

J M Baxi Ports & Logistics Private Limited

April 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	633.76 (Enhanced from 488.89)	CARE A+; Stable	Reaffirmed
Long-term / short-term bank facilities	120.00	CARE A+; Stable / CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation in the rating assigned to bank facilities of J M Baxi Ports and Logistics Private Limited (JMBPL) continues to derive strength from strong promoter group with extensive experience in maritime sector, diversified revenue stream, and presence in the entire value chain of logistics and port infrastructure with operations in container handling, bulk cargo, container freight stations (CFS), inland container depot (ICD) and container train operations, and demonstrated ability to successfully execute brownfield and greenfield projects at various ports. The ratings take cognizance of stable growth in operating income alongwith improvement in operating margins in 9MFY24 (refers to April 01 to December 31), adequate liquidity and favourable industry outlook.

The business operations are expected to strengthen further, going forward, with the recently awarded five new terminals i.e. two at JNPT (West Coast; Container and Bulk terminal which are brownfield expansions), one at Mumbai Port (West Coast; Cruise terminal), one at Tuticorin (East Coast; Container Terminal) and one at Visakhapatnam (East Coast; Bulk Terminal). The container and bulk terminal at JNPT have commenced revenue generation during FY24 with entire capacities for all new terminals expected to come onstream by FY26.

The rating also factors in the completion of 40% stake acquisition by Hapag Llyod AG (HLAG) in JMBPL in April 2023. HLAG is one of the largest shipping container terminal operators globally with wide spread presence and strong financial risk profile. In line with CARE Ratings Limited's (CARE Ratings) expectation, the acquisition resulted in business synergies with onboarding of HLAG. Few of the terminals like Visakhapatnam have witnessed cargo ramp up and increased usage by HLAG during 9MFY24.

Ratings also factor in project execution risk for its newly awarded terminals projects, high susceptibility to economic cycles including red sea crisis, and intense competition from existing terminals and nearby ports on the eastern and western coast of India. Moreover, JMBPL has extended shortfall undertakings to debt raised by various subsidiaries. Going forward, timely completion of these project without any cost overrun and subsequent ramping up of cargo will be key rating sensitivity.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Scaling of cargo volume post completion of projects with sustained increase in profit before interest, lease rentals, depreciation, and tax (PBILDT) margin.
- Improvement in net debt/PBILDT to less than 3.25x on sustained basis.

Negative factors

- Delay in ramp up of overall volumes adversely impacting the debt service coverage ratio (DSCR)
- Significant cost and/or time overrun in the new terminal projects
- Dilution of strategic importance of HLAG for JMBPL

Analytical approach: Consolidated

The credit assessment of JMBPL is based on consolidated business and financial risk profile of the company and its subsidiaries alongwith JVs as most of the entities are linked through a parent-subsidiary relationship and collectively have management, business and financial linkages. Entities have integrated business operations and are engaged handling port infrastructure assets. JMBPL has extended corporate guarantees to its few of its subsidiaries. Companies consolidated in JMBPL as on March 31, 2023, is listed in Annexure-6.

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

Outlook: Stable

The Stable outlook reflects that JMBPL will continue to maintain its competitive position in the domestic port & logistics infrastructure alongwith strengthening of business risk profile with acquisition of stake by HLAG in the medium term. These factors, along with a favourable long-term outlook for containerized cargo, will aid a sustained improvement in financial performance and support its credit profile.

Detailed description of the key rating drivers:**Key Strengths****Strong promoter group and synergies expected from new investor**

JMBPL is part of J M Baxi group, which has an established presence in the Indian maritime sector with over 100 years+ of experience and a diversified business profile across the entire value chain of logistics and port infrastructure and a diversified revenue profile. The group has demonstrated strong execution capabilities of port infrastructure assets and established track record of operations in various fields of maritime industry. The promoters, Mr Krishna Kotak and Mr Dhruv Kotak have vast experience of over three decades in the industry and have spearheaded the group's diversification and expansion from shipping agency service in early 1900's to one of India's largest maritime conglomerate.

