

December 28, 2022

DP World Multimodal Logistics Hyderabad Private Limited (erstwhile Continental Multimodal Terminals Private Limited): Long-term rating upgraded and outlook revised to Stable; short-term rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term loan*	29.37	29.37	[ICRA]A+ (Stable); upgraded from [ICRA]A (Positive) and outlook revised to Stable from Positive
Fund/Non-fund based limits	10.00	10.00	[ICRA]A+(Stable) /[ICRA]A1; upgraded from [ICRA]A (Positive) and outlook revised to Stable from Positive and short term rating reaffirmed
Total	39.37	39.37	

*Instrument details are provided in Annexure-I

Rationale

While arriving at the rating of DP World Multimodal Logistics Hyderabad Private Limited (DP Hyderabad; erstwhile Continental Multimodal Terminals Private Limited), ICRA has taken a consolidated view of DP Hyderabad, its parent DP World Multimodal Logistics Private Limited (DP Multimodal; erstwhile Continental Warehousing Corporation (Nhava Sheva) Limited), DP World Express Logistics Pvt Ltd (DP Express; erstwhile Delex Cargo India Private Limited) and DP World Rail Logistics Private Limited (DP Rail; erstwhile Kribhco Infrastructure Private Limited) due to the strong operational, managerial and financial linkages among them.

The rating revision considers the improvement in the scale of operations and net cash accruals in FY2022 and the current fiscal at a consolidated level, led by healthy revenue growth in the private freight terminals (PFT) at Panipat, Ahmedabad and Thimmapur as well as growth in the rail operations business under DP Rail, although the performance of DP Express remains subdued. The ratings continue to favourably factor in the comfort derived from the strong parentage of DP Multimodal, i.e., Hindustan Infralog Private Limited (HIPL), a joint venture between DP World Limited (65%) (DP World; rated Baa3 (Stable) by Moody's) and The National Investment and Infrastructure Fund (NIIF; 35% stake). Dubai-based DP World is the world's fourth-largest container terminal operator by throughput, while NIIF is a fund set up by the Government of India (GoI) in collaboration with leading global and domestic institutional investors. Owing to its parentage, DP Multimodal (and its subsidiaries) enjoys strong financial flexibility, which enables the company to tie up funds at competitive rates. Further, DP Multimodal is an established player in the domestic logistics, inland container depot (ICD), private freight terminal (PFT) and container freight station (CFS) businesses. The ratings also factor in the steady revenue visibility derived from its established relationships with customers and the one-year contracts with most of them and the expected benefits from leveraging the customer base of DP World, which would help improve the utilisation of its facilities. Moreover, Hindustan Infralog Private Limited (HIPL), the immediate parent of DP Multimodal, had infused an equity of Rs. 930 crore in FY2021 to acquire DP Rail, reduce debt and other corporate purposes and ~Rs. 49 crore was infused in FY2022, mainly to support DP Express.

The ratings, however, are constrained by the relatively moderate profitability of DP Multimodal on a consolidated basis owing to the subdued performance of DP Express, which is an integrated logistics service provider, although the operating profits and cash accruals grew in FY2022 and the current fiscal. The leverage position continues to be high with moderate coverage indicators in FY2022, although there was some improvement compared to FY2021. Moreover, the ratings are constrained by

the exposure of the company's operations to economic downturns. With large capex planned at the consolidated level in the near to medium term, the leverage levels and coverage indicators are expected to witness some pressure. However, the projects are expected to be funded equally by debt and equity/inter corporate deposits (ICD) and internal accruals, which will mitigate the impact. Further, with the expected improvement in scale and profits, the credit metrics are expected to witness gradual improvement and will be monitored.

The Stable outlook considers that the credit profile of DP Hyderabad and the consolidated DP Multimodal will continue to be supported by the expected improvement in the financial profile with the scaling up of operations of its PFT facilities and container train operations (CTO) under DP Rail along with better operating profits. Further, DP Multimodal will continue to benefit from the established position of DP World in the ports, CFS and ICD/PFT businesses as well as the additional flexibility from having NIIF as one of the promoters.

