

February 28, 2023

## Transworld Terminals Private Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loan	50.00	50.00	[ICRA]A- (Stable); reaffirmed
Short-term – Non-fund based	15.00	15.00	[ICRA]A2+; reaffirmed
<b>Total</b>	<b>65.00</b>	<b>65.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

While arriving at the ratings, ICRA has taken a consolidated view of Transworld Terminals Private Limited (TTPL) and its group company, TG Terminals Private Limited (TGPL). Together they are being referred to as the Group due to their common promoters, similar business sectors and the management’s ongoing plans to merge TGPL into TTPL.

The rating reaffirmation reflects TTPL’s established relationships with shipping lines and custom house agents as well as its parentage as part of Transworld Singapore, which has operations spanning the entire value chain of the shipping industry. The ratings also consider the favourable long-term demand outlook for container trade growth at the Mundra and JNPT ports. Moreover, the limited external borrowings of the Group have resulted in healthy coverage ratios. The ratings further take into consideration the improvement in cargo volumes at the Kolkata container freight station (CFS), which had commenced operations in FY2019.

The ratings are, however, constrained by the vulnerability of profitability to economic downturns and the intensely competitive CFS market at the Mundra, JNPT (Mumbai) and Kolkata ports. Further, the foray of TTPL into new business segments increases marketing risks and the company’s ability to operate these businesses at healthy profitability levels remains to be seen.

The Stable outlook on the [ICRA]A- rating reflects ICRA’s opinion that the Group’s credit profile would remain comfortable, given the limited outstanding external debt and it will continue to benefit from the extensive experience of its promoters in the CFS industry.

### Key rating drivers and their description

#### Credit strengths

**Established presence in shipping industry value chain** – TTPL enjoys established relationships with several shipping lines as well as custom house agents. It has a strong parentage as part of Transworld Singapore, whose operations have spanned the entire value chain of the shipping industry for over three decades. Transworld Singapore consists of several companies handling different aspects of shipping, providing a wide range of services involving shipping agency, vessel operation, freight forwarding, customs clearance, land transportation and container freight stations, break-bulk shipments, container empty depots and container repairs.

**Favourable long-term outlook for containerised cargo at Mundra and JNPT ports** – As one of the key CFS players at the Mundra and JNPT ports, the Group will benefit from the expected increase in containerised cargo at these ports over the long term. The healthy demand scenario from the hinterland as well as from the domestic market is expected to support the cargo volumes being handled at these ports, going forward.

**Healthy capital structure and coverage indicators** – Repayment of the entire debt in FY2022 and a healthy net worth base ensured that TTPL's capital structure remained comfortable on a consolidated basis<sup>1</sup> as on March 31, 2022. Its coverage indicators were also healthy, with interest coverage at 68.7 times and TOL/TNW at 0.13 times in FY2022. Further, considering group entity TG Terminal Private Limited on an adjusted consolidated basis, the gearing was nil as on March 31, 2022, and the coverage indicators remained healthy with interest coverage at 160.3 times and TOL/TNW at 0.13 times in FY2022.

### Credit challenges

**Modest profitability in Kolkata CFS and new business verticals; market risk with new businesses** – TTPL (standalone) set up the Kolkata CFS in February 2019, and since then its scale of business has increased substantially. The Kolkata CFS has turned profitable from FY2021 with EBITDA of Rs. 2.4 crore in FY2021 and Rs. 3.07 crore in FY2022. Further, the company has ventured into several new businesses, such as cold chain transportation, freight forwarding, third-party logistics, repair of refrigerated shipping containers and trading, which are still in their nascent stages, although the revenue has been increasing in recent years, including FY2022, and has turned profitable in FY2022. The subdued profitability of the new CFS and business segments had moderated the OPM of the standalone entity to ~6.2-8.2% in the last four years (FY2019-FY2022) from 16.3% in FY2018. However, on a consolidated basis, the OPM was 13.6% in FY2022 and further considering group entity TG Terminal Private Limited, the adjusted consolidated top line was Rs. 387.7 crore and the OPM 19.1% in FY2022. Moreover, even though the capex requirement for the new businesses is low with minimal dependence on external borrowings, the ability of TTPL to tie-up with customers and ensure healthy profitability from these businesses remains to be seen.

**CFS operations exposed to economic downturns** – The profitability of the Group remains vulnerable to economic downturns, which affect the amount of trade flows in and out of the country. The realisation levels of the CFS players are also impacted by the fluctuations in world economies. The profitability is also vulnerable to high competitive intensity at the Mundra, JNPT and Kolkata stations. The competition at the Mundra and JNPT ports is very intense on account of several competitors, which has led to a build-up of surplus container storage and handling capacity. Further, the Kolkata CFS, which was set up recently, is yet to establish its position and has not yet captured a strong market share.

