

June 04, 2024

Visakha Container Terminal Pvt. Ltd.: 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	545.66	485.91	[ICRA]A+ (Stable); reaffirmed
Long term – Fund based – Cash credit	5.00	5.00	[ICRA]A+ (Stable); reaffirmed
Long term – Proposed term loan facilities	308.08	293.09	[ICRA]A+ (Stable); reaffirmed
Long term/Short term – Buyer’s credit/LC/FCTL	(521.94)	(521.94)	[ICRA]A+ (Stable)/[ICRA]A1; reaffirmed
Long term/Short term – Derivative limits	101.00	101.00	[ICRA]A+ (Stable)/[ICRA]A1; reaffirmed
Short term – Non-fund based – Bank guarantee	53.00	53.00	[ICRA]A1; reaffirmed
Long term/Short term – Unallocated limits	5.35	80.09	[ICRA]A+ (Stable)/[ICRA]A1; reaffirmed
Total	1018.09	1018.09	

*Instrument details are provided in Annexure-I

Rationale

The rating action factors in the strong parentage of Visakha Container Terminals Private Limited (VCTPL/the company) - JM Baxi Ports & Logistics Limited {JMBPL, [ICRA]A+ (Stable)/[ICRA]A1+}. JMBPL is one of the leading players in the country’s logistics sector and has an established track record across container train operations (CTO), project logistics, freight forwarding and port infrastructure i.e. container/bulk terminals. Additionally, the presence of Hapag-Lloyd AG (HLAG¹), which is one of the largest container handling companies globally, as strategic investor in the group holding, 40% stake in JMBPPL is expected to provide synergies in terms of increased container flow through the container terminals of the J M Baxi group, which are present across the east and west coast in India.

VCTPL’s revenue and profitability, at a standalone level, witnessed a healthy uptick in FY2024 (provisional), supported by incremental volumes and additional services started from VCTPL by strategic partner, HLAG, at the group level. The ratings also factor in VCTPL’s long-term concession agreement with Visakhapatnam Port and the operationalisation of terminal 2 in March 2022 that increased the capacity to ~1.3 million TEUs per year. The capex executed under VCTPL is supported by the long-tenor debt with ballooning repayments that enhances its financial flexibility. Additionally, VCTPL has last-mile rail connectivity that ensures cost-efficient transportation of container cargo from the established players in the hinterland. 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 container terminals at the nearby ports and the upcoming ports on the eastern coast. Though VCTPL is the only container terminal at Vizag port, it faces competition from other container terminals that share the hinterland, which includes those at the ports of Kolkata, Paradip and Gangavaram in Andhra Pradesh. VCTPL’s container volumes also remain closely tied with the economic cycle and any significant downturn in economic activity globally may impact the container volumes of the company as well.

¹ Hapag Lloyd AG; rated Baa2 (Positive) by Moody’s

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

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 players 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 Sonapat, Haryana. With the onboarding of HLAG in April 2023, the Group is expected to benefit from the addition of cargo volumes at its terminals.

Strategic location with good connectivity serving vast hinterland – VCTPL is the only container terminal at Vizag port. VCTPL caters to a vast hinterland due to its strategic location on the east coast, which includes established steel players. VCTPL also benefits from an extensive rail connectivity, through group-owned entities, which ensures cost-efficient logistics to the hinterland. Further, strategic partner – HLAG - has initiated new services from VCTPL, which is expected to result in incremental volumes in the coming years.

Long-term concession supported by long-tenor debt financing with healthy tail period – VCTPL entered into a concession with Visakhapatnam port in 2002 to develop the container terminal for 30 years. Subsequently, VCTPL also commissioned terminal 2 in March 2022, for which it entered into a concession in 2019 for 30 years. The capex for the commissioning of terminal 2 is supported by debt with a tenor of ~15 years of ballooning nature. The healthy tail period provides financial flexibility to the company to refinance its debt, if the need arises.

Positive long-term outlook for containerised cargo in India – 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 in its CFS and rail operations over the years.

Credit challenges

Increasing competition from nearby and upcoming ports –VCTPL is the only container terminal operator in Visakhapatnam, which provides it with a competitive edge. However, it faces competition from nearby ports which share the hinterland with VCTPL. These include the ports at Paradip, Haldia, Krishnapatnam and Gangavaram. The Gangavaram port is closest to VCTPL and is being developed by APSEZ, rated [ICRA] AA+ (Stable)/[ICRA]A1+. Hence, the commissioning of this port is poised to increase competition for VCTPL.

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.

Moderate leverage and coverage indicators – The capex for the commissioning of terminal 2 (Rs. 916.04 crore) was supported by a debt of Rs. 687 crore, resulting in high financial leverage for VCTPL. In FY2023, the TD/OPBDITA stood at 5.9 times and the interest coverage was 1.9 times. However, given the 15-year debt term with balloon repayments, the debt servicing metrics are expected to remain comfortable.