Key rating drivers and their description

Credit strengths

Strong parentage with DP World and NIIF being the ultimate promoters – DP Hyderabad benefits from the established position of its parent, DP Multimodal, that owns four CFS and three PFT/ICD facilities in the country. DP Multimodal in turn was acquired by Hindustan Infralog Private Limited (HIPL), a joint venture between DP World (65%) and NIIF (35%) in July 2018. The presence of DP World at five container terminals across India would enhance the volumes at DP Multimodal warehousing facilities. Both DP Multimodal and DP Hyderabad would enjoy high financial flexibility owing to the presence of strong promoters. The board of directors of DP Multimodal and DP Hyderabad also include several representative from DP World.

Integrated service offerings of DP Multimodal Group in logistics sector – DP Multimodal owns four container freight stations at JNPT, Redhills, Seahorse and Tuticorin in addition to three PFT/ICDs at Hyderabad, Panipat and Ahmedabad. With the acquisition of DP Rail, the Group has expanded to a few more geographies in addition to bringing in a few related businesses under the same Group. DP Rail operates container train services and a network of four ICDs/PFTs at Pali (Haryana), Modinagar (Uttar Pradesh), Hazira (Gujarat), and Hindaun City (Rajasthan).

Improvement in utilisation of PFT facility and rail operations – The scale of operations of all the three PFTs under DP Multimodal improved in FY2022, especially Panipat, which reported revenues of ~Rs. 419 crore in FY2022 against ~Rs. 300 crores in FY2021, supported by the relationships built with its customers and the improved trade volumes in the hinterland. The overall revenue from the PFT segment improved to ~Rs. 611 crore in FY2022 from ~Rs. 446 crore, a growth of 37%. The rail operations under DP Rail also improved, marked by a revenue growth of ~37% at Rs. 474 crore in FY2022. DP Multimodal reported a ~28% YoY growth in consolidated revenue at ~ Rs. 1,605 in FY2022.

Credit challenges

High leverage and moderate coverage indicators – The total debt, on a consolidated level, increased to ~Rs. 594 crore as on March 31, 2022 from ~Rs. 561 crore as on March 31, 2021, on account of the debt availed by DP Rail for the capex. However, with moderate profitability levels, the total debt/ OPBITDA continue to be high at 4.0 times for FY2022 (4.6 times for FY2021). Going forward, under consolidated DP Multimodal (including DP Rail), it plans to undertake large capex in near to medium term for setting up new ICD/PFTs, acquisition of rail rakes and containers and upgradation. The capex will be equally funded through debt and equity/ICD/internal accruals.

Operations exposed to economic cycles affecting trade volumes – The revenues of the company remain susceptible to economic cycles in the ICD/PFT as well as the container terminal business. In addition, the variations in exim (export-import) trade volumes would impact the revenues.

Liquidity position: Adequate

DP Multimodal, on a consolidated basis, had free cash and bank balance of ~Rs. 17 crore as on March 31, 2022. Further, the cash accruals for FY2023 are expected to witness healthy growth against the debt repayment obligations of ~Rs. 95-100 crore. Further, DP Multimodal enjoys healthy financial flexibility post the acquisition by HIPL in July 2018. Further, the company has near-to-medium term cash outflows on the planned capex for acquiring new rakes, adding new lines and warehousing facility under DP Rail and setting up new PFT/ICD under DP Multimodal / DP Hyderabad; however, adequate support from HIPL as well as fresh debt for capex is expected to fund these expansions.

Rating sensitivities

Positive factors – The rating may be upgraded if there is improvement in consolidated financial performance of DP Multimodal with growth in scale and profitability on a sustained basis, while its leverage position also improves significantly on a sustained basis. Any substantial improvement in credit profile of the ultimate parent DP World may also be a positive factor.

