

## Hasti Petro Chemical and Shipping Limited

October 10, 2024

| Facilities/Instruments                 | Amount (₹ crore) | Rating <sup>1</sup>         | Rating Action |
|--|------------------|-----------------------------|---------------|
| Long-term bank facilities              | 98.67            | CARE BBB+; Stable           | Reaffirmed    |
| Long-term / Short-term bank facilities | 51.33            | CARE BBB+; Stable / CARE A2 | Reaffirmed    |

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Ratings assigned to the bank facilities of Hasti Petro Chemical and Shipping Limited (HPCSL) continue to derive strength from experienced promoters, integrated presence across verticals in logistics space as a container train operator along with strong presence in inland container depot (ICD) segment in Ahmedabad and Jodhpur and its established relationship with leading shipping lines. Ratings further continue to derive strength from the growth in scale of operation and improvement in profitability in FY24 (refers the period from April 01 to March 31) and adequate liquidity. CARE Ratings Limited (CARE Ratings) take cognisance of moderation in capital structure and debt coverage indicators, as envisaged in last review, albeit it continued to remain healthy. Ratings, however, continue to remain constrained on account of HPCSL's moderate scale of operations in a highly competitive segment which is susceptible to cargo movements and export-import (EXIM) trade volumes. Ratings also factor company's on-going debt-funded capex, which shall aid in expanding its operations while tapping the growing demand.

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

#### Positive factors

- Steady revenue growth with scale up of operations above ₹500 crore while maintaining its profit before interest, lease rentals, depreciation and tax (PBILDT) margins above 17%.

#### Negative factors

- Total debt to PBILDT exceeding 4x on sustained basis.
- Scale of operations declining below ₹250 crore and dip in PBILDT margins below 12%.
- Increase in working capital intensity due to elongation of working capital cycle or large-size debt funded capex leading to stretch on its liquidity or financial risk profile.

### Analytical approach: Standalone

#### Outlook: Stable

The 'Stable' outlook reflects CARE Ratings expectation that HPCSL shall be able to sustain its credit risk profile backed by its established market position as an ICD operator and its comfortable financial risk profile.

### Detailed description of key rating drivers:

#### Key strengths

#### Experienced management with established track record of operations in logistics industry and reputed clientele

HPCSL is promoted by Ramesh Chand Parekh, who has vast experience of over four decades in varied activities like land reformation, township planning, manufacturing, shipping, transportation, and allied services related to import-export activities. His successor Ruchir Parekh, managing director (MD) and chief executive officer (CEO), has an experience of over a decade in the industry and is engaged in managing operations of ICDs.

HPCSL clientele is well-diversified with top five customers accounting for ~46% of total operating income (TOI) in FY24 (PY: 40%). It serves diverse business spanning from shipping and logistics to supply chain management. Over the years, they have established relationship with shipping lines and custom house agents which helps in attracting traffic at its ICD facility.

#### Broad spectrum of services provided by the company with healthy capacity utilisation

HPCSL offers integrated services through ICDs, container handling and transportation and warehousing facilities. HPCSL's ICD terminals are strategically located at Ahmedabad, Gujarat and Jodhpur, Rajasthan, which is well connected by road with gateway ports of Mundra, Pipavav, Nhava Sheva, JNPT and Kandla. These ICDs are capable to handle ~2,05,000 twenty-foot equivalents (TEUs) of cargo movements along with ~5,04,000 square feet (sq ft) of domestic and custom-bonded warehouses. With the increase in EXIM traffic, capacity utilisation of ICDs increased from ~76% in FY23 to ~81% in FY24.

Going forward, capacity utilisation is expected to grow steadily on the back on increased import trade volume at Jodhpur ICD coupled with growing EXIM trade volumes at Ahmedabad ICD, on account of Western Dedicated Freight Corridor (WDFC). Also,

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

considering the growing demand, HPCSL availed additional lease-hold land in FY24, which led to increase in capacity to ~1,45,000 TEUs for ICD Ahmedabad as on March 31, 2024.

### **Improvement in profitability**

PBILDT margins of the company improved by 335 bps to 16.55% in FY24 backed by significant savings in lease rentals cost with procurement of own rakes. HPCSL currently operates through 10 rakes, of which 7 rakes are owned by the company and 3 rakes are leased. Of the 7 owned rakes, 2 were deployed in FY23, 4 in FY24 and 1 in Q1FY25 leading to substantial cost saving. Profit after tax (PAT) margin remained stable at 5.00% in FY24 (FY23: 5.85%). Marginal moderation was on account of increase in depreciation and finance costs, due to completion of debt funded capex. Gross Cash Accruals (GCA) of HPCSL grew from ₹33.39 crore in FY23 to ₹44.74 crore in FY24.

### **Healthy financial risk profile albeit some moderation in FY24**

Total debt of HPCSL increased from ₹180.38 crore as on March 31, 2023, to ₹230.15 crore as on March 31, 2024, owing to debt-funded capex undertaken by the company in FY24. Capex of ~₹120 crore towards procurement of four own rakes, construction of warehouse and development of road infrastructure at existing ICDs was completed in August 2023. Further, out of capex of ~₹60 crore for procurement of additional four own rakes, ~₹42 crore was incurred in FY24 and balance in Q1FY25.