In April 2023, Hapag Llyod AG (HLAG) acquired 40% stake in JMBPL. HLAG is one of the leading global container shipping company and the said strategic acquisition is expected to result in operational synergies for JMBPL's existing terminals as well as newly awarded terminals. The synergies has witnessed with ramping up of cargo at Vizag terminal. The comfortable financial and credit profile of HLAG also strengthened financial flexibility for the group. For CY23, revenue and profit after taxes (PAT) of HLAG was €17,929 million and €2,951 million respectively with net worth of €18,767 million as on December 31, 2023.

Improved cargo volumes in 9MFY24 post moderation in FY23

The overall throughput of JMBPL during FY23 has moderated on account of Russia-Ukraine war, imposition of export duty on iron ore, steel products, rice and other items which has led to lower than anticipated ramp up of cargo. Further, major drop in utilization was observed in vizag terminal due to the under-utilization of recently completed large expansion under VCT-II terminal in March 2022.

The highest capacity of JMBPL (consolidated) is at Vishakhapatnam terminals operated under Vishaka Container Terminal Private Limited (VCTPL; rated CARE A+; Stable / CARE A1), Paradip terminal under Paradip International Cargo Terminal Private Limited (PICTPL; rated CARE A; Stable / CARE A1), Kandla terminal under Kandla International Container Terminal Private Limited (KICTPL; rated CARE A+; Stable).

However, during 9MFY24, with the HLAG coming in as partner, the overall volumes has witnessed improvement primary driven by VCTPL with growth of above 30%. Further, the brownfield under construction terminals at JNPT i.e. Nhava Sheva Freeport Terminal Private Limited (NSFT; rated CARE A+; Stable / CARE A1) and Nhava Sheva Distribution Terminal Private Limited (NSDT; rated CARE A-; Stable / CARE A2+) has also shown ramping up of cargo as in envisaged lines. However, cargo growth remains flattish in PICTPL and KICTPL due to economic factors and change in cargo composition. Ramp up of cargo volumes across terminals in envisaged lines shall be crucial from credit perspective.

Stable growth in operating income coupled with improvement in margins during 9MFY24

JMBPL's operating income at consolidated level has increased during FY23 at ₹1872 crore (excluding service concession revenue) thereby depicting growth of ~12% over FY22. The growth is led by rail operations as well as project logistics segment. During 9MFY24, JMBPL continued to report improvement in operating income (by ~13% over FY23 on an annualized basis) to ₹1594 crore on the back of increase in cargo volumes.

Overall adjusted PBILDT margin has remained in the range of 22%-24% during FY22 and FY23. However, during 9MFY24, the margins has been improved to 27% on account of margins improvement in VCTPL and KICTPL. Hence, scaling up of total operating income alongwith sustained maintenance in margins will be important from credit perspective.

Comfortable capital structure supported by equity infusion from HLAG

With subdued performance during FY23, the leverage and debt coverage moderated. However, with infusion of primary equity by HLAG and improved performance in current fiscal, the capital structure is expected to witness healthy improvement by March 31, 2024.

However, the debt coverage metrics are likely to weaken momentarily during the interim period of FY25 due to large portion of capex and borrowings will be undertaken for operationalization of new terminals for which PBILDT contribution will receive subsequently. Nevertheless, given the two of the new projects at JNPT are having brownfield expansion, it has partially started operations and generating cashflow, presence of strategic JV partners in two out of five new projects and business synergies expected from HLAG, CARE Ratings expect volumes to pick up in new terminals thereby contributing to EBITDA from FY25-26 onwards.

