Hind Terminals Private Limited

December 04, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities – Term Loan	482.90	**CARE A; Positive (Single A; Outlook: Positive)**	**Rating Reaffirmed with outlook revised from Stable to Positive**
Long/Short term Bank Facilities	100.00	**CARE A; Positive/CARE A1 (Single A; Outlook: Positive/ A One)**	**Rating Reaffirmed with outlook revised from Stable to Positive**
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, healthy operating margin and comfortable capital structure. The rating strengths are however, tempered by exposure to risks related to the large ongoing capital expenditure (capex) particularly its ability to attract sufficient volumes, increasing competition in container freight station (CFS)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. CARE notes the completion of significant portion of ongoing capex. However 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.

Outlook: Positive

The outlook has been revised to positive from stable. The positive outlook reflects the CARE's expectation of significant improvement in the scale of operations and cash accruals due to contribution from the recently commissioned facilities. The outlook may be revised to stable if the revenue contribution from the newly commissioned projects remains subdued or if the realizations and volumes from the CFS segment witness significant impact owing to implementation of Direct Port Delivery (DPD) or with increase in competitive intensity.

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

HTPL business can be broadly classified into two categories: Container Freight Station/Inland Container Depot and Rail Operations (PAN India). In FY18 (refers to the period April 2017 to March 2018), the CFS business contributed to around 48% of the total revenues whereas the rest 52% is contributed by Railway segment. The revenue from CFS/ICD segment as well as from rail division has seen an improvement y-o-y by 40% and 12% respectively on account of operationalizing of newly added capacities at various locations and induction of new railway rakes

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

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

License for container train operations and has the railway siding within the facility. The facility has four warehouses with infrastructure to handle cold storage 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 (refers to the period April 2011- March 2012) to 40% in FY18 thus reducing its dependence on a single customer as well as increasing customer base.

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

HTPL financial profile remains comfortable marked by adequate liquidity and comfortable capital structure. The company continues to have comfortable operating cycle and current ratio of 1.64x during FY18. The company continues to maintain adequate cash balance. Overall gearing has improved to 0.49x as on March 31, 2018 as compared to 0.62x as on March 31, 2017 on account of minimum reliance on external debt for developing the CFS/ICD terminals. However, marginal moderation in capital structure and other debt service coverage indicators is expected on account of the debt funded capex in the projected years.

Substantial mitigation in execution risk of ongoing projects however ability to attract the expected volumes needs to be seen

In FY16, HTPL had planned capex activity in terms of construction of CFSs/ICDs at various locations across the country. As on October 2018, significant portion of the project has already been commissioned and cost incurred on the same is Rs.594 crore funded majorly through the internal accruals with low reliance on debt. In addition to above, HTPL is currently executing the residual capex to the tune of Rs.264 crore to be funded through a mix of debt and internal accruals. FY19 (refers to the period April 2018- March 2019) will be first full year of operations of the completed projects. Thus the size and cash accruals of the company are expected to improve in the next couple of years. Though the company is exposed to increasing competition; the long term relationship with Mediterranean Shipping Company (MSC) and other shipping lines gives comfort with respect to garnering the required quantity of volumes for the newly commissioned facilities.

Susceptibility of the operations to decline in EXIM trade volumes

HTPL mainly operates at JNPT port so any slowdown in traffic at JNPT port is expected to directly affect the volumes handled by HTPL'S CFS segment. 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. It continues to remain crucial for HTPL to maintain its share in volumes handled at the JNPT port. However, the commencement of commercial operations of newly developed facilities has helped HTPL to mitigate risk of over dependence on JNPT facility and at the same time has helped to augment its revenue potentials.

High competitive intensity in the CFS segment

The domestic CFS segment is highly competitive with more than 35 CFS facilities in and around the JNPT port competing against each other in increasing their share of volumes handled. While DPD implementation at JNPT has had a limited impact as of now and the company has made efforts to cushion the impact of lower average realizations per TEU handled, higher DPD volumes can impact the margins of the CFS business.

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)	FY17 (A)	FY18 (A)
Total operating income	843.32	1034.30
PBILDT	114.62	147.66
PAT	58.60	74.59
Overall gearing (times)	0.62	0.49
Interest coverage (times)	4.61	4.84

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; Positive / CARE A1
Term Loan-Long Term	-	-	June 2025	482.90	CARE A; Positive

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Non-fund-based - LT/ ST-BG/LC	LT/ST	100.00	CARE A; Positive / CARE A1	-	1)CARE A; Stable / CARE A1 (13-Feb-18) 2)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; Positive	-	1)CARE A; Stable (13-Feb-18) 2)CARE A; Stable (04-May-17)	1)CARE A (20-Apr-16)	1)CARE A (05-May-15)

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