Negative factors – The rating may be downgraded if there is material weakening of DP Multimodal's performance or weakening of DP World's credit profile or weakening of linkages with DP World.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Approach - Consolidation
Parent/Group support	Parent Entities: DP World Limited and NIIF We expect DP Hyderabad's ultimate parents, DP World and NIIF, to be willing to extend financial support to DP Hyderabad (and consolidated DP Multimodal), should there be a need, given the high strategic importance that DP Hyderabad holds for DP World and NIIF.
Consolidation/Standalone	While arriving at the rating of DP Hyderabad, ICRA has taken consolidated view of DP Hyderabad, its parent, DP Multimodal, and group entities DP Express and DP Rail.

About the company

DP Hyderabad, which is held by DP Multimodal (96.6%) and DP Rail (3.4%), has developed a private freight terminal (PFT) at Thimmapur (Hyderabad) in close proximity to National Highway 7. The PFT is equipped with three-line railway sidings and over 250,000 sq. ft. of warehousing to cater to the needs of both domestic and exim trade. The facility, spread over 47 acres, is India's first PFT facility, developed after the launch of the private freight terminal scheme by the Indian Railways. It commissioned operations in 2011.

Key financial indicators (audited)

DP Hyderabad Standalone	FY2021	FY2022*
Operating income	92.0	116.5
PAT	9.6	15.2
OPBDIT/OI	19.6%	20.4%
PAT/OI	10.4%	13.1%
Total debt/OPBDIT (times)	1.8	0.9
Interest coverage (times)	5.5	9.5

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

Source: Company, ICRA Research; All ratios as per ICRA calculations

About the parent

DP Multimodal was incorporated in 1997 as a service sector public company. It operates four CFSs at JNPT (Mumbai), Tuticorin, Redhills (Chennai) and Seahorse (Chennai), and three ICD/PFTs at Ahmedabad (Gujarat), Panipat (Haryana) and Thimmapur (Hyderabad). In addition, the company provides services such as less than container load (LCL) consolidation, bonded warehousing, PFT, warehousing, empty container depot, transportation and equipment leasing. It has also ventured into operating container train services through DP Rail. DP Multimodal was acquired by Hindustan Infralog Private Limited (HIPL), a joint venture between DP World (65%) and NIIF (35%) in July 2018.

Key financial indicators (audited)

DP Multimodal Consolidated	FY2021	FY2022*
Operating income	1251.2	1605.2
PAT	-14.6	-1.7
OPBDIT/OI	9.8%	9.2%
PAT/OI	-1.2%	-0.1%
Total debt/OPBDIT (times)	4.6	4.0
Interest coverage (times)	2.5	3.1

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

Source: Company, ICRA research; All ratios as per ICRA calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument		Current rating (FY2023)				Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	Amount outstanding as of Nov 02, 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022		Date & rating in FY2020	Date & rating in FY2019
					Dec 28, 2022	Jan-17-2022	Nov-30-2021	Aug-07-2020	Jun-17-2019
1	Term loans	Long term	29.37	7.80	[ICRA]A+ (Stable)	[ICRA]A (Positive)	[ICRA]A (Positive)	[ICRA]A (Stable)	[ICRA]A (Stable)
2	Fund-based/Non-fund based	Long term and short term	10.00	--	[ICRA]A+ (Stable)/ [ICRA]A1	[ICRA]A (Positive)/ [ICRA]A1	[ICRA]A (Positive)/ [ICRA]A1	[ICRA]A (Stable)/ [ICRA]A1	[ICRA]A (Stable)/ [ICRA]A1

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term Loan	Simple
Long-term/ Short-term – Fund-based/non-Fund based	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	Term Loan	Dec-2016	NA	Dec -2022	24.79	[ICRA]A+(Stable)
NA	Term Loan	Dec-2016	NA	Dec -2022	4.58	[ICRA]A+(Stable)
NA	Fund/Non-fund based limits	NA	NA	NA	10.00	[ICRA]A+(Stable)/[ICRA]A1

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
DP World Multimodal Logistics Private Limited	Parent	Full Consolidation
DP World Express Logistics Pvt Ltd	100.00%*	Full Consolidation
DP World Rail Logistics Private Limited	76.00%*	Full Consolidation
DP World Multimodal Logistics Hyderabad Private Limited	96.6%*	Full Consolidation

*Owned by DP Multimodal

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