March 21, 2025

Hindustan Gateway Container Terminal Kandla Private Limited: [ICRA]AA- (Stable)/ [ICRA]A1+ assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
LT - Fund based- Term loans	3,500.00	[ICRA]AA- (Stable); assigned
LT - Non-fund based – Bank guarantee	140.00	[ICRA]AA- (Stable); assigned
ST – Fund-based – Derivatives limits	150.00	[ICRA]A1+; assigned
LT/ST – Unallocated limits	10.00	[ICRA]AA- (Stable)/ [ICRA]A1+; assigned
Total	**3,800.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings assigned to the bank lines of Hindustan Gateway Container Terminal Kandla Pvt Ltd (HGCTK/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 Moody's). At present, DPW is present in India through its joint venture with the National Investment Infrastructure Fund (NIIF), known as Hindustan Infralog Private Limited, in which it owns a 65% stake, and through Hindustan Ports Private Limited (HPPL) in which NIIF bought a 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 a majority stake. The merged entity (i.e. HIPL and HPPL combined) will become the holding company for all the entities in India in which HPPL and HIPL have ownership, including HGCTK.

HGCTK is expected to benefit from the long and established track record of the DP World Group in executing similar projects in the past and the financial flexibility derived from being a part of the Group. The ratings also factor in the 30-year concession period for the container terminal and the long-term debt facility being availed by the company with a tenor of 20 years. The step-up nature of the debt repayments will result in healthy debt servicing metrics as the ramp-up in the cash flow from operations of the project will match with the rise in debt repayments.

The concession period also has a healthy tail period which will provide financial flexibility to the company to refinance the debt, if required. The company will also benefit from the freedom to set its tariffs under the Tariff Guidelines 2021 for public private partnership (PPP) terminals at the major ports. The company will be able to fix its tariffs in line with the market conditions and will not have to undergo any approval processes to set the tariffs. The ratings also factor in the healthy outlook on container traffic growth in India, given the low penetration of containerised cargo vis-à-vis the global levels.

The ratings, however, are constrained by the project execution risk given the greenfield nature of the project, though the track record of DP World in executing such projects in the past partly mitigates the risk. ICRA notes that the debt and equity funding has already been tied up, which mitigates the funding risk for the project. Nonetheless, in the near to medium term, the company will be exposed to project execution risk, and the completion of the project without major time and cost overruns will be a key monitorable.

ICRA also notes that the royalty payment (Rs. 6,500 per TEU with base year as FY2022 with annual escalation linked to the wholesale price index) for the project as a percentage of the revenue is relatively high vis-à-vis other container terminals in the country. This will result in relatively low cash accruals compared to the other similar container terminals in the country. The company's terminal, once commissioned, will also remain exposed to competition from other container terminals at the nearby Mundra port as well as the development of new terminals on the western coast. The container traffic growth remains closely tied to the overall global macroeconomic activity and the performance will remain susceptible to the macroeconomic cycle.

The Stable outlook on the rating reflects ICRA's expectation of the credit profile of the company to remain stable, supported by the completion of fund tie-ups for the capex and the strong execution capabilities of the sponsor**.**

Key rating drivers and their description

Credit strengths

Strong managerial and financial support of DP World Group – HGCTK is currently controlled by HIPL (post the merger of HIPL and HPPL, it will be under the merged entity) and benefits from being a part of the DP World Group, which is one of the largest container operator companies globally and has an established presence in India across the value chain, comprising port assets across the 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 boards of directors of HPPL and HIPL also include several representatives from DP World.

Long-term concession supported by long-tenor debt financing with healthy tail period – HGCTK entered into a concession agreement with Deen Dayal Port Authority (erstwhile Kandla Port Authority) in March 2024 to undertake the construction and development of a container terminal with a concession period of 30 years. The debt portion of the project has been funded using a long-tenor debt facility of ~18 years. The long tail period of ~12 years beyond the maturity date of the term debt provides healthy financial flexibility to the company for refinancing its debt, if required.

Freedom to set tariff under Tariff Guidelines for Major Ports 2021 – HGCTK will benefit from the freedom the terminal will have to set the tariffs under Tariff Guidelines 2021 for PPP terminals at the major ports. The guidelines allow the PPP terminals concessioned after November 2021 to set the tariff in accordance with the market dynamics, unlike the pre-November 2021 terminals which have to get the tariffs approved by the port authorities {earlier by Tariff Authority for Major Ports (TAMP)}.

Positive long-term outlook for container traffic in India - Containerised cargo growth is expected to remain healthy in the country amid the rising penetration and increased use of goods that require containerised transportation. At present, the containerisation levels of cargo handled at the various ports remain low in the country, which makes the long-term prospects for container traffic favourable. Additionally, the terminal's hinterland comprises the northern and northwestern parts of India which generate majority of the container cargo in the country. The terminal will be well placed to evacuate the cargo efficiently as it is expected to have connectivity to the Western Dedicated Freight Corridor (WDFC) and healthy road links.

