

March 26, 2025

TM International Logistics Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund-based limits – Cash credit	50.00	50.00	[ICRA]AA (Stable); reaffirmed
Short term – Non-fund based facilities	17.50	27.50	[ICRA]A1+ reaffirmed
Long term/Short term – Fund-based and non-fund based - Others	0.00	8.00	[ICRA]AA (Stable)/[ICRA]A1+; reaffirmed
Unallocated limits	33.00	15.00	[ICRA]AA (Stable)/[ICRA]A1+; reaffirmed
Total	100.50	100.50	

*Instrument details are provided in Annexure I

Rationale

The ratings reaffirmation factors in the strong parentage of TM International Logistics Limited (TMILL), being a joint venture company of Tata Steel Limited (TSL; rated [ICRA] A1+), NYK Holding (Europe) B.V. and IQ Martrade Group of Germany. The ratings also consider TMILL's established position as an integrated logistics provider and its strong operational linkages with the parent, TSL. TMILL has a healthy financial risk profile, evident from its strong capital structure owing to its external debt-free status (barring lease liabilities) and the sizeable free cash and liquid investments. The profitability remains strong on a consolidated basis. The scale of operations is expected to significantly improve with the addition of a large number of new rakes in the railway segment. Historically, this segment has low margins owing to the nature of the business. However, the margins are expected to improve, supported by the addition of new clients, with the changing demand-supply dynamics under the General Purpose Wagon Investment Scheme (GPWIS) and an overall improvement in the segment.

The company has sold one of the two owned vessels under International Shipping and Logistics FZE (ISL FZE) and has not proceeded with the earlier planned vessel additions. This has benefited the company as the overall freight rates in the international market have been low. The operating profits from this segment are expected to be muted in FY2025.

The ratings are constrained by the vulnerability of the port operations to cargo volumes and mix. Further, the shipping business under ISL remains susceptible to the movements in global charter rates. The ratings further remain constrained by the relatively high sectoral concentration because of its exposure to the iron and steel industry and TSL's substantial share in the company's revenues on a consolidated basis.

The ratings also remain under pressure because of TMILL's limited pricing flexibility in port operations, particularly for the operations at berth 13 of the Haldia Dock Complex (HDC), as the pricing is governed by the Syama Prasad Mookerjee Port. Also, as HDC is one of the major revenue drivers, the performance of the port operation depends on the traffic at the port, which in turn depends on continuous dredging activities because of its low draft to maintain the navigability at the port.

The Stable outlook on the rating reflects ICRA's expectation that TMILL is likely to sustain its operating metrics. Further, the outlook underlines ICRA's expectation that the entity's capex towards the purchase of rakes (modest against the large number of leased rakes) will be funded with internal accruals in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing rating.

Key rating drivers and their description

Credit strengths

Diversified operations of the Group – TMILL has a diversified revenue base within the Group with cash flows generated from various services provided by multiple entities at diverse geographies.

Integrated logistics service provider – TMILL's logistics business is integrated, consisting of the ship chartering business, customs clearance, maritime logistics services, warehousing and freight forwarding. Thus, the company is able to provide a one-stop logistics solution to its customers, which is a credit positive.

Strong financial risk profile and external debt-free status of consolidated entity – TMILL has a strong financial risk profile, indicated by its strong capital structure owing to its external debt-free status and steady annual cash accruals from operations. High unencumbered cash and liquid investments of approximately Rs. 337 crore on a consolidated basis, as on December 31, 2024, and TMILL's strong parentage provide substantial financial flexibility.

Strong parentage as a 51% subsidiary of TSL and expected benefits from latter's expansion plans – TMILL is a 51% subsidiary of TSL, which generates a sizeable share of the company's revenues. Hence, the company is likely to benefit from the higher logistics requirements of TSL's expansion plans, given that TMILL drives only a portion of TSL's logistics requirements at present.

Credit challenges

Low business margins from railway business – TMILL is one of the first and largest private rail operators in India, operating rakes under the special freight train operator (SFTO) and general purpose wagon (GPW) schemes of the Indian Railways, with the segment witnessing healthy YoY growth over the years. The margins are low owing to the nature of the business. The company has taken railway rakes on lease and has sizeable lease payment obligations. The utilisation of the rakes will be the key as the lease obligations are fixed. While the SFTO segment was profitable, the profitability of the GPW segment was subdued because of the lower utilisation of rakes and fewer number of trips due to the higher turnaround period. TMILL is also eligible for rebate on achieving a prescribed volume level, as per the long-term tariff contract with the Indian Railways. The company added a significant number of rakes in 9M FY2025 and is expected to add a large number of rakes in the near term, increasing the lease liabilities. Historically, this segment has low margins owing to the nature of the business. However, the margins are expected to improve, supported by the addition of new clients, with the changing demand-supply dynamics under the General Purpose Wagon Investment Scheme (GPWIS) and an overall improvement in the segment

Profitability of port operations exposed to volume and cargo mix; limited pricing flexibility in this segment – The draft at the Haldia Dock Complex (HDC) is relatively low. HDC is a riverine port, which requires consistent dredging to maintain draft, impacting the volumes handled as well as the profitability of the port operations. The volumes are also impacted by growing competition from the other berths at HDC and other ports. Further, the profitability of the port operations also depends on the cargo mix being handled. However, the risks are partly mitigated by HDC's status as the preferred port for TSL due to its low overall logistics cost (total cost of transportation between plant and port) and the continued efforts by HDC and the Government to undertake dredging activities to maintain the draft levels. TMILL has limited pricing flexibility in its port operations at berth 13 of Haldia Port as the pricing is capped by Syama Prasad Mookerjee Port.

