

## Delhi International Cargo Terminal Private Limited

September 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	126.30 (Reduced from 129.34)	CARE A+ (RWD)	Placed on rating watch with developing implications
Long Term / Short Term Bank Facilities	6.00	CARE A+ / CARE A1 (RWD)	Placed on rating watch with developing implications

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has placed the rating of Delhi International Cargo Terminal Private Limited (DICT) on "Rating watch with developing implications" following filing of a composite scheme of demerger ("**Scheme**") with National Company Law Tribunal Mumbai ("**NCLT**") by its parent entity i.e. J M Baxi Ports and Logistics Private Limited (JMBPL; rated CARE A+ (RWD) / CARE A1 (RWD)) dated August 22, 2024. The transaction is subject to completion of certain corporate and regulatory approvals applicable for respective assets. The Scheme has been filed in furtherance to certain transaction documents that JMBPL has executed with Hapag Lloyd Terminal Holding B.V. ("**HLTH**") (part of Hapag Lloyd Group (HLTH group)) for consummating a series of steps pursuant to which HLTH becomes a shareholder of JMBPL.

As per the scheme, JMBPL proposes to demerge its container businesses (comprising container terminals, container train operations, Inland container depot [ICD], Container Freight Station [CFS] and related services) into a new entity i.e. J M Baxi Container Holdings Private Limited (JM Baxi Container, Resulting Company 1) and its corporate services division into another entity i.e. J M Baxi Port Services Private Limited (JM Baxi Port Services, Resulting Company 2) while retaining its other non-container businesses (comprising bulk terminal, cold chain, cruise terminal and services) into JMBPL itself. HLTH had acquired 40% shareholding in JMBPL during FY24. Pursuant to the Scheme and the transaction documents executed amongst JMBPL and HLTH, it is intended that (a) the Kotak Family (Promoters) and HLTH will hold 51 percent and 49 percent shareholding in JMBPL, (b) Promoters and HLTH will hold 50 percent shareholding, each in JM Baxi Port Services, and (c) Promoters and HLTH will hold 49 percent and 51 percent shareholding in JM Baxi Container.

The scheme also proposes the continued extension of support structures by JMBPL along with support to be extended by in JM Baxi Container towards the existing lending arrangements of the group entities for a duration of three years from its date of effectiveness. The exact implications of the above scheme on the risk profile and financial position of JMBPL and the demerged entities remains unclear. CARE Ratings shall be monitoring the developments in this regard and take a view once more clarity emerges.

Ratings to the bank facilities of Delhi International Cargo Terminal Private Limited (DICT) continues to factor in operational & financial linkages derived from J M Baxi Ports & Logistics Private Limited (JMBPL) with extensive experience and track record in maritime sector. Furthermore, the ratings also derive strength from the long operational track record of DICT, the strategic location of the inland container depot (ICD), the consistent improvement in the capacity utilisation levels with utilisation improving to 85% in FY24 (FY23: 72%) along with revenue growth of 10% during the year. The ratings also factor in the comfortable debt protection metrics and adequate liquidity.

The above rating strengths, however, are constrained by relatively moderate scale of operations, the risk associated with revenue fluctuations in the absence of long-term agreements along with the susceptibility to overall trade volumes and economic headwinds and profitability subject to intense competition in the industry.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improved capacity utilisation with increased scale of operations.
- Improvement in the total debt (TD)/ earnings before interest, taxes, depreciation, and amortisation (EBITDA) to below 2x.
- Improvement in credit profile of JMBPL

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Negative factors**

- Reduction in capacity utilisation to below 60% on a consistent basis, thereby impacting the profitability.
- Any significant deterioration in the credit profile of the parent company, i.e., JMBPL.

**Analytical approach:** Standalone, while factoring in the financial and operational linkages with the parent company, i.e., JMBPL.

**Outlook:** Not Applicable

**Detailed description of the key rating drivers:****Key strengths****Strong promoter group with business synergies**

DICT is a wholly owned subsidiary of JMBPL, which has diversified business profile across the entire value chain of logistics and port infrastructure. The group has demonstrated strong execution capabilities of port infrastructure assets and established track record of operations in various fields of maritime industry.

In April 2023, HLTH acquired a 40% stake in JMBPL. HLTH is one of the leading global container shipping companies and this strategic acquisition is expected to result in operational synergies for JMBPL's existing terminals and newly awarded terminals. The comfortable financial and credit profile of HLTH also strengthened financial flexibility for the group. For CY23, revenue and profit after taxes (PAT) of HLTH was €17,929 million and €2,951 million respectively with net worth of €18,767 million as on December 31, 2023.

**Integrated infrastructure facilities**

DICT's ICD is spread over 52 acre (owned by DICT) with over 16,154 sq mt of covered warehousing facilities, of which the customs bonded warehouse is 3,154 sq mt, and the transit warehouse is 5,000 sq mt. On the throughput front, DICT has infrastructure capable of handling around 2,40,000 twenty-foot equivalent units (TEUs) per annum. DICT has fully developed bonded warehouses to handle both, export and import cargos with two rail lines. The company is catering to three gateway ports currently - Mundra, Pipavav, and Kandla. Furthermore, DICT also has its own fleet of 170 trailers for providing first-mile-last-mile connectivity to the customers. The ICD is strategically located at Sonipat, off the NH-1, the arterial cargo route to Delhi. It is custom designed to bring efficiency and cost-effectiveness to all export-import (EXIM) and domestic cargoes in the national capital region (NCR). With custom authorities within premises and complete online access, it provides a unique single-window solution for its customers.

