June 04, 2024

Delhi International Cargo 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	64.34	58.18	[ICRA]A+ (Stable); reaffirmed
Short term – Fund based – Working capital facilities	15.00	15.00	[ICRA]A1; reaffirmed
Short term – Non-fund based – Working capital facilities	6.00	6.00	[ICRA]A1; reaffirmed
Long term/Short term- Unallocated limits	2.71	8.87	[ICRA]A+ (Stable)/[ICRA]A1; reaffirmed
Total	**88.05**	**88.05**	

**Instrument details are provided in Annexure-I*

Rationale

The rating action factors in the strong parentage of Delhi International Cargo Terminals Private Limited (DICT/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]), 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. The ratings factor in the strategic location of the inland container depot (ICD) under DICT in the Delhi-National Capital Region (NCR), which remains a major source of container volumes from the hinterland. The railway connectivity with the major gateway ports on the west coast also supports the competitive position of the ICD. The cargo flow through the ICD witnessed a healthy improvement in FY2024 with a YoY growth of 18.3%. The growth in cargo volumes was supported by the additional cargo service started between the Kandla terminal and DICT, which should further drive growth, going forward.

The operationalisation of the Western Dedicated Freight Corridor (WDFC), the expected commissioning of the Gati Shakti terminal at Incchapuri, Haryana, and the Group's plans to further expand container train operations (CTO) at Jawaharlal Nehru Port (JNPT) should support DICT's volumes as well. 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, however, are constrained by DICT's moderate scale of operations and rising competition from established ICD players in the northern region. Further, its container volumes remain closely tied with the economic cycle and any significant downturn in economic activity globally may impact the company's volumes as well.

The Stable outlook on the rating reflects ICRA's expectation that the credit profile of the entity will remain stable, supported by heathy incremental volumes and better connectivity with the port terminals under the J M Baxi Group.

[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 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 Sonepat, Haryana. With the onboarding of HLAG, the Group is expected to benefit from the addition of cargo volumes at its terminals.

Improved utilisation of ICD facility; strategic location in NCR region – DICT witnessed a steady increase in its capacity utilisation with the utilisation for FY2024 at ~85%, primarily on account of the gradual shifting of HLAG's customers from other ICDs to DICT. The strategic partnership has also resulted in additional service in the Group from the Kandla terminal to DICT. A favourable location in the NCR region, tie-ups with shipping liners and CTO players and direct connectivity to the ports at Kandla, Mundra and Pipavav are expected to improve the volumes in the upcoming years.

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

Credit challenges

Moderate scale of operations – DICT's scale of operations remains moderate compared to other established ICD players due to a cargo handling capacity of 0.24 million TEUs/year. However, the risk is partly mitigated as majority of the volumes are generated from group-owned entities. Also, ICRA expects incremental volumes at DICT following the Group's strategic partnership with HLAG.

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, the Group's established relationships with all major shipping lines and its integrated presence in the logistics chain and port operations partially mitigate the risk to an extent.

Rising competition from industry incumbents – The northern region, particularly Delhi-NCR, remains an area of focus for large to mid-sized integrated rail logistics players, prompting all the major players to set up ICDs in the region. As a result, the competitive intensity for DICT remains high. The competitive intensity is expected to remain elevated with incrementally new ICDs and Gati Shakti terminals expected to be commissioned in the near to medium term. However, DICT benefits from being part of the integrated logistics network of the JM Baxi Group. The presence of HLAG as a strategic investor should enable healthy capacity utilisation for the company, going forward.

Liquidity position: Adequate

DICT's liquidity is expected to remain **adequate**, given no major capex plans in the near to medium term and modest debt repayments of ~Rs. 13.8 crore in FY2025 and ~Rs. 13.2 crore in FY2026 vis-à-vis healthy net cash accruals. The company has Rs. 15 crore of fund-based limits. The fund-based limit utilisation has remained modest with an average utilisation of 25% for the last 12 months ended March 2024, which along with Rs. 10.9 crore of free cash at the end of March 2023, is expected to keep the liquidity position adequate.

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
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	The ratings are based on the standalone financials of the company.

About the company

Delhi International Cargo Terminal Pvt Ltd (DICT) was incorporated on February 20, 2006, as one of the first private rail operators in India. It is a wholly-owned subsidiary of JMBPL. The company has a Category-III licence from the Indian Railways using which it can offer transportation services for export-import (exim) -goods on the rail corridors serving the ports of Pipavav, Mundra, Chennai/Ennore, Vizag and Kochi, and their hinterland; the inland container depot (ICD) operations were started in December 2014 at Sonepat, Haryana. The rail division under DICT was subsequently demerged from DICT and merged into parent entity – JMBPL - with the effective date of demerger fixed as April 01, 2016.

Key financial indicators (audited)

DICT Standalone	FY2022	FY2023
Operating income	121.5	149.4
PAT	-1.3	2.7
OPBDIT/OI	25.0%	29.4%
PAT/OI	-1.0%	1.8%
Total outside liabilities/Tangible net worth (times)	2.1	2.4
Total debt/OPBDIT (times)	6.7	5.1
Interest coverage (times)	1.4	2.0

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
					Jun 04, 2024	May 30, 2023	Feb 28, 2023	Dec 22, 2022	Apr 20, 2022	-
1	Fund based - Term loan	Long term	58.18	58.18	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A- (Positive)	[ICRA]A- (Positive)	[ICRA]A- (Positive)	-
2	Fund based - Working capital facilities	Short term	15.00	-	[ICRA]A1	[ICRA]A1	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	-
3	Non-fund based limits - Working capital facilities	Short term	6.00	-	[ICRA]A1	[ICRA]A1	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	-
4	Unallocated limits	Long term/ Short term	8.87	-	[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**	March 2018	1-year MCLR+0.55%	June 2033	58.18	[ICRA]A+ (Stable)
NA	**Fund based - Working capital facilities**	NA	NA	NA	15.00	[ICRA]A1
NA	**Non-fund based limits - Working capital facilities**	NA	NA	NA	6.00	[ICRA]A1
NA	**Unallocated limits**	NA	NA	NA	8.87	[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:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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