Hind Terminals Private Limited

April 03, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	415.75	CARE A+; Stable	Revised from CARE A; Positive
Long-term / Short-term bank facilities	100.00	CARE A+; Stable / CARE A1+	Revised from CARE A; Positive / CARE A1

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in the ratings assigned to the bank facilities of Hind Terminals Private Limited (hereinafter referred to as 'HTPL' or the 'Company') factors the strong operating performance delivered by the company with healthy profitability amidst challenging macroeconomic conditions. HTPL's total operating income (TOI) has improved y-o-y by 26% in FY22, supported by higher cargo volumes and stabilisation of new facilities at Palwal and Kila Raipur. The operating performance for 10MFY23 has also been stable notwithstanding trade challenges emanating from geopolitical instability and commodity inflation leading to interim global trade slowdown. There has also been an improvement in the financial risk profile supported by higher internal accruals and lower reliance on debt for capex. HTPL has exited from the facility of Central Warehousing Corporation (CWC) in JNPT, Nhava Sheva, in May 2022. The subsequent transition to alternate CFS's in the vicinity has been smooth and these container freight stations (CFSs) are handling JNPT volumes. The PBILDT margin witnessed a correction on account of recurrence of haulage charges with normalised container railway operations post lifting of COVID-19 restrictions. CARE Ratings Limited (CARE Ratings) also notes that HTPL is diversifying geographical presence by setting up Inland Container Depots (ICDs) in newer locations.

The ratings continue to derive strength from wide spectrum of services offered by HTPL in the logistics domain with its' (CFS) present at major Indian ports and ICDs present at major business/industrial hubs in India. The ratings also factor HTPL's established relationship with leading shipping lines and reputed clientele profile, comfortable debt coverage indicators and strong liquidity.

The ratings continue to remain tempered on account of increasing competition in CFS business around various ports where HTPL operates, risk inherent in the logistics industry in terms of vulnerability to a slowdown in the trade volumes on account of several global and macro-economic factors. CARE Ratings also notes that HTPL is undertaking capex in different parts of India. Although execution risk is moderate due to HTPL's vast experience, the ability of the assets to generate return and contribute to HTPL's overall scalability would be a key monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ability to increase revenue above ₹2,000 crore with substantial improvement in market share and profitability.
- Ability to timely complete upcoming capex and generate substantial revenue from the upcoming facilities.
- Improvement in fixed asset turnover ratio on a sustained basis.

Negative factors

- Fall in annual revenue to below ₹1,200 crore with PBILDT margin falling below 13%.
- Any sizeable time and cost overruns in the planned capex and further capex undertaken by the company adversely impacting its capital structure with overall gearing >1.00x.

Analytical approach: Standalone

Outlook: Stable

Stable outlook indicates that HTPL is expected to sustain the healthy growth in the operating performance with commercialisation of under-construction assets over the medium term. Higher reliance on internal accruals for capex and healthy internal accruals would enable HTPL continuing to maintain strong debt metrics. However, volatility in global trade scenario continues to be an overhang.

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

Key strengths

Broad spectrum of services offered by the company in logistics domain
HTPL's business can be broadly classified into two categories: CFS/ICD and Rail Operations (PAN India). The CFS/ICD operations are spread across multiple ports and business hubs, viz., JNPT, Mundra, Hazira (Gujarat), Chennai, Palwal (Haryana), and Kila Raipur (Punjab). It has new facilities coming up in different parts of India. HTPL offers a broad spectrum of CFS services, such as import-export cargo handling services, bonded warehousing, LCL/FCL services, hazardous cargo & tank container handling, last mile connectivity and other value-added services. The cargo profile handled also ranges from steel and metal products, automobiles, agro products, hazardous cargo, etc. HTPL is amongst the few private players to be granted PAN India License for container train operations. The rail ops commenced in April 2007. HTPL is a Category -1 license holder with flexibility to operate across India and is amongst the earliest private rail operators in India to run its own rakes.

Long-term relationship with customers, shipping lines and custom house agents
Over the period of years, HTPL established relationship with leading shipping lines and custom house agents, which helps in attracting traffic for the CFS facilities of HTLP. Some of the prominent clientele handled by HTPL include Mediterranean Shipping Company, Maersk, Hapag Lloyd, etc.

Improved operating performance, albeit margins corrected due to recurrence of haulage charges
HTPL reported total operating income (TOI) of ₹1,279 crore for FY22 registering a y-o-y growth of 26%, supported by higher cargo volumes with recovering economic prospects, and stabilisation of new projects such as Palwal and Kila Raipur. For 10MFY23, HTPL reported TOI of ₹1,173 crore amidst challenging conditions on the front of slackening demand due to inflation and geopolitical instabilities. Additional revenues from upcoming facilities expected to further scale up revenues, going forward.

CARE Ratings notes that HTPL has exited from CWC facility in May 2022 after expiry of the term. It is operating alternate CFSs on lease/profit-share model nearby. These CFS's are currently handling JNPT cargo. CARE Ratings notes that since HTPL's exit from CWC facility, on a comparative basis, these CFS's have been handling similar container volumes of JNPT and generating similar revenues.

