

June 28, 2024^(Revised)

Ripley & Co. Stevedoring & Handling 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 – Cash credit	65.00	63.00	[ICRA]A(Stable); reaffirmed
Long term/Short term – Non-fund based limits	156.41	151.41	[ICRA]A(Stable)/[ICRA]A2+; reaffirmed
Long term/Short term – Unallocated limits	138.59	0.00	-
Total	360.0	214.41	

*Instrument details are provided in Annexure-I

Rationale

The reaffirmation of the ratings factors in the long-standing experience of Ripley & Co. Stevedoring & Handling Pvt. Ltd. (RSHPL), the extensive track record of the promoters in providing port support services and its dominant market share at Haldia Dock Complex (HDC). This is due to its exclusive licences to provide certain services and the established relationship with customers through short-term and long-term contracts.

The ratings also factor in the increasing revenue diversification over the years. While port-related services have been the mainstay for the company in the last few years, it is also present in the mineral trading segment. Further, apart from the direct services, RSHPL has leased out equipment to Group entities with minimum guaranteed volume commitments, which provides an additional stable revenue stream. The Group is also involved in trading operations in other geographies. Also, the Group has entered the shipping business by acquiring five ships in the last three years under its overseas subsidiaries, wherein the group holds 24% stake with the remaining 76% held by Mr. Shoumik Bose. ICRA also notes the project received by the company from Andhra Pradesh Power Generation Corporation Limited (APGENCO), which is expected to improve the revenue profile and diversification. ICRA also notes the ramp-up of the operations of the coal terminal project being executed under an SPV – Kalinga International Coal Terminal Private Limited (KICTPL). KICTPL's revenues rose to Rs. 231.24 crore in FY2024 from Rs. 129.35 crore in FY2023 owing to improved coal handling volumes, supported by the long-term contracts with reputed customers.

RSHPL's standalone revenue was at Rs. 1,097.80 crore in FY2024, declining from Rs. 1,404.3 crore in FY2023, due to lower revenue from mineral trading. The operating margins improved to 15.2% in FY2024 from 11.9% in FY2023 due to change in segmental revenue contribution. ICRA expects the revenue growth trend to continue in the near term, and the profit margins are expected to remain healthy. The capital structure and coverage indicators have remained healthy over the last few years at the standalone and consolidated levels. The return indicators remained healthy, while the working capital intensity have been moderate over the past three years.

The Group has a moderately high capex planned for vessel purchase over the next few years, which will be debt funded. Further, the company has provided loans and advances to some of its subsidiaries/JVs (excluding KICTPL), which stood at Rs. 303.68 crore as on February 29, 2024. Going forward, in the medium term, the funding support for some of the SPVs/subsidiaries is expected to increase as the Group is planning to expand its shipping operations by acquiring new vessels.

The company has also extended corporate guarantees to some of the subsidiaries/SPVs, apart from KICTPL, which stood at Rs. ~312.77 crore as on March 31, 2024. RSHPL has also extended corporate guarantee to the debt availed by KICTPPL, along with the other JV partners, where the partners are severally liable to discharge their respective obligations in case of default. A

corporate guarantee was extended for Rs. 547.00 crore as on December 31, 2022, though this is expected to reduce to ~Rs. 22 crore with the release of 90% of this CG by the consortium lenders. ICRA also notes the change in the group structure, leading to increased cash flow from the vessel SPVs.

The ratings also take note of the increasing competition from private sector non-major ports, resulting in a shift in cargo from the major ports over the last few years. The impact of competition on HDC is partly mitigated as there are large customers providing repeat business on account of favourable connectivity to their plants in the hinterland. HDC is a riverine port needing periodic dredging to maintain navigability, supported by the Central Government, and any moderation in funds/support could have an adverse impact on the port traffic.

Moreover, RSHPL operates in areas with a highly unionised work force, which coupled with its labour-intensive operations, exposes the company to the risk of strike/industrial actions. Nevertheless, the vast experience of the Group in the industry and at HDC, coupled with the increased mechanisation of operations in the last few years, mitigates the risk to an extent. The ratings also consider the susceptibility of its operational and financial performance to the broader import-export cycle and the vulnerability of the port services sector to changes in Government policies.

