

J M Baxi Ports & Logistics Limited

(formerly known as International Cargo Terminal and Infrastructure Private Limited)

April 06, 2022

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	463.71 (Enhanced from 335.00)	CARE A; Stable (Single A; Outlook: Stable)	Reaffirmed
Long Term Bank Facilities	56.00	CARE A; Stable (Single A; Outlook: Stable)	Revised from CARE A1 (A One); Stable outlook assigned
Long Term / Short Term Bank Facilities	120.00 (Enhanced from 20.00)	CARE A; Stable / CARE A1 (Single A; Outlook: Stable/A One)	Revised from CARE A1 (A One)
Total Facilities	639.71 (Rs. Six Hundred Thirty-Nine Crore and Seventy-One Lakhs Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to bank facilities of JMBPL continue to derive strength from strong promoter group with extensive experience in maritime sector, diversified revenue profile & presence in entire value chain of logistics and port infrastructure with operations in container handling, bulk cargo, container freight stations (CFS), inland container depot (ICD) and containerised rail freight services, demonstrated ability to successfully execute brownfield and greenfield projects at various ports, adequate liquidity and stable industry outlook. The ratings also factor in satisfactory financial performance during FY21 & 9MFY22, infusion of remaining equity capital (tranche II) of Rs.200 crore by Bain Capital (through its fund Integral Investment South Asia VIII) during current fiscal FY22 and completion of relatively large sized capex at Vishakhapatnam terminal (VCT-II).

The rating strengths are however, tempered by the revenue volatility risk, moderation in capital structure, additional capex plans, high susceptibility to economic cycles and competition from existing terminals and other ports on eastern & western coast of India.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Improvement in the capital structure with overall gearing ratio below 1.5x
- Improvement in total operating income above Rs.2500 crore and maintenance of profitability margin more than 25% on sustained basis

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Negative deviation in actual volumes throughput by more than 20% vis-à-vis envisaged
- Any significant debt funded capex resulting in further deterioration of capital structure

Detailed description of the key rating drivers

Key Rating Strengths

Strong promoter group with extensive experience in maritime sector: JMBPL is part of J.M Baxi group which has an established presence in the Indian maritime sector with over 100 years+ of experience and diversified business profile with interests in shipping agency services, supply chain storage & offshore services, port infrastructure i.e. container & cargo terminal business and digital technologies. The group has demonstrated strong execution capabilities of port infrastructure assets and established track record of operations in various fields of maritime industry. The promoters, Mr Krishna Kotak and Mr Dhruv Kotak have vast experience of over three decades in the industry and have spearheaded the group's diversification and expansion from shipping agency service in early 1900's to one of India's largest maritime conglomerate. Further, during December 2020, PE investor Bain Capital (through its fund Integral Investment South Asia VIII) committed investment as equity capital of about Rs.1317 crore for stake of 39.20% in JMBPL. Out of the total investment of Rs. 1317 crore, Bain Capital had invested of Rs.1117 crore in tranche I and the balance investment of Rs.200 crore was also infused during the current fiscal.

Presence in entire value chain of logistics and port infrastructure with diversified revenue profile: JMBPL at consolidated level has business operations at 6 ports in India spread equally on eastern and western coast, thus resulting in geographical diversification. JMBPL (consolidated) has an established presence in end-to-end value chain of port infrastructure business with terminals in Visakhapatnam, Paradip, Kandla, Haldia, and Rozi with combined total capacity of about 42 MMT (out of which about 36 MMT/ 25,00,000 TEUs is container) as on February 28, 2022.

Further, the company has an Agri-logistics park near JNPT (Jawaharlal Nehru Port Trust), container train operations at Delhi International Cargo Terminal (DICT), bulk cargo handling operation across Pan India, container freight stations (CFS) in Uran (JNPT) and Visakhapatnam and inland container depot (ICD) and Cold store at Sonipat, Haryana.

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

Successful expansion & commencement of container terminal (VCT-II) at Vishakhapatnam Port and acquisition of remaining 26% of the stake in VCTPL: JMBPL had entered into concession agreement with Vishakhapatnam Port Trust (VPT) in September 2012 on BOT basis to maintain and manage the operations of the container handling, which was implemented under its subsidiary, Visakha Container terminal Private Limited (VCTPL) and commenced operation from June 2003. Similarly, the company also won LOA for extension of existing terminal by VPT in March 2019 for a period of 30 years. The company has successfully completed the extension of terminal (VCT-II) and commenced the operation with additional capacity of 7,50,000 TEUs from March 2022 at a cost of Rs.916 crore (as against estimated cost of Rs.951 crore). Hence, the total capacity of the terminals at Vishakhapatnam port has now increased to 13,00,000 TEUs. This apart, JMBPL has also acquired the balance 26% of the stake in VCTPL during the current fiscal from Hindustan ports private limited (a company of Dubai Ports World FZE). The capex completion is expected to augment the profitability of the company.

