November 22, 2024

India Gateway Terminal Private Limited: [ICRA]AA(Stable); assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	150.00	[ICRA]AA (Stable); assigned
Total	**150.00**	

**Instrument details are provided in Annexure-I*

Rationale

The rating assigned to the bank lines of India Gateway Terminal Private Limited (IGT/the company) factors in the strong parentage of the company with the ultimate parent being DP World Limited (DPW/the parent, rated Baa2 (Stable) by Moodys). Currently DPW has presence in India through its Joint Venture with National Investment Infrastructure Fund (NIIF) known as Hindustan Infralog Private Limited, wherein it holds 65% ownership and through Hindustan Ports Private Limited (HPPL) in which NIIF bought 19.18% stake in March 2024. ICRA notes that HIPL and HPPL are in the process of merging their operations into a single entity, wherein DPW will continue to hold majority stake. The merged entity (i.e. HIPL and HPPL combined) will become the holding company for all the entities in India where currently HPPL and HIPL have ownership. While arriving at the ratings for the company ICRA has evaluated the credit profile of the merged entity factoring in the implicit support from DPW, being the majority shareholder in the merged entity and thereafter uplifted the rating of IGTPL using the credit view of the merged entity as immediate parent. Given the rapidly growing market and increasing investment commitment of DPW in the country, the Indian assets are expected to remain strategically important for DPW going forward as well. The ratings also factor in strategic location of the terminal on the west coast along with healthy capacity utilization over last few years. As a result, the credit metrics have also witnessed improvement, with Total Debt/OPBDITA (TD/OPBDITA) improving to 3.9x as on FY2024 from 5.4x at the end of FY2023, which is expected to improve further in FY2025 with the expected improvement in performance and scheduled repayment of debt. The interest coverage ratio also improved to 3.8x in FY2024 from 2.3x in FY2023. The rating also factors in the positive outlook for containerised cargo in India along with the recent completion of capex at IGT, resulting in capacity of the terminal increasing to 1.4 million TEUs per year from 0.9 million TEUs year and installation of advanced cranes for higher efficiency.

The ratings are, however, constrained by competition from container terminals at nearby ports and the upcoming Vizhinjam port being developed by Adani Ports & Special Economic Zone Limited (APSEZ, rated [ICRA]AAA (Stable)/[ICRA]A1+) which is closest to IGT. ICRA also notes that the transshipment volumes for IGT have been low, though in recent years, terminal has attracted a higher proportion of transshipment volumes due to improvement in the port infrastructure. The credit profile of the company is also exposed to the economic cycles as the trade volumes and hence the container volume flows are closely tied to the health of the global economy and trade.

The Stable outlook on the rating reflects ICRA's expectation that the company will continue to benefit from the healthy container volume flows due to strategic location of Cochin port. The same coupled with a stable revenue share should result in healthy and stable cash generation enabling a stable credit profile.

Key rating drivers and their description

Credit strengths

Strong parentage with DP World being the ultimate promoter - IGT is currently controlled by HPPL (post the merger of HIPL and HPPL, it will be under the merged entity) and benefits from being part of DP World group which is one of the largest container operator company at global level along with established presence in India across the value chain, comprising port assets across west and east coast, container train operations, container freight stations, inland container terminals and warehousing. HPPL and HIPL enjoy high financial flexibility owing to the presence of strong promoters. The board of directors of HPPL and HIPL also include several representatives from DP World.

Strategic location with strong hinterland – IGT is the only container terminal at Cochin port. IGT caters to vast hinterland of Kerala, Tamil Nadu and South Karnataka due to its strategic location. IGT also benefits from healthy road and rail connectivity ensuring cost and time efficient logistics to the hinterland.

Sufficiently long concession period which provides refinancing cushion – IGT entered into a concession with Cochin port for a period of 30 years commencing from 2013. The long concession period provides financial flexibility to the company to refinance its debt, if the need arises.

Positive long-term outlook for containerised cargo – At present, the containerization levels of the cargo handled at the various ports remains low in the country, which makes the long-term prospects for container traffic favorable. Consequently, the group is also expected to witness a healthy and sustained capacity utilization at its port operations as well as in its other infrastructure assets.

Credit challenges

Competition from nearby ports - IGT is the only container terminal operator at Cochin port, which provides it with a competitive edge. However, it faces competition from nearby ports which share the hinterland with IGT. These include container terminals at Chennai port, Tuticorin port and Vizhinjam port. The Vizhinjam port is closest to IGT and has been developed by Adani Port & Special Economic Zone Limited (APSEZ, rated [ICRA]AAA(Stable)/[ICRA]A1+). Hence commissioning of this port is poised to increase competition for IGT.

Operations exposed to economic cycles affecting trade volumes - The revenue of the terminal remains susceptible to the economic cycles. However, the favorable 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.

Liquidity position: Adequate

IGT's liquidity is expected to remain adequate, given no major capex plans in the near to medium term post completion of recent capex. The company had free cash of Rs. 40.7 crore as on March 31, 2024. The debt repayments are also expected to remain comfortable vis-à-vis the cash generation for the near term and the ability of the company to refinance its borrowings as and when required due to the financial flexibility from being part of the DP World group.