While company has healthy tangible net-worth base of ₹179.16 crore as on March 31, 2024, additional debt availed for capex led to moderation in overall gearing from 0.78x as on March 31, 2023, to 1.01x as on March 31, 2024.

Debt coverage indicators continue to remain comfortable albeit with some moderation marked by PBILDT interest coverage and TD/GCA of 4.74x and 4.03x, respectively in FY24 as against 7.46x and 3.76x, respectively in FY23.

### **Key weaknesses**

#### **Moderate scale of operations and its susceptibility to cargo movement and EXIM trade volumes**

HPCSL reported growth of ~16% in TOI from ₹311.13 crore in FY23 to ₹361.71 crore in FY24. Growth in TOI was on account of increase in cargo movements due to increase in EXIM trade volumes at both ICDs. Though growing, scale of operations remains moderate and susceptible to economic cycles, variations in EXIM trade volumes and cargo movements. Sluggishness in Indian EXIM trade, in case of a steep fall in global trade, could impact HPCSL's utilisation levels and profitability and remains a key rating monitor.

#### **Project risk related to the on-going debt funded capex**

HPCSL is undertaking two expansion projects. First is to establish a private freight terminal (PFT) at Hanwant, Jodhpur and second is establishment of ICD at Jaipur, Rajasthan.

PFT Hanwant has an estimated project cost of ₹60 crore to be funded through D:E mix of 1.84x. Construction of PFT is expected to be completed by October 2024 and while work for supporting infrastructure is expected to complete by March 2025. As on August 31, 2024, HPCSL incurred total cost of ~₹36 crore which was funded from the term loan of ₹21.81 crore and balance from the internal accruals.

Total estimated cost for ICD Jaipur is ₹137 crore, which is expected to be funded through a term loan of ₹80-90 crore and balance through equity infusion by promoters as well as internal accruals. The management has also articulated plans for equity infusion of ~₹40-50 crore in the medium term as part of capex funding which shall aid the liquidity. The project is currently under nascent stage and expected to complete by September 2025.

Although, HPCSL's total debt is envisaged to increase further on account of aforementioned capex plans, its financial risk profile is envisaged to remain healthy backed by healthy profitability and growing cash accruals.

#### **Highly competitive and fragmented freight logistics industry**

Road freight transport industry is deregulated, highly fragmented and faces intense competition due to low entry barriers. ~80-85% of the road freight transport industry consists of small transport operators that own less than five trucks, are fragmented and unorganised. High fragmentation and intense competition lead to unhealthy price wars and discounts resulting in pressure on margins and depressed freight rates. However, the country is geographically classified in three zones, green, blue and red zone for purpose of opening new ICDs and CFS basis existing infrastructure, locations with import-export potential and need for new facilities. Blue and red zones restrict entry of new ICDs and CFS to certain extent.

#### **Liquidity: Adequate**

The liquidity of HPCSL remains adequate marked by low debt repayment obligations vis-à-vis GCA levels, cushion in terms of unutilised working capital limits, healthy unencumbered cash and liquid investments, healthy cash flow from operations and lean operating cycle. HPCSL is envisaged to generate GCA of ₹ 50-55 crore against which it has debt repayment obligation of ~₹24 crore in FY25.

HPCSL had free cash and liquid investments of ₹30.09 crore as on March 31, 2024 (₹31.58 crore as on March 31, 2023). HPCSL generated cashflow from operations of ₹54.47 crore in FY24 (FY23: ₹ 34.41 crore) while average utilisation of fund-based working capital facilities remained low at ~46% for the last twelve months ended July 2024.

Current ratio and quick ratio of company remained comfortable at 1.19x and 1.14x, respectively in FY24 (FY23: 1.56x and 1.50x, respectively). Operating cycle remained lean at 24 days as on FY24 end (FY23: 20 days).

### Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

[Short Term Instruments](#)

### About the company and industry

#### Industry classification

| Macroeconomic indicator | Sector   | Industry           | Basic industry              |
|-------------------------|----------|--------------------|-----------------------------|
| Services                | Services | Transport services | Logistics solution provider |

HPCSL is engaged in operations of Inland Container Depots (ICD) including container stuffing and de-stuffing, bonded and general warehouse facility, cargo consolidation, distribution, container storage, freight forwarding, container repair and railway siding services. In 2001, HPCSL set up its first ICD in Rajasthan at Jodhpur, known as 'The Thar Dry Port', with capacity to handle 60,000 Twenty-foot Equivalent Units (TEUs). Thereafter, in 2009, HPCSL set up its second ICD at Ahmedabad to cater Delhi-Mumbai industrial corridor with capacity to handle ~1,45,000 TEUs.