The Stable outlook on the [ICRA]A rating reflects ICRA's opinion that RSHPL will continue to benefit from its experience in the stevedoring industry and its dominant market share at HDC, which will aid revenue growth and maintain healthy margins, going forward, and support its credit profile.

Key rating drivers and their description

Credit strengths

Long-standing experience in stevedoring industry and dominant market share at HDC – RSHPL, incorporated in 2000, is a part of the Ripley Group, which belongs to the broader Swapan Sadhan Bose Group (SS Bose Group) with interests in stevedoring and cargo handling, port handling, coastal cargo movement, media, etc. The Group has an established presence in the eastern ports for more than 120 years.

HDC accounts for a major share of RSHPL's volumes, followed by the Paradip Port. The company commenced operations at the Vizag and Kolkata ports in FY2015; while there has been incremental growth from these ports, their share remains moderate at present. The company has reputed customers, including Steel Authority of India Limited, Tata Steel Limited, Central Coal Fields Limited, TM International Logistics Limited, etc. There are a large number of licensed stevedoring companies operating in the Haldia Port. However, along with the other Ripley Group companies, RSHPL has maintained a dominant market share at HDC due to its reputation and relationship with customers. Apart from direct services, RSHPL has specific contracts for operations at key berths and contracts with terminal operators or other entities (some of which are JV/SPV in which the Ripley group has stake) operating at the ports for additional services/equipment.

Increasing revenue stream diversification - While port-related services have been the mainstay for the company in the last few years, the company has also entered the mining and mineral trading segments. The share of mineral trading has been volatile, but has brought in diversification to the business profile. The Group is also involved in trading operations in other geographies. Further, the Group has entered the shipping business by acquiring five ships in the last three years under its overseas subsidiaries, wherein the group holds 24%. ICRA also notes the project received by the company from Andhra Pradesh Power Generation Corporation Limited (APGENCO), which is expected to improve the revenue profile and diversification.

Comfortable financial profile - RSHPL's standalone revenue decline to Rs. 1,097.8 crore in FY2024 from Rs. 1,404.3 crore in FY2023 due to lower trading activities carried out by the company amid global uncertainties. RSHPL started mineral trading in FY2019 and the gross revenue from the segment was Rs. 206.76 crore in FY2024 against Rs.473.27 crore in FY2023. The gross revenue from stevedoring and shore handling decreased to Rs. 889.06 crore in FY2024 from Rs. 924.93 crore in FY2023 owing to equipment downtime. With lower trading contribution, the operating margins improved to 15.2% in FY2024 from 11.9% in FY2023. The capital structure and coverage indicators (excluding the contingent liabilities) have remained robust over the last few years on the back of healthy accretion to reserves with a gearing of 0.13 times and interest coverage of 18.3 times in

FY2024. The return indicators remained healthy with ROCE of around 20.4% in FY2024. RSHPL's consolidated financial profile remained strong in FY2024 with healthy margins and a comfortable capital structure.

Moderate working capital intensity - The working capital intensity has remained at 10-20% over the past three years. The company typically maintains an inventory of 50-65 days in mineral trading. RSHPL extends a credit period of ~30 days to its customers, which sometimes gets stretched to 45-60 days and gets a credit period of ~30-60 days from labour contractors and consumable suppliers. The working capital requirement is met through internal sources and working capital limits from banks.

Credit challenges

Cargo handled is vulnerable to broader economic trends, commodity demand cyclicity and competition from other ports – RSHPL mainly handles bulk cargo such as coal along with limestone, gypsum, pyroxenite and ores, and the remaining revenue is driven by coke, steel, chemicals, etc. The cargo handled, and consequently, the financial performance remains vulnerable to the broader economic cycle's impact on exim traffic at the ports, demand cyclicity for specific commodities such as coal and competition from other major and minor ports. In the last few years, there has been some shift in cargo from the major to the minor ports in India due to location benefits and the superior facilities provided. Nonetheless, the impact on HDC has been mitigated to some extent by the presence of large customers providing repeat business owing to better connectivity to their plants in the hinterland.

Labour-intensive operations with exposure to highly unionised workforce - The company remains exposed to the risk of strikes/industrial actions due to the labour-intensive operations in regions with a highly unionised workforce. However, the risk is mitigated to some extent on account of the increasing mechanisation of operations over the last few years. Moreover, its long-standing experience in the industry and at HDC mitigates the impact and RSHPL has not faced any issues in the last few years.

