April 21, 2023

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	$2.93 million	-	-
Long term: Non-fund based - Unallocated	0.20	-	-
Long term: Unallocated	-	15.00	[ICRA]BBB+ (Stable); reaffirmed
Total	**0.20 + $2.93 million**	**15.00**	

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation factors in Ashutosh Container Services Private Limited's (ACSPL/the company) 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 with revenues expected to remain in the range of Rs. 70-80 crore in the near to medium term. Further, the rating takes into account the company's exposure to 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 susceptible to economic slowdown and Government policies on export-import trade, which could impact container volume handling and 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 financial risk profile has remained healthy, driven by stable cash generation from operations, moderate capex with low reliance on external debt and low working capital intensity of operations. Given the low debt levels and healthy operating profits, the credit profile remains robust, characterised by interest coverage ratio of 27.2x in FY2022 and total debt/OPBDITA of 0.3x at the end of FY2022. The credit profile of the company is expected to remain stable with expectations of stable cash generation and low reliance on external debt to fund the incremental capex.

Credit challenges

Moderate scale of operations with single facility – The scale of operations has remained moderate. In FY2022, the company's revenue witnessed a decline of ~9% YoY in FY2022 to Rs. 63.8 crore compared with Rs. 70.4 crore in FY2021 due to reduction in container handling income and storage/detention income. During 11M FY2023, the company reported a revenue of around Rs. 61 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 a 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. 2.5 crore in FY2023 and 2.1 crore in FY2024. The liquidity profile is further supported by unutilised working capital limits (Rs 2.70 crore) along with healthy cash and cash equivalents of Rs. 29.2 crore and Rs. 34.6 crore as on March 31, 2022 and February 28, 2023, respectively.

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 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 rating is 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-Consolidated

	FY2021	FY2022
Operating income	70.4	63.8
PAT	12.0	7.8
OPBDIT/OI	22.4%	18.4%
PAT/OI	17.0%	12.2%
Total outside liabilities/Tangible net worth (times)	0.2	0.2
Total debt/OPBDIT (times)	0.4	0.3
Interest coverage (times)	31.4	27.2

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Apr 21,2023	-	Jan 28,2022	Oct 22,2020
1	**Fund-based limits - Unallocated**	Long Term	-	-	-	-	**[ICRA]BBB+ (Stable)**	**[ICRA]BBB+ (Stable)**
2	**Non-fund based limits - Unallocated**	Long Term	-	-	-	-	**[ICRA]BBB+ (Stable)**	**[ICRA]BBB+ (Stable)**
3	**Unallocated limits**	Long Term	15.00	-	**[ICRA]BBB+ (Stable)**	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Unallocated limits	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 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	Unallocated limits	NA	NA	NA	15.00	[ICRA]BBB+ (Stable)

Source: Company

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

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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