

January 28, 2022

Ashutosh Container Services Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term: Fund-Based - Unallocated	US \$ 2.93 million	US \$ 2.93 million	[ICRA]BBB+ (Stable); reaffirmed
Long term: Non-fund based - Unallocated	0.20	0.20	[ICRA]BBB+ (Stable); reaffirmed
Total	0.20 + US \$ 2.93 million	0.20 + US \$ 2.93 million	

*Instrument details are provided in Annexure-1

Rationale

The rating reaffirmation factors in Ashutosh Container Services Private Limited's (ACSPL) healthy financial risk profile, characterised by healthy profit margins and return indicators, robust capital structure, comfortable debt protection metrics and strong liquidity position. The rating also considers the established relationship of the promoters with shipping lines and custom house agents (CHAs). ICRA also considers the locational advantage enjoyed by the company due to its proximity to the Mundra port and the Mundra special economic zone

The rating, however, remains constrained by ACSPL's modest scale of operations, reporting a marginal growth in revenue at Rs. 70.4 crore in FY2021 compared with Rs 67.8 crore in the previous fiscal. Further, the rating takes into account the company's exposure to the intense competition in the container freight station industry at the Mundra port. The presence of other container freight stations (CFS) results in an aggressive pricing strategy among players to gain a higher market share. Moreover, the company's revenue growth is also susceptible to economic slowdown and government policies on export-import trade, which could impact container volume handling and the realisations.

The Stable outlook on the [ICRA]BBB+ rating reflects ICRA's opinion that ACSPL will continue to benefit from the established relationship of its promoters with various shipping lines and CHAs.

Key rating drivers and their description

Credit strengths

Established relationship of promoters with various shipping lines and CHAs- ACSPL was incorporated in 2003 as a joint venture between the Thacker family and the Ashapura Group of companies. The company has developed a strong relationship with various shipping lines and CHAs over the years. Also, the Thacker family's ownership of Shubham Shipping Services Pvt. Ltd., which has been a custom house agent at the Mundra port since 1977, supports the company's revenue.

Healthy financial profile- ACSPL's revenue grew 3.8% in FY2021 and the OPM and NPM improved to 22.4% and 17.0%, respectively, compared with 17.0% and 12.3% in FY2020, despite lower volumes on account of Covid-19, due to higher storage income and tariff revisions. In line with the improvement in profitability, the return indicators have also improved with ROCE of 16.3% in FY2021 against 12.7% in FY2020. Owing to the low debt level and the strong net worth base of Rs. 92.4 crore, the capital structure remained robust as on March 31, 2021—the gearing was 0.07 time and the TOL/TNW was 0.19 time. The debt coverage indicators of the company also remained healthy with interest coverage at 31.4 times and the total debt/ OPBDITA at 0.4 time as on March 31, 2021.

Credit challenges

Moderate scale of operations with single facility – The company’s revenue witnessed marginal growth though remaining moderate at Rs. 70.4 crore in FY2022 compared with Rs. 67.8 crore in FY2020, driven by increase in storage income and auction sales which mitigated the impact of lower container handling income. In H1 FY2022, the company reported a revenue of around Rs. 31 crore.

Intense competition; healthy relationships with CHAs/shipping lines and stable customer base mitigate the risk to some extent - The intense competition in the container freight station industry due to the presence of other CFSs at the Mundra port exerts pressure on the company’s revenue and profitability. However, the established relationship of the company with various shipping lines and CHAs and the stable customer base mitigate the risk to some extent.

Revenue growth susceptible to economic slowdown and government regulations - The company’s revenue growth remains susceptible to the global economic slowdown and the changes in the government’s policies on export-import trade.

Liquidity position: Strong

ASCPL’s liquidity position is strong, supported by expected healthy cash accruals against a repayment obligation of Rs. 5.0 crore in FY2022 and 1.2 crore in FY2023 and a capex of ~Rs. 5 crore in FY2022 and expected capex of Rs. 10 crore in FY2023. The liquidity profile is further supported by unutilised working capital limits along with healthy cash and cash equivalents of Rs. 44.9 crore as on March 31, 2021 and Rs. 49.9 crore as on September 30, 2021. However, ICRA notes that company has done buyback of shares worth Rs. 18.9 crore in October 2021.

Rating sensitivities

Positive factors – ICRA could upgrade ACSPL’s rating if the company demonstrates significant revenue growth and healthy profit margins on a sustained basis, while maintaining its healthy capital structure and coverage indicators.

Negative factors – The rating could face downward pressure if there is a sustained moderation in sales and margin due to increased competition, slowdown in cargo volumes at the Mundra port or due to any regulatory changes. Further, any large debt-funded capex, continued buybacks or a stretched working capital cycle could weaken the liquidity profile, triggering a downgrade.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not Applicable
Consolidation/Standalone	The assigned ratings are based on the standalone financial statements of ACSPL.

About the company

ACSPL was incorporated in 2003 and is promoted by the Shubham Group, which holds 74% of the company's share capital. The remaining 26% shares are held by the Ashapura Group, which is involved in mineral mining. The company operates a CFS, spread over 30 acres, about 8 km from the Mundra port in Gujarat. The major commodities handled include metal scrap, bitumen, stone slabs and agricultural products such as soya, peanuts, cotton, pulses and rice.

Key financial indicators (audited)

	FY2020	FY2021
Operating Income (Rs. crore)	67.8	70.4
PAT (Rs. crore)	8.3	12.0
OPBDIT/OI (%)	17.0%	22.4%
PAT/OI (%)	12.3%	17.0%
Total Outside Liabilities/Tangible Net Worth (times)	0.2	0.2
Total Debt/OPBDIT (times)	0.5	0.4
Interest Coverage (times)	20.7	31.4

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years			
	Type	Amount Rated (Rs. crore)	Amount Outstanding as on Mar 31, 2021 (Rs. crore)	Date & Rating on	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019	
				Jan 28,2022	Oct 22,2020	Sep 25,2019	Jul 30,2018	
1 Term Loans	Long Term	US \$ 2.93 million	-	-	-	[ICRA]BBB+ (Stable)	[ICRA]BBB (Stable)	
2 Bank Guarantee	Long Term	0.20	-	-	-	[ICRA]BBB+ (Stable)	[ICRA]BBB (Stable)	
3 Fund-based limits - Unallocated	Long Term	US \$ 2.93 million	-	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	-	-	
4 Non-fund based limits - Unallocated	Long Term	0.20	-	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	-	-	

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based limits -Unallocated	NA
Non-fund based limits -Unallocated	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or

complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No./Bank Name	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Fund-based limits - Unallocated	NA	NA	NA	US \$ 2.93 million	[ICRA]BBB+ (Stable)
NA	Non-fund based limits - Unallocated	NA	NA	NA	0.20	[ICRA]BBB+ (Stable)

Source: Company

Annexure-2: List of entities considered for consolidated analysis – Not applicable

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