ICD at Ahmedabad is a PFT which is well equipped with three rail sidings to handle rake operations. As a step towards backward integration for transshipment of ISO containers, the company developed a strong fleet of over 200 owned and leased trailers with latest GPS technology. HPCSL has offices situated at New Delhi, Jaipur, Mumbai, Kandla, Pipavav and Mundra.

| Brief Financials (₹ crore) | March 31, 2023 (A) | March 31, 2024 (A) | Q1FY25 (UA) |
|----------------------------|--------------------|--------------------|-------------|
| Total operating income     | 311.13             | 361.71             | 85.61       |
| PBILDT                     | 41.08              | 59.86              | 18.20       |
| PAT                        | 18.21              | 18.09              | 7.28        |
| Overall gearing (times)    | 0.78               | 1.01               | 1.02        |
| Interest coverage (times)  | 7.46               | 4.74               | 5.27        |

A: Audited UA: Unaudited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Brickwork has conducted review based on best available information and continued rating of HPCSL in INC category vide PR dated January 18, 2024, on account of inadequate information and lack of management cooperation.

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

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

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities**

| Name of the Instrument          | ISIN | Date of Issuance | Coupon Rate (%) | Maturity Date | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook |
|---------------------------------|------|------------------|-----------------|---------------|-----------------------------|------------------------------------|
| Fund-based - LT-Term Loan       | -    | -                | -               | March 2033    | 98.67                       | CARE BBB+; Stable                  |
| Fund-based - LT/ ST-Cash Credit | -    | -                | -               | -             | 15.00                       | CARE BBB+; Stable / CARE A2        |
| Fund-based/Non-fund-based-LT/ST | -    | -                | -               | -             | 31.58                       | CARE BBB+; Stable / CARE A2        |
| Non-fund-based - LT/ ST-BG/LC   | -    | -                | -               | -             | 4.75                        | CARE BBB+; Stable / CARE A2        |

**Annexure-2: Rating history for 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 - LT-Term Loan              | LT              | 98.67                        | CARE BBB+; Stable           | -   | 1)CARE BBB+; Stable (09-Oct-23)             | 1)CARE BBB; Stable (10-Oct-22)              | 1)CARE BB; Stable; ISSUER NOT COOPERATING* (20-Jul-21) |
| 2       | Fund-based - LT/ ST-Cash Credit        | LT/ST           | 15.00                        | CARE BBB+; Stable / CARE A2 | -   | 1)CARE BBB+; Stable / CARE A2 (09-Oct-23)   | 1)CARE BBB; Stable / CARE A3+ (10-Oct-22)   | 1)CARE BB; Stable; ISSUER NOT COOPERATING* (20-Jul-21) |
| 3       | Non-fund-based - LT/ ST-BG/LC          | LT/ST           | 4.75                         | CARE BBB+; Stable / CARE A2 | -   | 1)CARE BBB+; Stable / CARE A2 (09-Oct-23)   | 1)CARE BBB; Stable / CARE A3+ (10-Oct-22)   | 1)CARE BB; Stable; ISSUER NOT COOPERATING* (20-Jul-21) |
| 4       | Fund-based/Non-fund-based-LT/ST        | LT/ST           | 31.58                        | CARE BBB+; Stable / CARE A2 | -   | 1)CARE BBB+; Stable / CARE A2 (09-Oct-23)   | 1)CARE BBB; Stable (10-Oct-22)              | 1)CARE BB; Stable; ISSUER NOT COOPERATING* (20-Jul-21) |

\*Issuer did not cooperate; based on best available information.

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

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

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

| Sr. No. | Name of the Instrument          | Complexity Level |
|---------|---------------------------------|------------------|
| 1       | Fund-based - LT-Term Loan       | Simple           |
| 2       | Fund-based - LT/ ST-Cash Credit | Simple           |
| 3       | Fund-based/Non-fund-based-LT/ST | Simple           |
| 4       | Non-fund-based - LT/ ST-BG/LC   | Simple           |

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

### Contact us

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| <p><b>Media Contact</b></p> <p>Mradul Mishra<br/>Director<br/><b>CARE Ratings Limited</b><br/>Phone: +91-22-6754 3596<br/>E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a></p> <p><b>Relationship Contact</b></p> <p>Pradeep Kumar V<br/>Senior Director<br/><b>CARE Ratings Limited</b><br/>Phone: 914428501001<br/>E-mail: <a href="mailto:pradeep.kumar@careedge.in">pradeep.kumar@careedge.in</a></p> | <p><b>Analytical Contacts</b></p> <p>Kalpesh Ramanbhai Patel<br/>Director<br/><b>CARE Ratings Limited</b><br/>Phone: 079-40265611<br/>E-mail: <a href="mailto:kalpesh.patel@careedge.in">kalpesh.patel@careedge.in</a></p> <p>Jignesh Trivedi<br/>Assistant Director<br/><b>CARE Ratings Limited</b><br/>Phone: 079-40265631<br/>E-mail: <a href="mailto:jignesh.trivedi@careedge.in">jignesh.trivedi@careedge.in</a></p> <p>Bhaumik Shah<br/>Analyst<br/><b>CARE Ratings Limited</b><br/>E-mail: <a href="mailto:Bhaumik.shah@careedge.in">Bhaumik.shah@careedge.in</a></p> |
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### About us:

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