### Liquidity position: Adequate

TTPL's liquidity profile is adequate with positive fund flow from operations generated over the last three years. On a consolidated basis (including TGPL), the Group is debt-free with a free cash balance of Rs. 68.9 crore as on March 31, 2022, while the company has not availed any fund-based working capital facilities. ICRA does not foresee any concerns on liquidity, as there are no debt repayments and no major capital expenditure plans in the near term.

### Rating sensitivities

**Positive factors** – The ratings may be upgraded if the company ramps up its scale of operations and improves its profitability margins, while efficiently managing its working capital cycle on a sustained basis.

**Negative factors** – The ratings may be downgraded if there is any decline in revenues and profitability, affecting the liquidity profile and coverage ratios on a sustained basis. The ratings may be under pressure if the company undertakes any large debt-funded capex or acquisition that would impact the coverage metrics.

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<sup>1</sup> As reported by Company and includes the subsidiary – Transworld Terminal Dadri Private Limited

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	While arriving at the ratings, ICRA has taken a consolidated view of the consolidated financials of Transworld Terminals Private Limited (TTPL) and its group company and TG Terminals Private Limited (TGPL), referred to as the Group due to their common promoters, similar business sector and the management's ongoing plans to merge TGPL into TTPL

## About the company

Transworld Terminals Private Limited (TTPL, erstwhile Meridian Shipping Agency Private Limited) is a part of the Transworld Group of Companies and was incorporated in 1990 to exclusively represent Ignazio Messina & C (Messina) as its sole shipping agent in India. In 2005, TTPL entered into an agreement with Adani Port SEZ Limited (APSEZ) for setting up a CFS business. The CFS, named Transworld-CFS, became operational in September 2007. In April 2013, it shifted the agency business to other group company - Transworld Shipping and Logistics - and kept only the CFS business in this company and changed its name of MSAPL to TTPL in May 2013. The company currently operates two CFS: one at Mundra port (owned) and the other at Kolkata.

TTPL commenced CFS operations in September 2007 and was the ninth player to set up a CFS at Mundra port. The company had leased a total land area of 50,587 sq. metres (12.5 acres) from Gujarat Adani Port Limited and developed 37,800 sq. metres (9.3 acres) at a total cost of Rs. 17 crore in phase I. The maximum container storage & handling capacity at the CFS is 3,000 laden containers. It also has a total warehouse area of 5,289 sq. metres having a covered shed of 2,000 sq. metres.

The Transworld Group consists of 22 companies with interest in shipping agency business, operating container vessel, freight forwarding, transportation & Logistics solutions, operating container freight stations, container park management, ship repairs and ship handling & transportation.

## Key financial indicators

	Consolidated (Audited)		Consolidated (including TGPL)	
	FY2021	FY2022	FY2021	FY2022
<b>Operating income</b>	119.6	223.0	264.3	387.7
<b>PAT</b>	-0.3	17.4	37.0	46.8
<b>OPBDIT/OI</b>	7.5%	13.6%	18.8%	19.1%
<b>PAT/OI</b>	-0.3%	7.8%	14.0%	12.1%
<b>Total outside liabilities/Tangible net worth (times)</b>	0.2	0.1	0.2	0.1
<b>Total debt/OPBDIT (times)</b>	0.8	0.0	0.1	0.0
<b>Interest coverage (times)</b>	5.7	68.7	17.1	160.3

*PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore ; Note – The company had increased its stake in Transworld Terminal Dadri Private Limited to 51% and has started full consolidating of the same since FY2022; ICRA has also consolidated group entity – TGPL for arriving at the rating*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

Instrument	Type	Current rating (FY2023)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Dec 31, 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
				Feb 28, 2023	Nov 30, 2021	Aug 28, 2020	Mar 31, 2020
1	Term loans*	50.00	-	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]BBB (Stable); ISSUER NOT COOPERATING
2	Non fund based	15.00	-	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	[ICRA]A3+; ISSUER NOT COOPERATING

\*Proposed Term Loans

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term loan	Simple
Short-term – Non fund-based	Very Simple

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 analysing 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 are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loans*	NA	NA	NA	50.00	[ICRA]A- (Stable)
NA	Non Fund based	NA	NA	NA	15.00	[ICRA]A2+

Source: Company; \*Proposed Term Loans

**Annexure II: List of entities considered for consolidated analysis**

Company Name	Ownership	Consolidation Approach
Transworld Terminals Private Limited	-	Full Consolidation
Transworld Terminal Dadri Private Limited	51%	Full Consolidation
TG Terminals Private Limited*	98.00%	Full Consolidation

\* held by Transworld Group Singapore Pte. Ltd.

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