Being a riverine port, Haldia Port faces challenges related to low draft – HDC, being a riverine port, requires periodic dredging to maintain its draft and navigability and is dependent on the Central Government's support for the same. Thus, the continued support for dredging remains critical for the operations and any reduction in support may have an adverse impact on the operations. Additionally, large vessels are partly unloaded at other ports before entering the Haldia Port because of low draft. However, the floating jetty project and floating cranes installed at Saugor have aided faster lighterage operations owing to the higher capacity of the floating cranes and the jetty being outside the lock gates, which handles the barges carrying cargo unloaded from the larger vessels at the lighterage point.

Port services sector vulnerable to changes in Government regulations - – During 2015-2016, HDC awarded the licence for shore handling on the basis of competitive bidding for revenue share and imposed ceiling rates (ceiling rates of Rs. 119.48/tonne and revenue share of Rs. 14.77/tonne). Subsequently, the Ministry of Shipping had announced a policy to implement a similar licence scheme for stevedoring and shore-handling services at all the major ports, while the operators have been paying a modest licence fee to the port and charging rates from customers based on the market dynamics. In FY2017, the Government announced the new stevedoring policy under which the ceiling rates and the revenue share will be imposed on specific commodities on a per tonne basis for stevedoring and shorehandling operations. In November 2021, the new Major Port Authorities Act 2021 was operationalised and a new tariff guideline was announced in December 2021. Going forward, the tariff will be decided by the Major Port Authority itself and there will be more flexibility in setting the tariff, although they will still have a ceiling rate and the impact of the move on the company remains to be seen.

Debt-funded capex plans, investment requirements and large contingent liabilities - The company has capex plans of ~Rs. 20 crore per annum for acquiring/replacing equipment/vehicles during the next two to three years, which will be partly debt-funded through equipment loans. Further, the company has provided loans and advances to some of its subsidiaries/JVs (excluding KICTPL), which stood at Rs. 303.68 crore as on February 29, 2024. Going forward, in the medium term, the funding support for some of the SPVs/subsidiaries is expected to increase as the Group is planning to expand its shipping operations by acquiring new vessels.

The company has also extended corporate guarantees to some of the subsidiaries/SPVs, apart from KICTPL, which stood at Rs. ~312.77 crore as on March 31, 2024. RSHPL has also extended corporate guarantee to the debt availed by KICTPPL, along with the other JV partners, where the partners are severally liable to discharge their respective obligations in case of default. The corporate guarantee was extended for Rs. 547.00 crore as on December 31, 2022, however this is expected to reduce to ~Rs.22 crore with the release of 90% of this CG by the consortium lenders.

Liquidity position: Adequate

RSHPL (standalone) has a capex plan of Rs. 20-25 crore per annum in FY2025 and FY2026 and moderate debt repayment obligations. At a standalone level, the company has a repayment obligation of Rs. 20.50 crore in FY2025. At the consolidated level, the company has repayment obligations of ~Rs. 75-90 crore for FY2025. However, the liquidity position is adequate and will be met by expected healthy cash accruals, availability of unutilised working capital limits, and unencumbered cash and cash equivalents of ~Rs. 185 crore at a standalone level as on March 31, 2024. The consolidated liquidity position also remains adequate with healthy cash flow against the repayment obligations.

Rating sensitivities

Positive factors – The ratings could be upgraded if the company exhibits a substantial improvement in revenue and profitability on a sustained basis, while maintaining healthy capital structure and coverage indicators.

Negative factors – Pressure on the ratings could arise if there is a significant moderation in revenue and profitability on a sustained basis; or large debt-funded capital expenditure/investments in subsidiaries or JVs; or a stretch in the working capital intensity that would weaken RSHPL's debt coverage and liquidity profile.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of RSHPL ICRA has also considered the corporate guarantees given to the JVs and other related entities. For the guarantee extended by RSHPL to KICTPL, ICRA has taken into cognisance the presence of other JV partners who, along with RSHPL, are jointly and severally liable to discharge the guaranteed obligations in case of default. The list of companies consolidated is given in Annexure II

About the company

RSHPL, incorporated in 2000, is primarily involved in providing stevedoring, shore handling and other port support services. The company has major presence in the Haldia Dock Complex (HDC), along with other Group entities. It has also been providing services at the ports of Kolkata, Paradip and Vizag. The company has a registered office in Kolkata and branches in Haldia, Paradip and Vizag. It owns a fleet of 200 mobile equipment (mobile harbour cranes, dumpers, loaders, forklifts, excavators and dozers) and has a workforce of over 1,200 employees. Since FY2019, the company is engaged in mineral trading at the Haldia, Paradip, Vizag and Kolkata ports. It is a part of the larger group of companies promoted by Mr. Swapan Sadhan Bose, with business interests in port support services, coastal cargo movement, mining and media, and a longstanding presence in the eastern ports, especially in HDC.

