June 04, 2024

Paradip International Cargo 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	386.66	380.33	[ICRA]A+ (Stable); reaffirmed
Short-term – Fund-based limits – Working capital facilities	10.00	10.00	[ICRA]A1; reaffirmed
Short-term – Non-fund based limits – Working capital facilities	30.00	30.00	[ICRA]A1; reaffirmed
Long term/Short term – Unallocated limits	7.38	13.71	[ICRA]A+ (Stable)/[ICRA]A1; reaffirmed
Total	**434.04**	**434.04**	

**Instrument details are provided in Annexure-I*

Rationale

The rating action factors in the strong parentage of Paradip International Cargo Terminals Private Limited (PICT/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 (HLAG[1]), - one of the largest container handling companies globally, as a strategic investor in the Group with a 40% stake in JMBPPL is expected to provide synergies from the increased cargo flow through the container terminals of the J M Baxi Group on the eastern and western coast of India. The ratings factor in the 30-year concession period for the bulk terminal and the long-tenor debt facility of ~22 years availed by the company. The long-term debt has resulted in modest repayment liabilities for the company as it ramps up its operations, thereby keeping the debt servicing metrics healthy. Moreover, the healthy tail period in the concession vis-à-vis the term debt tenor provides financial flexibility in refinancing the debt, if the need arises. The ratings also factor in the strategic location of the terminal serving a vast hinterland, catering to established steel players and other bulk commodities. Further, rail connectivity to the Paradip port ensures cost-effective logistics between the hinterland and the terminal.

The ratings are constrained by PICT's exposure to the economic cycles and regulatory risks affecting trade volumes. In FY2024, the volumes moderated on account of the imposition of export duties on iron ore and steel products. There was a marginal growth in revenue, while the profitability dropped due to slump in volumes in FY2024. PICT is also exposed to competition from other terminal operators at the Paradip port as well as nearby ports on the eastern coast such as Haldia port, Dhamra port, Kakinada port and Visakhapatnam port.

The Stable outlook on the rating reflects ICRA's expectation that the credit profile of the entity will remain healthy, backed by an expected ramp-up in cargo volumes which will support the cash generation, going forward.

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.

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

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 from the addition of cargo volumes at its terminals.

Strategic location of terminal serving a vast hinterland – PICT operates a bulk cargo terminal with a capacity of 5.5 MT bulk cargo and draft of ~17 meters to handle a clean cargo. The hinterland consists of well-known companies in steel manufacturing and fertilisers. PICT also caters to other commodities like foodgrain and sugar. The rail connectivity to the Paradip port supports efficient servicing of the hinterland.

Long-term concession supported by long-tenor debt financing with healthy tail period – A concession agreement between PICT and the Paradip Port Trust (PPT) was signed in March 2016 for 30 years. The debt financing extends over 22 years, featuring a ballooning repayment structure. As a result, the debt servicing requirements remain modest in the initial years of operations and the debt servicing capabilities remain healthy. There is adequate tail period in the concession period beyond the current debt tenor, which provides financial flexibility to the company to refinance its debt, if the need arises.

Positive long-term outlook for cargo movement in India – The long-term prospects for cargo movement in India remains positive, driven by the progress made in infrastructure and policy reforms. The development of dedicated freight corridors and the modernisation of ports are expected to gradually improve the connectivity and reduce the transit time. 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

Competition from nearby and upcoming terminals – The presence of major and non-major ports on the eastern coast of India exposes PICT to competition from existing terminal operators at Paradip as well as at the Kakinada, Vizag, Kolkata and Gangavaram ports. It is also exposed to new upcoming terminals serving the same hinterland.

Operations vulnerable to economic cycles affecting trade volumes – The revenues of PICT are susceptible to economic cycles and regulatory risks. In FY2024, PICT's volumes moderated on account of the imposition of export duties on steel products. 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.

High leverage and moderate coverage indicators – The credit profile of PCIT remains subdued owing to the large debt-funded capex undertaken to set up the project. The TD/OPBDITA stood at 6.3 times in FY2023 and 6.1 times in FY2024, as per the provisional financials. The interest coverage ratio stood at 1.5 times in FY2024 (provisional). Nonetheless, the debt servicing ability of the company is expected to remain stable as the debt repayment with ballooning repayment schedules spans over 22 years.

Liquidity position: Adequate

PICT's liquidity is expected to remain **adequate**, given no major capex plans in the near to medium term and moderate debt repayments of Rs. 11.18 crore in FY2025 and Rs. 19.25 crore in FY2026 vis-à-vis healthy net cash accruals. The maintenance of one quarter of debt service reserve account (DSRA) along with ~Rs. 50.7 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**: **JM Baxi Ports 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 standalone financials of the company.

About the company

Paradip International Cargo Terminal Private Limited (PICT) is a special purpose vehicle (SPV) of JMBPL, which was incorporated on February 14, 2015. The SPV was formed for undertaking the construction and development of a multipurpose berth at Paradip port through the public-private partnership (PPP) mode on a build, operate and transfer (BOT) basis. The multipurpose berth caters to container traffic and clean cargo at the Paradip port. The concession agreement between Paradip Pot Trust (PPT) and PICT was signed on March 7, 2016. PICT achieved commercial operations for the berths in July 2018.

