

Delhi International Cargo Terminal Private Limited

November 17, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	129.34	CARE A+; Stable	Assigned
Long-term/Short-term bank facilities	6.00	CARE A+; Stable/CARE A1	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Delhi International Cargo Terminal Private Limited (DICT) take into account the strong promoter group with extensive experience and track record in the maritime sector, and the operational and financial linkages derived from J M Baxi Ports & Logistics Private Limited (JMBPL, rated CARE A+; Stable/CARE A1). The group, including DICT, is expected to derive business synergies from Hapag Lloyd AG (HLAG), one of the largest global container shipping companies, which has acquired significant stake in JMBPL in April 2023.

Furthermore, the ratings also derive strength from the long operational track record of DICT, the strategic location of the inland container depot (ICD), the consistent improvement in the capacity utilisation levels of the company during the last three financial years, the comfortable debt protection metrics and adequate liquidity.

That said, the ratings are, constrained by the small scale of operations, the risk associated with revenue fluctuations in the absence of long-term agreements along with the susceptibility to overall trade volumes and economic headwinds and profitability subject to intense competition in the industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improved capacity utilisation with increased scale of operations.
- Improvement in the total debt (TD)/ earnings before interest, taxes, depreciation, and amortisation (EBITDA) to below 2x.

Negative factors

- Reduction in capacity utilisation to below 60% on a consistent basis, thereby impacting the profitability.
- Any significant deterioration in the credit profile of the parent company, i.e., JMBPL.

Analytical approach

Standalone, while factoring in the financial and operational linkages with the parent company, i.e., JMBPL.

Outlook: Stable

DICT, at the standalone level, is envisaged to improve its financial and operational risk profiles in the long term amid the ramp-up of capacity utilisation, backed by the increasing volume from HLAG.

Detailed description of the key rating drivers

Key strengths

Strong promoter group and synergies expected from new investor

JMBPL is a part of the J M Baxi group, which has an established presence in the Indian maritime sector with more than 100 years of experience and a diversified business profile with interests in shipping agency services, supply chain storage and offshore services, project logistics, freight forwarding, port infrastructure, i.e., container and cargo terminal business and digital technologies. The group has demonstrated strong execution capabilities of port infrastructure assets and established a track record of operations in various fields of the maritime industry. The promoters, Krishna Kotak and Dhruv Kotak, have vast experience of over three decades in the industry and have spearheaded the group's

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

diversification and expansion from a shipping agency service in the early 1900s to one of India's largest maritime conglomerates.

During FY21, JMBPL successfully raised capital from a private equity (PE) investor, Bain Capital, for a stake of 39.20% in the company. During FY23, JMBPL signed a binding agreement with HLAG for the acquisition of stake from Bain Capital along with the subscription of additional primary equity, leading to a total shareholding to 40%. The transaction was completed in April 2023.

HLAG is one of the leading global container shipping companies and the said strategic acquisition is expected to result in operational synergies for JMBPL's existing terminals as well as newly awarded terminals. Besides, the comfortable financial and credit profiles of HLAG is also expected to bring in financial flexibility for the group. For CY22, the revenue and profit-after-tax (PAT) of HLAG was €34,543 million and €17,043 million, respectively, with a net worth of €27,911 million and cash and cash equivalents of €15,236 million as on December 31, 2022.

Integrated infrastructure facilities

DICT's ICD is spread over 52 acre (owned by DICT) with over 16,154 sq mt of covered warehousing facilities, of which the customs bonded warehouse is 3,154 sq mt, and the transit warehouse is 5,000 sq mt. On the throughput front, DICT has infrastructure capable of handling around 2,40,000 twenty-foot equivalent units (TEUs) per annum. DICT has fully developed bonded warehouses to handle both, export and import cargoes with two rail lines. The company is catering to three gateway ports currently - Mundra, Pipavav, and Kandla. Furthermore, DICT also has its own fleet of 170 trailers for providing first-mile-last-mile connectivity to the customers. The ICD is strategically located at Sonipat, off the NH-1, the arterial cargo route to Delhi. It is custom designed to bring efficiency and cost-effectiveness to all export-import (EXIM) and domestic cargoes in the national capital region (NCR). With custom authorities within premises and complete online access, it provides a unique single-window solution for its customers.

Improved operational and financial performance

The company has witnessed continuous increase in capacity utilisation over the last three years, with utilisation at 72% for FY23 and 81% for Q1FY24. The volumes have ramped up on account of COVID-related restrictions, restricting cargo movement, and thereafter improving the overall trade volumes. Post-acquisition of the stake in JMBPL by HLAG, the company has also witnessed a shift in volumes by HLAG from other ICDs to DICT.

Backed by increased volumes, the revenue has also grown at a compounded annual growth rate (CAGR) of 8% during FY19-23 with y-o-y growth of 23% in FY23 over FY22. The EBITDA margin also remained comfortable in the range of 25-29% from FY20 to FY23. The improved performance continued during Q1FY24 with the revenue at ₹41.26 crore with a profit before interest, lease, depreciation and taxation (PBILDT) of ₹15.10 crore.