Liquidity position: Adequate

VCTPL's liquidity is expected to remain **adequate**, given no major capex plans in the near to medium term and modest debt repayments of Rs. 65 crore in FY2025 and Rs. 76 crore in FY2026 vis-à-vis healthy net cash accruals. The maintenance of one quarter of debt service reserve account (DSRA) along with ~Rs. 124.2 crore of free cash as on March 31, 2023 also supports the liquidity position.

Rating sensitivities

Positive factors – The rating maybe upgraded in a scenario of the improvement in the consolidated credit profile of the J M Baxi Group.

Negative factors – The rating may be downgraded in a scenario of the weakening of the consolidated credit profile of the JM Baxi group and/or weakening of the linkages of the company with the JM Baxi group. The ratings may also witness downgrade pressure in a scenario of sustained decline in the cargo volumes, revenue and profitability resulting in the weakening of the capitalization and coverage metrics of the company on a standalone basis.

Analytical approach

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

About the company

Visakha Container Terminal Pvt. Ltd. (VCTPL) was incorporated in 2002 as a joint venture between JMBPL and DP World to operate the container terminal on Build, Operate and Transfer (BOT) basis at Visakhapatnam Port. VCTPL is an all-weather container terminal that has a total yard side capacity of 5,00,000 TEU. VCTPL provides container handling facilities for container ships, berthing facilities for non-container ships visiting the terminal and renders all related support services. JMBPL has acquired 26% stake in VCTPL from DP World in February 2022. VCTPL completed the construction of terminal 2 with a capacity of 5,40,000 in March 2022.

Key financial indicators (audited)

VCTPL Standalone	FY2022	FY2023
Operating income	289.5	317.1
PAT	48.9	2.1
OPBDIT/OI	40.5%	44.6%
PAT/OI	16.9%	20.2%
Total outside liabilities/Tangible net worth (times)	4.8	4.7
Total debt/OPBDIT (times)	7.4	5.9
Interest coverage (times)	29.4	1.9

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	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years					
		Amount rated (Rs. crore)	Amount outstanding as of Mar 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023			Date & rating in FY2022
				Jun 04, 2024	May 30, 2023	Feb 28, 2023	Dec 22, 2022	Apr 20, 2022	-
1 Fund based – Term loan	Long term	485.91	485.91	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A- (Positive)	[ICRA]A- (Positive)	[ICRA]A- (Positive)	-
2 Fund based – Cash credit	Long term	5.00	-	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A- (Positive)	[ICRA]A- (Positive)	[ICRA]A- (Positive)	-
3 Proposed term loan facilities	Long term	293.09	-	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A- (Positive)	[ICRA]A- (Positive)	[ICRA]A- (Positive)	-
4 Buyer’s credit/LC/FCTL	Long term/ Short term	(521.94)	-	[ICRA]A+ (Stable)/ [ICRA]A1	[ICRA]A+ (Stable)/ [ICRA]A1	[ICRA]A- (Positive)/ [ICRA]A2+	[ICRA]A- (Positive)/ [ICRA]A2+	[ICRA]A- (Positive)/ [ICRA]A2+	-
5 Derivative limits	Long term/ Short term	101.00	-	[ICRA]A+ (Stable)/ [ICRA]A1	[ICRA]A+ (Stable)/ [ICRA]A1	[ICRA]A- (Positive)/ [ICRA]A2+	[ICRA]A- (Positive)/ [ICRA]A2+	[ICRA]A- (Positive)/ [ICRA]A2+	-
6 Short term – Non-fund based –Bank guarantee	Short term	53.00	-	[ICRA]A1	[ICRA]A1	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	-
7 Unallocated limits	Long term/ Short term	80.09	-	[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
Long term – Fund based – Cash credit	Simple
Long term – Proposed term loan facilities	Simple
Long term/Short term – Buyer’s credit/LC/FCTL	Very Simple
Long term/Short term – Derivative limits	Very Simple
Short term – Non-fund based – Bank guarantee	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	FY2016 to FY2022	1-year MCLR + 1.25-2.6%	FY2035	485.91	[ICRA]A+ (Stable)
NA	Fund based – Cash credit	NA	NA	NA	5.00	[ICRA]A+ (Stable)
NA	Proposed term loan facilities	NA	NA	NA	293.09	[ICRA]A+ (Stable)
NA	Buyer's credit/LC/FCTL	NA	NA	NA	(521.94)	[ICRA]A+ (Stable)/[ICRA]A1
NA	Derivative limits	NA	NA	NA	101.00	[ICRA]A+ (Stable)/[ICRA]A1
NA	Short term – Non-fund based –Bank guarantee	NA	NA	NA	53.00	[ICRA]A1
NA	Unallocated limits	NA	NA	NA	80.09	[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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