Key financial indicators (audited)

PICT Standalone	FY2022	FY2023
Operating income	238.5	200.5
PAT	10.4	16.9
OPBDIT/OI	43.7%	40.4%
PAT/OI	4.3%	8.4%
Total outside liabilities/Tangible net worth (times)	10.6	8.0
Total debt/OPBDIT (times)	5.1	6.2
Interest coverage (times)	1.7	1.5

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
					Jun 04, 2024	May 30, 2023	Feb 28, 2023	Dec 22, 2022	Apr 20, 2022	-
1	Fund based – Term loan	Long term	380.33	380.33	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A- (Positive)	[ICRA]A- (Positive)	[ICRA]A- (Positive)	-
2	Fund-based limits – Working capital facilities	Short term	10.00	-	[ICRA]A1	[ICRA]A1	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	-
3	Non-fund based limits – Working capital facilities	Short term	30.00	-	[ICRA]A1	[ICRA]A1	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	-
4	Unallocated limits	Long term/ Short term	13.71	-	[ICRA]A+ (Stable)/ [ICRA]A1	[ICRA]A+ (Stable)/ [ICRA]A1	[ICRA]A- (Positive)/ [ICRA]A2+	[ICRA]A- (Positive)/ [ICRA]A2+	-	-
5	Non-fund based limit (Sublimit of term loan)	Long term	-	-	-	-	-	-	[ICRA]A- (Positive)	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term – Fund-based - Term loan	Simple
Short term – Fund-based limits – Working capital facilities	Very 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**	FY2017	1Y MCLR + 0.05%	FY2039	380.33	[ICRA]A+ (Stable)
NA	**Fund-based limits – Working capital facilities**	NA	NA	NA	10.00	[ICRA]A1
NA	**Non-fund based limits – Working capital facilities**	NA	NA	NA	30.00	[ICRA]A1
NA	**Unallocated limits**	NA	NA	NA	13.71	[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 – Not Applicable.

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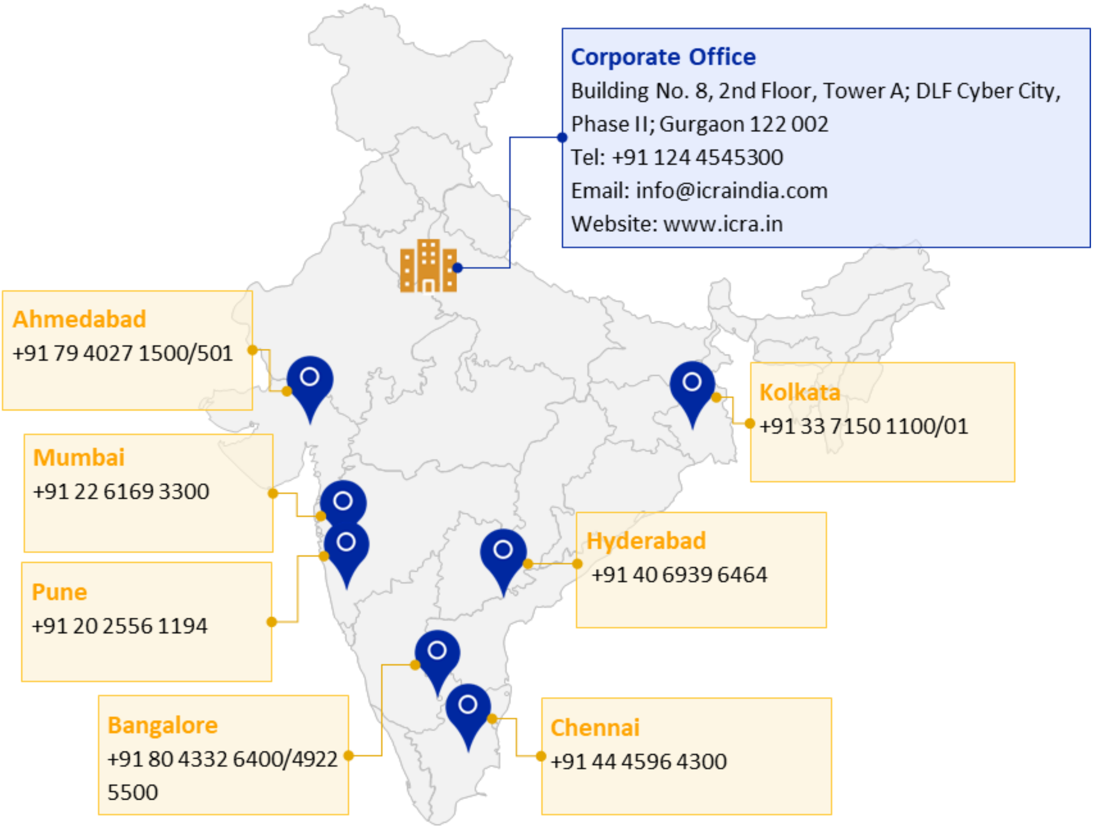

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