Favourable Industry outlook

Overall cargo throughput at Indian ports is at its all-time peak at 1433 MMT in FY23 and is 1400 MMT during 11FY24 representing y-o-y growth of 8%. The throughput has shown y-o-y growth from FY16 to FY23 with compounded annual growth rate (CAGR) growth of around 4% in Major Ports and around 5% in Minor Ports. Overall CAGR remained at 4.3% as against GDP growth of 10%. Increasing investment and cargo traffic suggest a healthy outlook for the Indian ports sector. As per the maritime India Vision 2030, 150+ initiatives identified across ports, shipping and waterways with prime focus on world class port infrastructure, coupled with reducing logistics cost and enabling multi-modal shift. Further, the long-term prospects of the industry remain favourable due to huge potential pertaining to containerization of cargo in India, container train operations, growing port capacity at Indian major and minor ports and huge demand for ancillary services and economic growth.

Key weaknesses**Project execution risk for the underlying capex**

JMBPL has planned consolidated capex (including of JVs) put together at ₹3200 crore – ₹3400 crore over the next three years with construction period of new terminals ranging between 18 months to 36 months. This results in high project execution risk. However, the comfort is derived from completion of financial closure for all the projects, receipt of date of award of concession in majority of the projects and presence of strategic joint venture partner in two of the newly awarded terminals thereby mitigating the cargo throughput risk. All the newly awarded terminals will have the tariff autonomy to the concessionaire. The new terminals is expected to contribute to scaling up of operation going forward in light of longer concessions.

All the projects are progressing in line with the management planned progress except NSFTPL which has witnessed delayed progress due to delay in receipt of approvals of Environmental Clearance (EC) and Consent to Establish (CTE) which was in scope of Authority as per Concession Agreement. However, no major overrun is expected. JMBPL has partially infused the equity commitment required in the new terminals and arranged the funds for the balance portion on consolidated basis. JMBPL, through its subsidiary Ballard Pier Private Limited (BPPL; rated CARE A-; Stable), is also developing a international cruise terminal at Indira Dock, Mumbai. All the project's financing documents stipulates conditions for sponsor support undertaking for any cost overrun as well as shortfall funding in case of termination. Further to that JMBPL has strong execution track record with successful execution of multiple projects at Kandla, Paradip and expansion at Vizag terminal. Hence, any significant cost or time overrun in the project will be a key rating sensitivity.

High competition from existing terminals and other ports coupled with presence of MGT clause

Due to the presence of many major and non-major ports on the eastern and western coast of India, the SPVs of JMBPL face stiff competition. For the terminals on the west coast, it will face stiff competition from existing terminals operators within the port at JNPT, while Mundra Port, Mumbai Port and Tuna Tekra from inter port terminals. For the terminals in the eastern coast, it will face competition from existing terminal operators within the port at Tuticorin, while Chennai Port, Cochin Port and Gangavaram port from inter port terminals.

This apart, presence of minimum guaranteed tonnage (MGT) clauses in the concession agreement with absence of firm long-term agreements may impact the profitability in case of lower volumes. While JMBPL is fulfilling the MGT clauses at all terminals, continuity of same is important.

High susceptibility to economic cycles

The performance of the port/shipping service sector is linked to cargo traffic, which in turn, is dependent on the health of the economy and trade imbalance. The port/shipping service industry is mainly driven by increase in trade, rise in domestic consumption, growing exports, opening of new ports and increased government spending in infrastructure, etc. The sector is susceptible to downturn in the economy as well as local government policies regulating trade. The volumes handled also remain susceptible to any economic downturn and cyclicity in global and domestic trade exports. Further, due to ongoing red sea crisis, many shipping liner companies began rerouting their vessels leading to a longer journey time and rising freight cost. The lingering of the crisis will impact the global transport volumes. However, the company's established relationships with top shipping lines, tie up with joint venture partner in two new terminals and strategic global container shipping investor partially mitigate the risk to a certain extent.