Satisfactory financial profile

Since its commercial operations in FY14, DICT has witnessed a steady ramp-up in volumes handled, with the total capacity being increased from 120,000 TEUs to 240,000 TEUs currently. The company also witnessed continuous increase in capacity utilisation over the last three years, with utilisation at 72% for FY23 and 81% for Q1FY24. The company has a large asset base constituting of own acquired land of 52 acre along with 170+ trailers and fully developed warehouses to handle both, export and import cargo with two rail lines. Majority of the asset base of the company had been funded through equity, resulting into a satisfactory capital structure. The availment of lower external loans have resulted into comfortable debt coverage metrics, with the overall gearing level below 1.00x. The TD/EBITDA for FY22 and FY23 stood at 2.73x and 2.05x, respectively. Furthermore, the TD/gross cash accruals (GCA) also improved from 5.93x during FY22 to 3.22x during FY23.

The company is also planning to incur a capex to expand its notified area, which will lead to faster turnaround of rakes and faster turnaround of volumes. However, the debt coverage indicators, post incorporating the capex requirements, are also expected to remain at comfortable levels.

Favourable industry outlook

The Indian logistics market is forecasted to grow at CAGR of 10-15% from 2019 to 2025. The growth of Indian container traffic has led to the demand for transit facilities such as container freight stations (CFS) and ICDs, which offer services for containerisation of break bulk cargo and also handle custom activities and are an integral component of the logistics sector infrastructure and a facilitator of EXIM trade of the country. However, the long-term prospects of the industry remain favourable due to the huge potential pertaining to the containerisation of cargo in India, container train operations, the growing port capacities at Indian major and minor ports, and the huge demand for ancillary services and economic growth.

Key weaknesses**Moderate scale of operations**

The scale of operations of DICT remains small as compared to other established multi-modal logistics service providers. The revenue generated for the company has been within ₹111-150 crore during the period FY19-23. Furthermore, the company has short-term agreements with shipping lines of a tenure of one year. In the absence of any long-term contracts for container off-take by customers, DICT remains exposed to the risks arising out of macroeconomic headwinds along with variations in EXIM trade, which may impact the overall revenue profile and profitability of the company in the long term. However, the risk is partly mitigated with the expectation of increasing volumes from HLAG, which has acquired a stake in JMBPL.

Competition from private and established players

The company faces competition from established large and mid-sized ICD operators in the nearby vicinity regions of the North India. In order to cater to such competition from the nearby ICDs, DICT is planning to expand its notified area, which will further enhance the capacity utilisation levels of the company. Furthermore, with its integrated infrastructure, DICT has been able to establish itself as one of the leading ICDs and cargo handling service providers in the North India region.

High susceptibility to economic cycles

The performance of the port and shipping services sector is linked to cargo traffic, which in turn, is dependent on the health of the economy and trade imbalance. The port and shipping industry is mainly driven by increase in trade, rise in domestic consumption, growing exports, opening of new ports, and increased government spending in infrastructure, among others. The sector is susceptible to downturns in the economy as well as local government policies regulating trade. In the absence of any long-term contracts for container off-take by customers, DICT remains exposed to the risks arising out of macroeconomic headwinds along with variations in EXIM trade which may impact the overall revenue profile and profitability of the company. The volumes handled also remain susceptible to any economic downturns and cyclicity in the global and domestic trade exports.

Liquidity: Adequate

The liquidity profile is satisfactory with the generation of adequate cash accruals vis-à-vis low debt repayment obligations of ₹11.40 crore for FY24. The fund-based working capital utilisation remained comfortable at around 50-60% for the trailing 12 months ending September 30, 2023. Additionally, the liquidity position of DICT also derives comfort from the strong parentage, i.e., JMBPL. As on June 30, 2023, the cash balance stood at ₹ 2.91 crore.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Policy on default recognition](#)
[Factoring Linkages Parent Sub JV Group](#)
[Financial Ratios – Non-financial Sector](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Credit Watch](#)
[Short Term Instruments](#)
[Infrastructure Sector Ratings](#)
[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Services	Services	Transport infrastructure	Port and port services

DICT (formerly known as International Cargo Terminals and Rail Infrastructure Private Limited) was incorporated on February 20, 2006, and is a 100% subsidiary of JMBPL. The company was incorporated as one of the first private retail operators in India. DICT has a Category-3 license from the Indian Railways, which allowed it to offer services from locations of the Jawaharlal Nehru Port (JNPT), Pipavav, Mundra, Chennai or Ennore, Vizag, and Kochi ports, their hinterland and domestic services across India, which was later demerged into JMBPL. Post 2015, the rail business has been transferred under JMBPL while the ICD business continues to remain under DICT.

DICT is engaged in the business of ICD services and related logistics services at Sonipat in Haryana of 120,000 TEUs capacity, which became operational from December 2014. The capacity of the ICD has further increased to 240,000 TEUs post completion of the planned expansion in February 2021.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	June 30, 2023 (UA)
Total operating income	121.48	149.38	41.26
PBILDT	30.33	43.91	15.10
PAT	-1.25	2.70	NA
Overall gearing (times)	0.36	0.37	NA
Interest coverage (times)	1.44	2.00	NA

A: Audited; UA: Unaudited; NA: Not available; Note: 'The above results are the latest financial results' available.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash credit	-	-	-	15.00	CARE A+; Stable
Fund-based-Long term	-	-	-	114.34	CARE A+; Stable
Non-fund-based - LT/ ST-Bank guarantee	-	-	-	6.00	CARE A+; Stable / CARE A1

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based-Long term	LT	114.34	CARE A+; Stable				
2	Fund-based - LT-Cash credit	LT	15.00	CARE A+; Stable				
3	Non-fund-based - LT/ ST-Bank guarantee	LT/ST*	6.00	CARE A+; Stable / CARE A1				

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities

Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based-Long Term	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:

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