**Improved operational and financial performance during FY24**

Since its commercial operations in FY14, DICT has witnessed a steady ramp-up in volumes handled, with the total capacity being increased from 120,000 TEUs to 240,000 TEUs currently. The company also witnessed continuous improvement in capacity utilisation during FY24 at 85% against 72% for FY23. Post-acquisition of the stake in JMBPL by HLTH, the company has also witnessed a shift in volumes by HLTH from other ICDs to DICT.

Backed by increased volumes, the revenue has also grown at a compounded annual growth rate (CAGR) of 9% during FY19-24 with y-o-y growth of 10% in FY24 over FY23. EBITDA margin also remained comfortable at 30% in FY24 against 29% in FY23. The company has a large asset base constituting of own acquired land of 52 acre along with 170+ trailers and fully developed warehouses to handle both, export and import cargo with two rail lines. Majority of the asset base of the company had been funded through equity, resulting into a satisfactory capital structure. The leverage metrics continue to remain comfortable with total debt/PBILDT at 2.11x (PY: 2.05x).

**Favourable 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 container freight stations (CFS) and ICDs, which offer services for containerisation of break bulk cargo and also handle custom activities and are an integral component of the logistics sector infrastructure and a facilitator of EXIM trade of the country. However, the long-term prospects of the industry remain favourable due to the huge potential pertaining to the containerisation of cargo in India, container train operations, the growing port capacities at Indian major and minor ports, and the huge demand for ancillary services and economic growth.

## Key weaknesses

### Moderate scale of operations

The scale of operations of DICT remains moderate as compared to other established multi-modal logistics service providers. Furthermore, the company has short-term agreements with shipping lines of a tenure of one year. In the absence of any long-term contracts for container off-take by customers, DICT remains exposed to the risks arising out of macroeconomic headwinds along with variations in EXIM trade, which may impact the overall revenue profile and profitability of the company in the long term. However, the risk is partly mitigated with the expectation of increasing volumes from HLTH, which has acquired a stake in JMBPL.

### Competition from private and established players

The company faces competition from established large and mid-sized ICD operators in the nearby vicinity regions of the North India. In order to cater to such competition from the nearby ICDs, DICT is planning to expand its notified area, which will further enhance the capacity utilisation levels of the company. Furthermore, with its integrated infrastructure, DICT has been able to establish itself as one of the leading ICDs and cargo handling service providers in the North India region.

### High susceptibility to economic cycles

The performance of the port and shipping services sector is linked to cargo traffic, which in turn, is dependent on the health of the economy and trade imbalance. The port and shipping industry is mainly driven by increase in trade, rise in domestic consumption, growing exports, opening of new ports, and increased government spending in infrastructure, among others. The sector is susceptible to downturns in the economy as well as local government policies regulating trade. In the absence of any long-term contracts for container off-take by customers, DICT remains exposed to the 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 downturns and cyclicity in the global and domestic trade exports.

### Liquidity: Adequate

The liquidity profile is satisfactory with the generation of adequate cash accruals vis-à-vis low debt repayment obligations of ₹12.21 crore for FY25. The fund-based working capital utilisation remained comfortable at around 50-60% for the trailing 12 months ending July 31, 2024. Additionally, the liquidity position of DICT also derives comfort from the strong parentage, i.e., JMBPL. As on March 31, 2024, the cash balance stood at ₹ 32.88 crore.

**Assumptions/Covenants:** Not Applicable

**Environment, social, and governance (ESG) risks:** Not Applicable

## Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

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## About the company and industry

### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Services	Services	Transport Infrastructure	Port & Port services

DICT (formerly known as International Cargo Terminals and Rail Infrastructure Private Limited) was incorporated on February 20, 2006, and is a 100% subsidiary of JMBPL. The company was incorporated as one of the first private retail operators in India. DICT has a Category-3 license from the Indian Railways, which allowed it to offer services from locations of the Jawaharlal Nehru Port (JNPT), Pipavav, Mundra, Chennai or Ennore, Vizag, and Kochi ports, their hinterland and domestic services across India, which was later demerged into JMBPL. Post 2015, the rail business has been transferred under JMBPL while the ICD business continues to remain under DICT.

DICT is engaged in the business of ICD services and related logistics services at Sonipat in Haryana of 120,000 TEUs capacity, which became operational from December 2014. The capacity of the ICD has further increased to 240,000 TEUs post completion of the planned expansion in February 2021.

Post approval of the demerger scheme, DICT is proposed to be transferred to the container division.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	149.38	163.83	39.43
PBILDT	43.91	49.51	12.41
PAT	2.70	39.37	NA
Overall gearing (times)	0.37	0.35	NA
Interest coverage (times)	2.00	1.65	NA

A: Audited UA: Unaudited NA: Not Available; Note: 'the above results are latest financial results available'

**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:** 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
Fund-based - LT-Cash Credit	-	-	-	-	15.00	CARE A+ (RWD)
Fund-based-Long Term	-	-	-	March 31, 2033	111.30	CARE A+ (RWD)
Non-fund-based - LT/ ST-Bank Guarantee	-	-	-	-	6.00	CARE A+ / CARE A1 (RWD)

#### 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based-Long Term	LT	111.30	CARE A+ (RWD)	-	1)CARE A+; Stable (17-Nov-23)	-	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
2	Fund-based - LT-Cash Credit	LT	15.00	CARE A+ (RWD)	-	1)CARE A+; Stable (17-Nov-23)	-	-
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	6.00	CARE A+ / CARE A1 (RWD)	-	1)CARE A+; Stable / CARE A1 (17-Nov-23)	-	-

LT: Long term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities:** Not Applicable

**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based-Long Term	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	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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