 233 crore in FY2026 because of the long-tenor loans (~10 to 15 years) availed by the company vis-à-vis its healthy cash accruals, going forward. With financial closure achieved for all 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 and balance of ~Rs. 827 crore (provisional) as on March 31, 2024 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 rise 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 ICRA policy on Withdrawal of Credit Ratings
Parent/Group support	Not Applicable
Consolidation/Standalone	To arrive at the ratings, ICRA has taken a consolidated financials of J M Baxi Ports & Logistics Limited (JMBPL) and its subsidiaries on account of the management, business and financial linkages among these entities. Please refer to Annexure II for the entities consolidated.

About the company

J M Baxi Group

The J M Baxi Group was established by three individuals - Mr. 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 for providing stevedoring services at the Mumbai port. Over the years, J M Baxi & Co. has transformed into one of India's largest integrated shipping logistics company, handling a wide assortment of over 6,000 vessels per annum at major and minor Indian ports. The group divides its operations into three segments 1) Shipping services 2) Logistics 3) Infrastructure, which are handled by different entities. J M Baxi Ports & Logistics Limited is the flagship company of the Mumbai-based J M Baxi Group.

J M Baxi Group corporate structure

Flagship entity – J M Baxi Ports & Logistics Limited (JMBPL) - executed a binding agreement with HL Terminal Holding B.V. {part of Hapag Lloyd Group (HLAG group)} in April 2023, which resulted HLAG picking up a 40% stake in JMBPL and the Kotak family owning 60% with the exit of Bain capital, an erstwhile investor in the J M Baxi Group.

JMBPL owns 100% stake in its wholly-owned subsidiaries, i.e., DICT, KICT, PICT, VCTPL, HICT, JMB Heavy, NSDT, TICT and Ballard Pier. The company has a joint venture (JV) with CMA Terminals (wholly-owned subsidiary of CMA CGM Group), called Nhava Sheva Freeport Terminal Private Limited (NSFTPL). JMBPL also has a joint venture with Indian Potash Limited (IPL) called Vizag Multipurpose Terminal Private Limited for the development of the EQ-7 berth at the Vishakapatnam Port as a multi-purpose cargo berth.

Key financial indicators (audited)

JMBPL	Consolidated		Standalone	
	FY2022	FY2023	FY2022	FY2023
Operating income	1673.5	1870.8	762.2	844.7
PAT	104.1	43.0	43.8	6.1
OPBDIT/OI	23.8%	22.3%	12.4%	11.3%
PAT/OI	6.2%	2.3%	5.7%	0.7%
Total outside liabilities/Tangible net worth (times)	2.9	3.1	0.4	0.6
Total debt/OPBDIT (times)	4.8	5.3	4.5	7.1
Interest coverage (times)	2.9	1.9	3.6	2.1

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	447.23	447.23	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A- (Positive)	[ICRA]A- (Positive)	[ICRA]A- (Positive)	-
2	Fund-based – Working capital facilities	Short term	56.00	-	[ICRA]A1	[ICRA]A1	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	-
3	Non-fund based limits – Working capital facilities	Short term	120.00	-	[ICRA]A1	[ICRA]A1	[ICRA]A2+	[ICRA]A2+	-	-
4	NCDs	Short term	196.00	0.00	[ICRA]A1; reaffirmed and withdrawn	[ICRA]A1	-	-	-	-
5	Unallocated limits	Long term/ Short term	16.48	-	[ICRA]A+ (Stable)/ [ICRA]A1	[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 – Working capital facilities	Simple
Short term – Non-fund based limits – Working capital facilities	Very Simple
Long term/Short term –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
NA	Fund-based – Term loan	FY2018 to FY2022	1-year MCLR+ 0.6-1.65%	FY2035	447.23	[ICRA]A+ (Stable)
NA	Fund-based – Working capital facilities	NA	NA	NA	56.00	[ICRA]A1
NA	Non-fund based limits – Working capital facilities	NA	NA	NA	120.00	[ICRA]A1
INE232O08017	NCDs	March 2023	14%	September 2023	100.00	[ICRA]A1; Reaffirmed and Withdrawn
Yet to be placed	NCDs	NA	NA	NA	96.00	[ICRA]A1; Reaffirmed and Withdrawn
NA	Unallocated limits	NA	NA	NA	16.48	[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 Ownership	Consolidation Approach
Delhi International Cargo Terminal Private Limited (DICT)	100.00%	Full Consolidation
Visakha Container Terminal Private Limited (VCTPL)	100.00%	Full Consolidation
Haldia International Container Terminal Private Limited (HICT)	100.00%	Full Consolidation
Kandla International Container Terminal Private Limited (KICT)	100.00%	Full Consolidation
Paradip International Cargo Terminal Private Limited (PICT)	100.00%	Full Consolidation
JM Baxi Heavy Private Limited (JMB Heavy)	100.00%	Full Consolidation
Ballard Pier Private Limited (BPPL)	100.00%	Full Consolidation
Tuticorin International Container Terminal Private Limited (TICT)	100.00%	Full Consolidation
Nhava Sheva Distribution Terminal Private Limited (NSDT)	100.00%	Full Consolidation
Nhava Sheva Freeport Terminal Private Limited (NSFTPL)	50.00%	Equity Method
Vizag Multipurpose Terminal Private Limited (VMTPL)	50.00%	Equity Method

