Hind Terminals Private Limited
May 04, 2017

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 ratings assigned to the bank facilities of Hind Terminals Private Limited continue to derive strength from HTPL's, strong parentage, healthy diversification of revenue profile, established relationship with customers and top container shipping lines. The ratings also consider the significant debt funded capex to be executed by the company in the next three 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 commission the upcoming projects without any time or cost overrun and optimally utilize the capacity of the same is the key rating sensitivity.

Detailed description of the key rating drivers

Ratings Strength 1: Strong parentage

Sharaf Group is one of UAE's larger business houses. It comprises over 60 operating companies in various business sectors: like Information Technology, Shipping, Retail, Real Estate, Financial Services, Consumer Products, Travel & Tourism and Constructions. 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.

Ratings Strength 2: Strategic alliance with CWC for CFS operations

The company has a strategic alliance with CWC for the development and management of the Container Freight Station (CFS) for a long-term period of 15 years. As on 31st March 2016, HTPL has the capacity to handle upto 360,000 TEU per annum.

Ratings Strength 3: Long-term relationship with customers, shipping lines and freight forwarders

The group being a global conglomerate having business interests spanning from Shipping & Logistics to Supply Chain Management business, have entered into agreements with various large customers, shipping lines and freight

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

forwarders/custom house agents which helps in attracting traffic for the CFS facility.

Ratings Strength 4: Diversified revenue profile*: *Railways segment help reducing concentration on CFS segment

HTPL business can be broadly divided into two categories, Container Freight Station/Inland Container Depot and Rail Operations (PAN India). The CFS business though contributes to only around 30-32% of the total revenues; however, its contribution in PBILDT accounts for a share of about 65-70%. During FY16, while revenues from the CFS operations recorded a Y-o-Y growth of about 30%, revenues from the railway segment also recorded a robust growth of about 11% during the same period.

Ratings Strength 5: Comfortable financial risk profile however expected to moderate on account of the debt to be availed for the proposed project

HTPL continues to maintain its financial profile marked by comfortable capital structure and adequate liquidity marked by healthy cash accruals. Overall gearing has shown significant improvement from 0.52x as on March 31, 2012 to 0.28x as on March 31, 2016. However on account of the debt funded capex to be executed in the next three years, moderation in capital structure and other debt service coverage indicators is expected.

Key Ratings Weakness

Ratings Weakness 1: Timely execution of the ongoing projects and ability to attract the expected volumes

Over the next three years, the company is executing a capex activity to the tune of about Rs. 780 crore to be funded through a debt of about Rs. 492 crore, with the rest being funded through internal accruals. The project is majorly in terms of construction of CFS's/ICD's at various locations across the country. HTPL has a strategic tie-up with major shipping lines including, Mediterranean Shipping Company SA (world's 2nd largest container lines) and they contribute around 40% of the volumes handled by HPTL at the JNPT port.

Ratings Weakness 2: Slowdown in global EXIM trade and traffic at the JNPT port

The logistics sector is exposed to economic cycles on any slowdown in EXIM trade or the capex cycle. While the overall Y-o-Y container traffic at the major ports in India declined during FY13 & FY14, the same recorded a growth of about 7% during FY15. Since, HTPL currently only operates at the JNPT port and Mundra port and operations at Chennai are handled under its subsidiary company. However, JNPT continues to remain one of the major revenue sources for the company. Any slowdown in traffic at the JNPT port is expected to directly affect the volumes handled by HTPL's CFS segment. However, since HTPL is in the process of expanding its CFS facilities at multiple locations as mentioned above, the risk is likely to reduce the concentration risk of the JNPT port.

Ratings Weakness 3: Maintaining volumes and realization in CFS/ICD business

Although, over the last three years HTPL has been showing a robust growth in its volumes handled, the same has only marginally surpassed the volumes handled during FY11. During FY12 and FY13, volumes of HTPL recorded a significant decline and have only started improving over the last two years. During FY16, the growth in volumes handled by HTPL is more than the growth in volumes handled by the individual ports indicating improvement of HTPLs share in the overall cargo handled at the ports. It continues to remain crucial for HTPL to maintain its share in volumes handled at the JNPT port. Currently HTPL garners a share of about 4% of the overall container cargo handled. There are more than 35 CFS facilities in and around the JNPT port competing against each other. This is expected to affect the realizations of the CFS operators in turn affecting the profitability and cash accruals in medium term

Analytical approach: CARE Ratings has followed a standalone approach for deriving at the ratings of Hind Terminals Private limited, as there are no major group companies, which are into related operations.

Applicable Criteria
Criteria on assigning Outlook to Credit Ratings
CARE's policy on Default Recognition
Rating methodology – Services Companies
Financial Ratios-Non Financial Sector
Criteria for Short Term Instruments

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 is a private limited company incorporated in August 2003, and is involved in Container Freight Station/Inland Container Depot operations along with rail operations on a pan-India basis.

The company has entered into a strategic alliance with the Central Warehousing Corporation (CWC), to develop, operate and maintain the CWC Logistics Park (subsidiary of Central Warehousing Corporation Ltd) for 15 years on BOOT basis. The operations at CWC Logistics Park commenced from May 2007. This facility is spread across an area of 30 hectares at Logistics Park, Dronagiri, (near JNPT port, Nava Sheva), Navi Mumbai having a capacity upto 360,000 TEU's per annum. The company has various approvals from the Indian Railways and also has executed the Concession Agreement for operating container trains throughout India for a period of 20 years. The Rail operations commenced from April 2007.

As on 31st December 2016 the company is undertaking various projects in terms of construction of CFS's/ICD's at various locations across the country. The total cost of the project is around Rs. 780 crores spread over the next three years, funded through a debt of about Rs. 492 crore and the rest through internal accruals/equity. As on Feb 2017 the company has spent Rs. 520 crore on the project. This was funded by term loan of Rs. 243 crore and Rs. 277 crore through internal accruals/cash.

During FY16 (refers to the period April 1 to March 31), HTPL reported a PAT of Rs. 91.09 crore (PY: Rs. 74.59 crore) on a total operating income of Rs. 874.35 crore (PY: Rs. 752.35 crore). During 9M FY17 the company had reported a PBT of Rs. 51.20 crore on total income of Rs. 643.23 crore.

Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable
Rating History for 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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For detailed Rationale Report and subscription information, please contact us at www.careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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	-	-	-	87.50	CARE A; Stable / CARE A1
Term Loan-Long Term	-	-	February 2025	495.40	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	87.50	CARE A; Stable / CARE A1	-	1)CARE A / CARE A1 (20-Apr-16)	1)CARE A / CARE A1 (05-May-15)	-
2.	Term Loan-Long Term	LT	495.40	CARE A; Stable	-	1)CARE A (20-Apr-16)	1)CARE A (05-May-15)	-

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