Recurrence of rail haulage charges with normalisation of container railway operations post lifting of COVID-19 restrictions resulted in correction of the EBIDTA margins from an anomaly high margin of 18.85% in FY21 to 16.38% in FY22. The margins are likely to improve with additional cost-savings realised from the existing CWC facility at JNPT and development of dedicated freight corridors (DFC).

Debt metrics improved and are likely to be strong; future capex to be funded by internal accruals majorly
HTPL's capital structure remained strong as on March 31, 2022, as the company had not embarked upon any aggressive debt-funded capex during the year FY22. The same helped contain the interest costs for the company. Furthermore, higher accretion to NW improved the overall gearing to 0.28x as for March 31, 2022, vis-à-vis 0.36x as on March 31, 2021. The debt/PBILDT also improved from 1.38x to 1.06x as on March 31, 2022.
Furthermore, CARE Ratings draws comfort from management articulation that the balance capex shall be mainly funded out of internal accruals and existing liquidity buffer. CARE Ratings also notes that past capex projects at Kila Raipur and Palwal have also been funded in a conservative debt/equity mix.

Key weaknesses

Risks inherent to CFS operations
The CFS business, which is directly linked to the Indian EXIM trade, is exposed to the risks arising from variations in EXIM trade and customs policies. Sluggishness in Indian EXIM trade, in case of a steep fall in global trade, could impact utilisation levels and profitability of HTPL. The low entry barrier has encouraged the implementation of new CFS facilities by new and existing players, leading to a build-up of surplus facilities; this could intensify price-based competition in the long term, thereby restricting profitability.

Moderate capex risk
Going forward, HTPL has planned capex at different locations in India. HTPL has more than adequate resources to complete the capex. Timely completion with no cost and time overrun will be monitorable. CARE Ratings factors low off-take risk for these facilities, based on management comfort that healthy cargo volumes shall be generated.

Liquidity: Strong

The liquidity position of HTPL is strong, marked by consistent cash generation vis-à-vis scheduled debt repayment obligations of ₹48 crore for the next financial year against which internal accruals is sufficient. The debt repayment obligations going forward may increase in case HTPL draws debt for the capex. The company maintained large free cash and liquid investment balance of ₹162 crore (as on January 31, 2023). Furthermore, as emphasised by HTPL management, the capex shall mainly be funded out of internal accruals and existing liquidity. HTPL also does not use any external borrowing for managing its working capital requirement. Nevertheless, it has fungible fund-based limits of ₹40 crore out of sanctioned working capital limits of ₹100 crore, which can act as a buffer in case of exigency.

Applicable criteria

Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Service Sector Companies
Policy on Withdrawal of Ratings

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Services	Services	Transport Services	Logistics Solution Provider

Hind Terminals Private Limited (HTPL) is a logistics services provider, primarily engaged in cargo handling services, warehousing and transportation of containerised cargo and the movement of goods to and from port to various locations in containers by rail. The company has presence across major ports in the country such as JNPT, Mundra, Hazira etc. HTPL is also amongst the few private players to be granted pan India License for container train operations. The company has built and operates Container Freight Stations (CFS) at JNPT, Mundra, Hazira, Chennai, and Inland Container Depots (ICDs) at various locations across the country, such as Palwal, Kila Raipur, etc. It is coming up with new facilities in near future.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	10MFY23 (UA)
Total operating income	1,013.13	1,279.02	1,173.19
PBILDT	191.02	209.60	164.53
PAT	59.42	81.31	-
Overall gearing (times)	0.36	0.28	-
Interest coverage (times)	6.51	9.83	-

A: Audited; UA: Unaudited

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 the 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	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ 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		-	-	March 2027	415.75	CARE A+; Stable

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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Non-fund-based - LT/ ST-BG/LC	LT/ST*	100.00	CARE A+; Stable / CARE A1+	1)CARE A; Positive / CARE A1 (26-May-22)	1)CARE A; Stable / CARE A1 (04-Mar-22)	1)CARE A; Stable / CARE A1 (18-Feb-21)	1)CARE A; Stable / CARE A1 (03-Mar-20)
2	Term Loan-Long Term	LT	415.75	CARE A+; Stable	1)CARE A; Positive (26-May-22)	1)CARE A; Stable (04-Mar-22)	1)CARE A; Stable (18-Feb-21)	1)CARE A; Stable (03-Mar-20)

*Long term/Short term.

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

Sl no	Financial Covenant	Detailed explanation
1	External Gearing	Should be <= 1.25x
2	Total Debt/PBILDT	Should be <= 3.50x
3	Debt Service Coverage Ratio	Should be > 1.35x
4	Fixed Asset Coverage Ratio	Should be >= 1.20x

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Non-fund-based - LT/ ST-BG/LC	Simple
2	Term Loan-Long Term	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:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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