Source: Company

Corrigendum:

Document dated May 31, 2024, has been revised with changes as below:

On page no. 1, reason for withdrawal of outstanding ICRA rating to NCDs is included under rationale summary and ICRA policy for withdrawal of credit ratings included in analytical approach.

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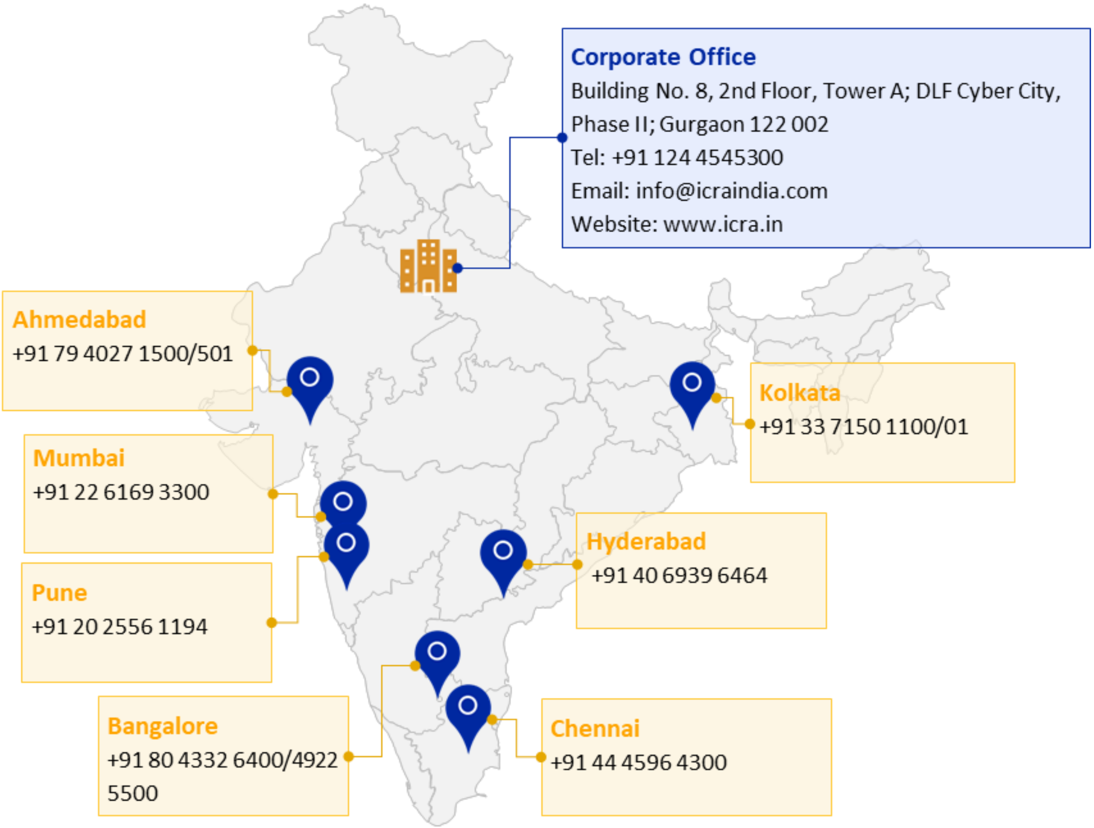

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