Liquidity: Adequate

JMBPL's liquidity is adequate, with the company generating sufficient accruals against debt servicing requirement. The company, at standalone level, had cash and bank balance of ₹568 crore as on December 31, 2023 (₹120 crore as on March 31, 2023). At consolidated level, the balance was ₹746 crore as on December 31, 2023 (₹315 crore as on March 31, 2023). This apart, JMBPL

(at standalone level) has sanctioned fund-based limit of ₹56 crore and utilisation has been low with average utilisation being below 10% during the last 12-month period ended on December 2023.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Consolidation](#)
[Definition of Default](#)
[Factoring Linkages Parent Sub JV Group](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Port & Port services](#)
[Financial Ratios – Non financial Sector](#)
[Infrastructure Sector Ratings](#)
[Short Term Instruments](#)

About the company and industry

Industry Classification

Macro-economic indicator	Sector	Industry	Basic industry
Services	Services	Transport services	Transport related services

JMBPL is the flagship entity of the J M Baxi group and has currently business operations at eight ports in India spread equally on the eastern and western coasts, resulting in geographical diversification. JMBPL (consolidated) has an established presence in end-to-end value chain of the port infrastructure business with terminals in Visakhapatnam, Paradip, Kandla, JNPT, Tuticorin, Rozi, and Haldia.

The company has a container freight stations (CFS) in Uran (JNPT), Inland container depot (ICD) and Cold store at Sonipat, Haryana, Project, and bulk logistics operation across India. The combined total capacity of these operations is about 46 MMT (of which about 40 MMT/ 26,50,000 TEUs is container) as on March 31, 2023.

The company also has container train operations with category III license to derive integration benefits at port-locations between Sonipat, Vishakhapatnam, Kandla and Pipavav. Currently, it is operating 25 rakes and has plans for expansion in line with the addition of new terminals.

Brief Financials – Consolidated (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	2311	1912	NA
Adjusted TOI*	1669	1872	1593
PBILDT	394	421	423
PAT	104	44	NA
Overall gearing (times)	2.07	2.38	NA
Interest coverage (times)	2.57	1.87	NA

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

*Adjusted total operating income is excluding service concession revenue.

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		-	-	-	81.00	CARE A+; Stable
Fund-based - LT-Term Loan		-	-	31/12/2038	552.76	CARE A+; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	120.00	CARE A+; Stable / CARE A1

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 2023-2024	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
1	Fund-based - LT-Term Loan	LT	552.76	CARE A+; Stable	1)CARE A+; Stable (07-Apr-23)	1)CARE A; Stable (06-Apr-22)	1)CARE A; Stable (21-May-21)	-
2	Fund-based - LT-Cash Credit	LT	81.00	CARE A+; Stable	1)CARE A+; Stable (07-Apr-23)	1)CARE A; Stable (06-Apr-22)	1)CARE A1 (21-May-21)	-
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	120.00	CARE A+; Stable / CARE A1	1)CARE A+; Stable / CARE A1 (07-Apr-23)	1)CARE A; Stable / CARE A1 (06-Apr-22)	1)CARE A1 (21-May-21)	-

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 the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	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](#)

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Delhi International Cargo Terminal Private Limited	Full	Subsidiary with 100% shareholding
2	Visakha Container terminal Private Limited	Full	Subsidiary with 100% shareholding
3	Haldia International Container Terminal Private Limited	Full	Subsidiary with 100% shareholding
4	Paradip International Cargo Terminal Private Limited	Full	Subsidiary with 100% shareholding
5	Kandla International Container Terminal Private Limited	Full	Subsidiary with 100% shareholding
6	J M Baxi Heavy Private Limited	Full	Subsidiary with 100% shareholding
7	Vir varenya Shipping Singapore Pte. Limited	Full	Step-Subsidiary with 100% shareholding
8	Ballard Pier Private Limited	Full	Subsidiary with 100% shareholding
9	J M Baxi Cool Private Limited	Full	Subsidiary with 100% shareholding
10	Nhava Sheva Distribution Terminal Private Limited	Full	Subsidiary with 100% shareholding
11	Tuticorin International Container Terminal Private Limited	Full	Subsidiary with 100% shareholding
12	Nhava Sheva Freeport Terminal Private Limited	Moderate	Joint Venture with 50% Shareholding
13	Vizag Multipurpose Terminal Private Limited	Moderate	Joint Venture with 50% Shareholding

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.

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About us:

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