Hind Terminal Private Limited

February 13, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities – Term Loan	482.90	**CARE A; Stable (Single A; Outlook: Stable)**	**Reaffirmed**
Long/Short term Bank Facilities	100.00	**CARE A; Stable/CARE A1 (Single A; Outlook: Stable/ A One)**	**Reaffirmed**
Total	**582.90 (Rupees Five Hundred Eighty Two Crores and Ninety Lakh Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of ratings assigned to the bank facilities of Hind Terminals Private Limited (HTPL) continue to derive strength from HTPL's strong parentage, healthy diversification of revenue profile, established relationship with top container shipping lines. The ratings also consider the significant debt funded capex to be executed by the company in the next two years which is expected to moderate its financial risk profile in medium term.

The rating strengths are however, tempered by risks related to ongoing capex in terms of execution, increasing competition in container freight station business around various ports where HTPL operates/plans to operate and risk inherent in the logistics industry in terms of vulnerability to a slowdown in trade volumes.

The ability of HTPL to optimally utilize the capacity of the newly commissioned projects while maintaining the profitability among intense competition remains the key rating sensitivity.

Detailed Description of the key rating drivers

Key Rating Strengths

Strong parentage of the Sharaf Group

Sharaf Group is one of UAE's largest business houses. The Group has experienced the sustained growth for years since its inception in 1976. Being headquartered in Dubai, currently the Sharaf Group operates in 40 countries across the Middle East, Africa, India and other Asian countries and has worldwide employee strength of over 9500 people.

Diversified Revenue profile

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

HTPL business can be broadly classified into two categories: Container Freight Station/Inland Container Depot and Rail Operations (PAN India). In FY17, the CFS business contributed to around 43% of the total revenues whereas the rest 57% is contributed by Railway segment. The revenue from CFS/ICD segment has improved y-o-y whereas the same from rail division has seen a decline by 12.36% mainly on account of volume mix wherein more empty containers were handled compared to previous year.

Strategic alliance with CWC for CFS operations

The company has entered into strategic alliance agreement with Central Warehousing Corporation (CWC) to develop, operate and maintain CWC Logistics Park for 15 years. This strategic alliance has helped HTPL to increase its share of overall container freight cargo handling at JNPT port. HTPL is amongst the few private players to be granted pan India License for container train operations and has the railway siding within the facility. The facility has four warehouses with infrastructure to handle temperature controlled cargo.

Long term relationship with customers, shipping lines and custom house agents

The Sharaf group, being a global conglomerate, has diversified business spanning from shipping and logistics to supply chain management. Over the period of years, they have established relationship with the shipping lines and custom house agents which helps in attracting traffic for the CFS facility. HTPL has brought down its business revenue exposure from its main customer Mediterranean Shipping Company (MSC) from 62% in FY12 to 40% in FY17, with increased contribution from other customers.

Adequate financial risk profile marked by moderate capital structure and adequate liquidity

HTPL financial profile remains comfortable marked by adequate liquidity and moderate capital structure. Overall gearing has increased to 0.56x as on March 31, 2017 as compared to 0.28x as on March 31, 2016 on account of debt funded capex in developing the CFS/ICD terminals. Further moderation in capital structure and other debt service coverage indicators is expected on account of the debt funded capex.

Timely execution of the ongoing projects and ability to attract the expected volumes

HTPL is executing capex activity to the tune of Rs. 740 crore to be funded through a debt of Rs.485 crore, with the rest being funded through internal accruals. The project is majorly in terms of construction of CFSs/ICDs at various locations across the country. Most of the facilities being developed under the project has been commissioned in H2FY18 and its impact on revenue would be visible in FY19. strong strategic tie-ups with major shipping lines, partially reduces the project risk in relation to marketing and operations.

Susceptibility of the operations to decline in EXIM trade volumes

HTPL operates at JNPT port among its other location so any slowdown in traffic at JNPT port is expected to directly affect the volumes handled by HTPL'S CFS segment. However, with expected commissioning of fourth terminal at JNPT port, such impact are expected to be muted in future. But the company is in process of reducing its revenue concentration risk in view of its debt funded expansion plans of its CFS facilities at various locations

Maintaining volumes and realizations in CFS/ICD business

The volume handled by the HTPL has been showing fluctuating trend in the past one year partially due to the impact of direct port delivery (DPDT) which was introduced by central government in late 2016. There are more than 35 CFS facilities in and around the JNPT port competing against each other in increasing their share of volumes handled. It continues to remain crucial for HTPL to maintain its share in volumes handled at the JNPT port

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology - Service Sector Companies
Financial ratios – Non-Financial Sector
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology: Factoring Linkages in Ratings

About the company

Hind Terminals Private Limited (HTPL) is a part of the Sharaf Group of Companies. The Sharaf Group is a diversified group having its business operations spread across various business segments from Shipping & Logistics to Supply Chain Management, Tourism, Hospitality & Real Estate, Information Technology and Financial Services. HTPL commenced its commercial operations at Nhava Seva (Navi Mumbai) in December 2005. HTPL is engaged in the business of container freight station, Inland container depot, Multi modal logistics park, road transportation, container rail transportation and multi-purpose warehousing

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	874.35	842.75
PBILDT	150.35	111.40
PAT	91.09	54.94
Overall gearing (times)	0.28	0.56
Interest coverage (times)	17.05	4.24

Status of non-cooperation with previous CRA: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - LT/ ST-BG/LC	-	-	-	100.00	CARE A; Stable / CARE A1
Term Loan-Long Term	-	-	July 2025	482.90	CARE A; Stable

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Non-fund-based - LT/ ST-BG/LC	LT/ST	100.00	CARE A; Stable / CARE A1	1)CARE A; Stable / CARE A1 (04-May-17)	1)CARE A / CARE A1 (20-Apr-16)	1)CARE A / CARE A1 (05-May-15)	-
2.	Term Loan-Long Term	LT	482.90	CARE A; Stable	1)CARE A; Stable (04-May-17)	1)CARE A (20-Apr-16)	1)CARE A (05-May-15)	-

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CIN - L67190MH1993PLC071691