Credit challenges

Exposure to project execution risk - The company remains exposed to project execution risks, though the track record of DP World in executing such projects in the past partly mitigates the risk. ICRA notes that the orders for the construction of the berth and approach trestle have been placed, while the other packages are expected to be awarded shortly. Additionally, the debt and equity funding has already been tied up, which mitigates the funding risk for the project. Nonetheless, the completion of the project without major time and cost overruns will be a key monitorable.

Susceptibility of revenues to economic slowdown and variations in trade volumes - The revenue from the terminal remains susceptible to 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.

Elevated royalty payable to keep the cash generation muted - DP World secured the bid for the project by offering a royalty rate of Rs. 6,500 per TEU, which is the highest among container terminals in India. The terminal's profitability will remain constrained by the elevated royalty payments to the port authority. Nonetheless, the volume ramp-up risk of the terminal, post commissioning, remains low due to a strong hinterland and the healthy connectivity through road and rail.

Competition from nearby ports - HGCTK will face intense competition from the peer container terminals at the Mundra port (operated by APSEZ – rated [ICRA] AAA (Stable)/[CRA] A1+), given the common hinterland and the sizeable container handling capacities at the port. Thus, the company's terminal will have to remain competitive against the tariffs being charged by the terminals at the Mundra port as both the assets will eye the same set of customers in the common hinterland.

Liquidity position: Adequate

ICRA expects the liquidity of the entity to remain adequate in the near to medium term as the company has completed the tie-ups for the debt portion of the capex and the consortium of HPPL and HIPL has committed the equity funding. Going forward, ICRA expects the sponsors of the project to provide any need-based support to the company in the case of any cost overruns.

Rating sensitivities

Positive factors – Timely completion of project without any major time/cost overruns followed by the stabilization of operations, and/or improvement in the credit profile of the parent (HIPL+HPPL consolidated) may lead to improvement in ratings.

Negative factors – Downward pressure on ratings could arise if i) there are significant delays in commissioning and/or material cost overruns, or ii) the credit profile of parent (HIPL+HPPL consolidated) weakens or iii) the linkages between the parent (HIPL+HPPL consolidated) and HGCTK weakens.

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	The rating is based on the standalone financial profile of the company.

About the company

Hindustan Gateway Container Terminal Kandla Private Limited (HGCTK) is a wholly-owned subsidiary of Hindustan Infralog Private Limited (HIPL). DP World, which has a majority ownership in HIPL, signed a concession agreement with Deen Dayal Port Authority in March 2024 (through HGCTK) to develop and operate a new 2.68-million-TEU-per-annum container terminal for a period of 30 years, with a provision to extend it for another 20 years.

The greenfield container terminal will be located at Tuna port, a satellite port adjacent to the existing major port of Kandla, and will cater to the future requirements of the hinterland across northern, western, northwestern, and central India. HGCTK will be free to set the tariff, to be charged in line with the Major Port Authorities Act 2021.

Key financial indicators (audited) – Not Applicable as it is project stage company

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Mar 21, 2025	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Fund based- Term loans	Long term	3,500.00	[ICRA]AA- (Stable)	-	-	-	-	-	-
Non-fund based – Bank guarantee	Long term	140.00	[ICRA]AA- (Stable)	-	-	-	-	-	-
Fund based – Derivatives limits	Short term	150.00	[ICRA]A1+	-	-	-	-	-	-
Unallocated limits	Long term/ Short term	10.00	[ICRA]AA- (Stable)/ [ICRA]A1+	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
LT - Fund based- Term loans	Simple
LT - Non-fund based – Bank guarantee	Very Simple
ST – Fund-based – Derivatives limits	Very Simple
LT/ST – 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 loans**	NA	NA	FY2043	3,500.00	[ICRA]AA- (Stable)
NA	**Non-fund based – Bank guarantee**	NA	NA	NA	140.00	[ICRA]AA- (Stable)
NA	**Fund-based – Derivatives limits**	NA	NA	NA	150.00	[ICRA]A1+
NA	**Unallocated limits**	NA	NA	NA	10.00	[ICRA]AA- (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- NA

ANALYST CONTACTS

Girishkumar Kadam
+91 22 6114 3441
girishkumar@icraindia.com

Prashant Vasisht
+91 124 4545 322
prashant.vasisht@icraindia.com

Varun Gogia
+91 98 7115 6542
varun.gogia1@icraindia.com

Abhijit Nadkarni
+91 70 4530 9908
abhijit.nadkarni@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

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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Registered Office

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

Branches