Key financial indicators

RSHPL Standalone	FY2023	FY2024*
Operating income	1,404.3	1,097.8
PAT	135.8	129.6
OPBDIT/OI	11.9%	15.2%
PAT/OI	9.7%	11.8%
Total outside liabilities/Tangible net worth (times)	0.6	0.4
Total debt/OPBDIT (times)	0.61	0.70
Interest coverage (times)	15.4	18.3

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore; *Provisional

RSHPL Consolidated	FY2022	FY2023
Operating income	1398.1	1556.0
PAT	126.7	138.8
OPBDIT/OI	13.6%	14.7%
PAT/OI	9.1%	8.9%
Total outside liabilities/Tangible net worth (times)	1.13	0.79
Total debt/OPBDIT (times)	1.65	0.73
Interest coverage (times)	17.21	8.33

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

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 on Mar 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023		Date & rating in FY2022
				June 28, 2024	-	March 22, 2023	March 15, 2023	Feb 17, 2022
1 Cash credit	Long-term	63.00	-	[ICRA]A (Stable)	-	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)
2 Non-fund based	Long term/Short-term	151.41	-	[ICRA]A (Stable)/[ICRA]A2+	-	[ICRA]A (Stable)/[ICRA]A2+	[ICRA]A (Stable)/[ICRA]A2+	[ICRA]A (Stable)/[ICRA]A2+
3 Unallocated	Long term/Short-term	0.00	-	-	-	[ICRA]A (Stable)/[ICRA]A2+	[ICRA]A (Stable)/[ICRA]A2+	[ICRA]A (Stable)/[ICRA]A2+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Cash credit	Simple
Long-term/Short-term – Non-fund based limits	Very Simple

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
-	Cash credit	NA	NA	NA	63.0	[ICRA]A(Stable)
-	Letter of credit	NA	NA	NA	151.41	[ICRA]A(Stable)/[ICRA]A2+

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	RSHP Ownership	Consolidation Approach
Ripley Shipping Private Limited	100.00%	Full Consolidation
Ripley Offshore Private Limited	74.00%	Full Consolidation
Ripley Infrastructure Private Limited	100.00%	Full Consolidation
Ripley Northern Dredging Private Limited	100.00%	Full Consolidation
Ripley Commodities FZ LLC	100.00%	Full Consolidation
Ripley International DMCC	24.00%	Full Consolidation
Ripley Overseas Pte Ltd	100.00%	Full Consolidation
OSL Ripley Shipping Private Limited	50.00%	Joint Venture
High Rock Mining LLP	50.00%	Joint Venture
Kalinga International Coal Terminal Private Limited [^]	33.33%*	Joint Venture

Source: RSHP Annual report; *Effective holding RSHP along with RIPL

Note: ICRA has taken a consolidated view of the parent (RSHP), its subsidiaries and associates while assigning the ratings. ^ ICRA has also considered the corporate guarantee extended to KICTPL. For the guarantee extended by RSHP to KICTPL, ICRA has also taken into cognisance the presence of other JV partners who, along with RSHP, are jointly and severally liable to discharge the guaranteed obligations in case of default

Corrigendum

Document dated June 28, 2024 has been corrected with revisions as detailed below:

Current rated amount has been corrected in the summary of rating action table and instrument details table

ANALYST CONTACTS

Girishkumar Kadam

+91 22 6114 3441

girishkumar@icraindia.com

Prashant Vasisht

+91 124 4545322

Prashant.vasisht@icraindia.com

Kushal Kumar B

+91 40 6939 6408

kushal.kumar@icraindia.com

Arvind Srinivasan

+91 44 4596 4323

arvind.srinivasan@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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ICRA Limited



Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



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