Satisfactory operational performance during FY21 & 10MFY22: The operational performance of JMBPL (consolidated) has been satisfactory during FY21 with volumes handled in CFS and container handling at 15,25,434 TEUs (15,24,210 TEUs in FY20) and bulk cargo volume handled at 4.09 MMT (3.12 MMT in FY20). The overall capacity utilization for container terminal has been satisfactory at around 87% in FY21 and 92% in 10MFY22.

The highest capacity of JMBPL (consolidated) is at Vishakhapatnam terminals operated under VCTPL followed by Kandla terminal under Kandla International Container Terminal Private Limited (KICTPL). With recent commencement of VCT-II, the container handled volumes are expected to increase further with similar/higher overall capacity utilization.

The cargo handled although has remained satisfactory, however, there is risk of volatility with absence of firm long-term agreements. This apart, presence of minimum guaranteed tonnage (MGT) clauses in the concession agreement may impact the profitability in case of lower volumes.

Stable operating income with satisfactory profitability margins during FY21: The operating income of JMBPL at consolidated level remained stable during FY21 at Rs.1575.47 crore similar to the revenue in FY20 in line with stable container volumes handled although the bulk cargo volume handled registered a growth of 31% during FY21. However, the other income from export benefit under Service Exports from India Scheme (SEIS) reduced significantly to Rs.1.08 crore vis-à-vis Rs.49.13 crore in FY20 on account of non-inclusion of services rendered by the company from the notified list by Ministry of Commerce & Industry. The PBILDT margin of JMBPL (consolidated) has remained satisfactory at about 25%. While the GCA also remained satisfactory, it reported net loss due to derecognition of SEIS income for previous years.

Stable 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 CFS and ICD, which offer services for containerization of break bulk cargo and also handles custom activities and are an integral component of the logistics sector infrastructure and it is a facilitator of import-export (Exim) trade of the country. During FY20, growth in CFS, ICD, CTO segment was muted due to impact of slowdown in EXIM trade. Furthermore, on account of domestic hinterland industrial shutdown, and overall negative impact of COVID-19 of trade volumes, cargo volumes in India moderated in FY21 and is largely dependent on pickup of trade activity post full resumption of economic activity due to disruption caused by labor migration, logistics supply chain, industrial shutdown and overall global trade. Further, challenges like Direct Port delivery (DPD) which was introduced in 2016 is also expected to put pressure on profitability margins of CFS operators. However, the long-term prospects of the industry remain favorable due to huge potential pertaining to containerization of cargo in India, growing port capacity at Indian major and minor ports, huge demand for ancillary services and economic growth.

Key Rating Weaknesses

Additional capex plans: The company has overall capex plans of about Rs.415 crore pertaining to acquisition of project logistics business of two entities under its subsidiary, capex for Mumbai Cruise terminal and capacity expansion of Kandla terminal. The capex is likely to be funded through a mix of debt, internal accruals and funds received from Bain Capital.

Moderation in capital structure: The capital structure has witnessed moderation with the availing of planned debt for expansion of Vishakhapatnam terminal and erosion of networth due to merger of loss-making entity, Contfreight Shipping Agency (India) Private Limited (Contfreight). With additional debt planned for the envisaged capex, the gearing levels are likely to remain on the higher side. However, with sufficient cashflows from the underlying entities and funds infused by Bain capital, the overall gearing and debt coverage metrics are expected to improve. With the proposed Initial Public Offer (IPO) in FY23, the company plans to deleverage the balance sheet. Any additional debt over and above the envisaged level, thereby weakening the capital structure/debt coverage metrics would be important from credit perspective.

High competition from existing terminals and other ports on eastern & western coast: Due to the presence of many major and non-major ports on the eastern coast of India; VCTPL, Paradip International Cargo Terminal Private Limited (PICTPL) & Haldia International Container Terminal Private Limited (HICTPL) faces tough competition from other existing as well as upcoming neighbouring container terminal operators in Dhamra, Kakinada, Visakhapatnam, Krishnapatnam, Paradip, Kolkata, Gopalpur and Gangavaram port which is also susceptible to competitive tariffs. On the western coast, the competitive intensity is already high due to dominant container handling capacities. KICTPL & JMBPL (Rozi terminal) faces significant competition from terminal operators for market share in the EXIM container volumes at Jawaharlal Nehru Port Trust (JNPT), Pipavav Port, Hazira and majorly at Mundra. Furthermore, in the CFS business, since tariffs are market driven, JMBPL (MICT I & II) faces stiff competition from about 35 CFS operators at JNPT with profitability margins under pressure to some extent due to introduction of Direct Port Delivery (DPD).

High susceptibility to economic cycles: The performance of the port/shipping service sector is linked to cargo traffic, which in turn, is dependent on the health of the economy and trade imbalance. The port/shipping service industry is mainly driven by increase in trade, rise in domestic consumption, growing exports, opening of new ports and increased government spending in infrastructure, etc. The sector is susceptible to downturn in the economy as well as local government policies regulating trade. In the absence of any long-term contracts for cargo and container off-take by customers, the company's various container and cargo facilities remain exposed to 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 downturn and cyclicity in global and domestic trade exports. However, the company's established relationships with top shipping lines and customers demonstrated by healthy growth in throughout over the past few years partially mitigate the risk to a certain extent. The ability of the company to generate sufficient cash accruals from its operations and maintain profitability margins will be a key rating monitorable.