Rating sensitivities

Positive factors – The ratings may be upgraded in a scenario of strengthening of the credit profile of the parent i.e. merged entity of HPPL and HIPL. The ratings may also be upgraded in a scenario of a sustained improvement in the volumes handled at the terminal resulting a significant improvement in the scale of operations and leverage and coverage metrics..

Negative factors – The ratings could be downgraded in a scenario of weakening of the credit profile of credit profile of the parent i.e. merged entity of HPPL and HIPL. The rating could also be downgraded in a scenario of the weakening of the linkages of the parent (i.e. HIPL and HPPL consolidated) with the company. The ratings could also be downgraded in a scenario of sustained decline in the volumes handled at the terminal resulting in a decline in revenue and profits. Any materially large debt funded capex resulting in the moderation in the leverage and coverage metrics may result in a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Ports
Parent/Group support	ICRA has arrived at the company's rating after factoring a parent subsidiary rating notch-up using the credit view of the merged entity of HIPL and HPPL which in turn factors in the parentage of DP World Limited
Consolidation/Standalone	Standalone

About the company

India Gateway Terminal Private Limited (IGT; also known as DP World Cochin) is a subsidiary of HPPL with 85.02% ownership. DP World won the concession to operate the Rajiv Gandhi Container Terminal at Cochin port and develop the International Container Transshipment Terminal at Vallarpadam (Cochin) for a period of 30 years from 2013 with a royalty agreement of 33.3% of the gross revenue earned. DP World Cochin has also developed a Free trade warehousing zone spanning across 75,000 sq ft with state-of-the art facilities to provide seamless integration with DP World's strategic multi-modal logistics network. Terminal has a capacity to handle 1.4 million TEUs per year (recently increased from 0.9 million TEUs per year) with an average draft of 14.5 meters.

Key financial indicators (audited)

IGTPL Standalone	FY2023	FY2024
Operating income	367.1	424.2
PAT	39.2	82.4
OPBDIT/OI	30.0%	36.1%
PAT/OI	10.7%	19.4%
Total outside liabilities/Tangible net worth (times)	1312.5	10.2
Total debt/OPBDIT (times)	5.4	3.9
Interest coverage (times)	2.3	3.8

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

	Current (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	Nov 22, 2024	Date	Rating	Date	Rating	Date	Rating
Term Loan	Long Term	150.00	[ICRA]AA (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term Loan	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
NA	**Proposed Term Loan**	NA	NA	NA	150.00	[ICRA]AA(Stable)

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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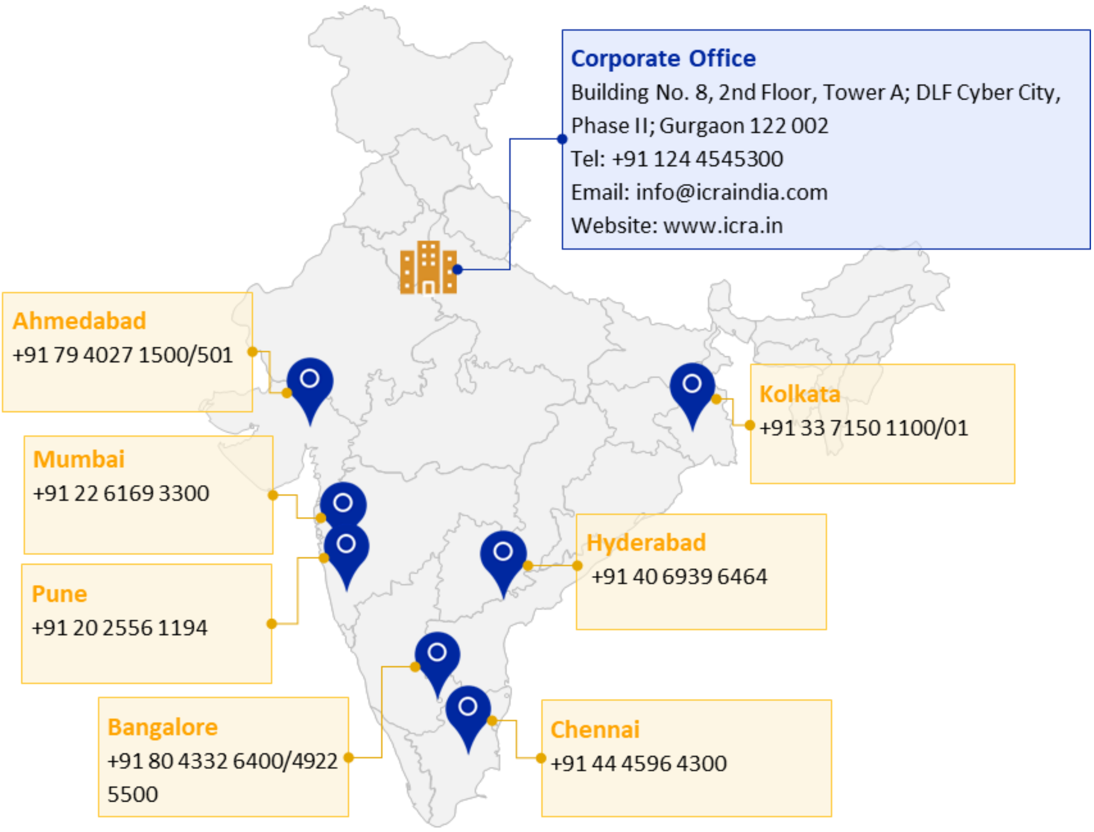

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