Sensitivity of business performance of standalone entity to health of the iron and steel industry – The performance of the port operations and the railway business remains exposed to the health of the domestic iron and steel industry. This is because coking coal, limestone and iron ore make up a large chunk of the cargo handled by the company.

Shipping operation segment's performance remains exposed to global charter rates – The revenue and profitability of International Shipping and Logistics FZE remain vulnerable to the global charter rates. Further, its asset-light model and ability to partially pass on the rental hikes to its customers provide some comfort.

Liquidity position: Adequate

TMILL's liquidity profile is **adequate** with steady cash accruals from business, external debt-free status and strong free cash & liquid investments of around Rs. 337 crore as on December 31, 2024. The company has capex plans of adding a few railway rakes of its own in the near term, which would be funded through internal accruals, existing cash balances and dividends from foreign subsidiaries. Further, TMILL's strong parentage provides significant financial flexibility.

Rating sensitivities

Positive factors – The ratings may be upgraded if the company is able to significantly increase its scale of operations and profitability with increased sectoral diversification.

Negative factors – The ratings may be downgraded if the revenue or profitability declines on a sustained basis. A substantial decline in operational linkages with its key client, Tata Steel Limited, or any larger-than-expected capex plan weakening the liquidity will be the other triggers for a downgrade.

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 TMILL. As on March 31, 2024, the company had two subsidiaries and two step-down subsidiaries, which are all enlisted in Annexure II

About the company

TM International Logistics Limited (TMILL), a joint venture of Tata Steel, NYK Holding (Europe) B.V. and IQ Martrade, Germany, was incorporated in 2002. TMILL operates berth 12 (now berth 13) at Haldia Port on BOT basis and runs shore handling activities, primarily at the Haldia and Paradip ports, backed by custom clearance and maritime logistics services. In addition, it is involved in railway freight services under SFTO and GPW-IS of the Indian Railways.

The TMILL Group floated two wholly-owned subsidiaries to offer one-stop solutions for logistics services in port and terminal handling, maritime shipping, ship agency, customs clearance and freight forwarding. One of its subsidiaries, International Shipping and Logistics FZE (ISL), based in Jebel Ali, the UAE, specialises in the ship operating business involving diverse dry break bulk and bulk cargoes such as urea, rock phosphate, sugar, cement, clinker, wheat, limestone, steel and projects. The other subsidiary, TKM Global Logistics Limited (TKM), is involved in freight forwarding activities through its offices in India, Germany and China, as well as its associated agency network worldwide.

Key financial indicators (audited)

TMILL Consolidated	FY2023	FY2024
Operating income	1456.8	1691.1
PAT	80.0	34.3
OPBDIT/OI	13.6%	12.4%
PAT/OI	5.5%	2.0%
Total outside liabilities/Tangible net worth (times)	0.8	2.1
Total debt/OPBDIT (times)	1.7	5.0
Interest coverage (times)	9.6	4.5

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	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years				
		Amount rated (Rs. crore)	Date & rating in FY2025		Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	
			March 26, 2025	April 04, 2024	Feb 29, 2024	Nov 25, 2022	Oct 12, 2021	June 29, 2021
1 Fund-based limits – Cash credit	Long term	50.00	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)
2 Non-fund based facilities	Short term	27.50	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
3 Issuer rating	Long term	-	-	-	-	-	[ICRA]AA (Stable); rating Withdrawn	[ICRA]AA (Stable); put on notice of Withdrawal
4 Fund-based & non-fund based	Long term /Short term	8.00	[ICRA]AA (Stable)/ [ICRA]A1+	-	-	-	-	-
5 Unallocated limits	Long term/ Short term	15.00	[ICRA]AA (Stable)/ [ICRA]A1+	[ICRA]AA (Stable)/ [ICRA]A1+	[ICRA]AA (Stable)/ [ICRA]A1+	[ICRA]AA (Stable)/ [ICRA]A1+	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund-based limits – Cash credit	Simple
Short term – Non-fund based facilities	Simple
Long-term/Short-term fund-based/Non-fund based facilities	Simple
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	Cash credit	NA	NA	NA	50.00	[ICRA]AA (Stable)
NA	Non-fund based facilities	NA	NA	NA	27.50	[ICRA]A1+
NA	Fund-based/Non-fund based facilities	NA	NA	NA	8.00	[ICRA]AA (Stable)/[ICRA]A1+
NA	Unallocated limits	NA	NA	NA	15.00	[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

Company Name	TMILL Ownership	Consolidation Approach
TM International Logistics Limited	100.00% (rated entity)	Full Consolidation
International Shipping Logistics FZE, Dubai	100.00%	Full Consolidation
TKM Global Logistics Limited	100.00%	Full Consolidation
TKM Global GmbH	100.00%	Full Consolidation
TKM Global China Limited	100.00%	Full Consolidation

Source: TMILL annual report FY2024

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