Liquidity: Adequate

The liquidity profile of JMBPL is adequate with the company generating sufficient accruals against the debt servicing obligation. The company at standalone level had unencumbered cash and bank balance of Rs.223.35 crore as on December 31, 2021 (Rs.15.78 crore as on September 30, 2021 and Rs.45.81 crore as on March 31, 2021).

This apart, JMBPL (standalone) has sanctioned fund-based limit of Rs.74.50 crore and the utilization has been low with average utilization being around 20% during the last 12-month period ended on February 28, 2022.

Analytical approach: The credit assessment of JMBPL is based on consolidated business and financial risk profile of JMBPL and its various subsidiaries & JVs as all the entities are linked through a parent-subsidiary relationship and collectively have management, business & financial linkages. The entities have integrated business operations and are engaged handling various port infrastructure assets. Furthermore, JMBPL has extended corporate guarantees to its subsidiaries i.e. HICTPL, KICTPL and Delhi International Cargo Terminal Private Limited (DICTPL). The list of companies consolidated is attached as Annexure 6.

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology: Consolidation](#)

[Rating Methodology - Infrastructure Sector Ratings \(ISR\)](#)

[Rating Methodology - Port Projects](#)

[Criteria for Short Term Instruments](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Financial Ratios – Non-Financial Sector](#)

About the Company

J M Baxi Ports & Logistics Limited (JMBPL) (formerly known as International Cargo Terminal and Infrastructure Private Limited) was initially incorporated on November 06, 1947 as 'United Liner Agencies of India Private Limited' to provide shipping agency services. JMBPL is the flagship entity of J M Baxi group and is engaged in providing container freight station operations, terminal handling services, handling of container & bulk cargo, containerised rail freight services, Inland Container Depot (ICD) and other ancillary services through its 7 subsidiaries and 1 JV's.

JMBPL on standalone basis operates Container Freight Station (CFS) and Agri-logistics park with capacity of 1,20,000 TEUs p.a. (about 1.68 MMT) near JNPT port. Further, the company also has a presence in the rail business by providing container train operations through 22 rakes (16 owned and 6 leased) as on January 31, 2022 majorly between Sonipat, Vishakhapatnam, Kandla and Pipavav. Additionally, JMBPL also a fertilizer handling facility and bulk cargo handling terminal with capacity of 6,00,000 MT in Rozi Jetty near Jamnagar, Gujarat.

Brief Financials- Consolidated (Rs. crore)	31-03-2020* (A)	31-03-2021 (A)	H1FY22 (Prov.)
Total operating income	1553.85	1575.47	1032.94
PBILDT	337.86	408.48	193.84
PAT	(46.11)	(4.63)	45.74
Overall gearing (times)	NM	1.82	1.85
Interest coverage (times)	1.22	1.56	2.91

*Restated as per IND AS 103 due to merger of Contfreight and JMBPL (formerly ICTIPL)

A: Audited, Prov.: Provisional, NM: Not Meaningful

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

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

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	March 2034	463.71	CARE A; Stable
Fund-based - LT-Cash Credit	-	-	-	-	56.00	CARE A; Stable
Non-fund-based - LT/ST-Bank Guarantee	-	-	-	-	120.00	CARE A; Stable / CARE A1

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	463.71	CARE A; Stable	1)CARE A; Stable (21-May-21)	-	-	-
2	Fund-based - LT-Cash Credit	LT	56.00	CARE A; Stable	1)CARE A1 (21-May-21)	-	-	-
3	Non-fund-based - LT/ST-Bank Guarantee	LT/ST*	120.00	CARE A; Stable / CARE A1	1)CARE A1 (21-May-21)	-	-	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Bank Lender Details for this CompanyTo view the lender wise details of bank facilities please [click here](#)**Annexure-6: List of subsidiaries consolidated**

Name of companies	% of holding as on March 31, 2021
Subsidiaries	
1. Delhi International Cargo Terminal Private Limited (formerly known as International Cargo Terminals and Rail Infrastructure Private Limited)	100.00
2. Visakha Container terminal Private Limited	74.00*
3. Paradip International Cargo Terminal Private Limited	100.00
4. Kandla International Container Terminal Private Limited	100.00
5. Haldia International Container Terminal Private Limited	100.00
6. J M Baxi Heavy Private Limited (formerly known as Boxco Logistics Infratrans Private Limited)	100.00
- Vir varenya Shipping Singapore Pte. Limited	100.00
Joint Ventures	
1. Bharat Feeder and Shipping Services Private Limited (formerly known as Samudera Bharat Feeder Private Limited)	51.00

*100% as on February 2022

Note on complexity levels of the rated instrument: CARE Ratings Ltd. 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.

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