April 12, 2024

Celebi Delhi Cargo Terminal Management India 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 – Working capital facility	10.00	10.00	[ICRA]A+ (Stable); reaffirmed
Long-term – Fund-based – Term loan	120.00	90.00	[ICRA]A+ (Stable); reaffirmed
Total	**130.00**	**100.00**	

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation for Celebi Delhi Cargo Terminal Management India Private Limited (Celebi) factors in its healthy market position as the major cargo handling operator at Delhi airport, which is the largest airport in India in terms of cargo handling and strong debt coverage metrics. The company has seen a healthy growth in cargo volumes in FY2024. The same is expected to increase by around 23-24%, resulting in operating income (OI) improving to around Rs. 680 crore in FY2024 from Rs. 569 crore in FY2023. Further, the OI is likely to rise by around 6-7% to ~Rs. 730 crore in FY2025. With operating margins projected expected to remain steady at around 20-21% levels in FY2024 and FY2025, Celebi's financial risk profile is estimated to witness improvement with Total Debt/OPBDITA of 0.39 times and 0.40 times in FY2024E and FY2025, respectively, from 0.85 times in FY2020. The same is likely to sustain going forward owing to increase in operating profits and amortisation of debt. The rating factors in the established position of Celebi as a cargo handling service provider at Delhi airport, the busiest airport in India in terms of the cargo handled (29.7% of the total air cargo tonnage handled in 11M FY2024) and long track record of Celebi Hava Servici AS (CHS)—the primary shareholder in Celebi with a 74% stake—in providing air cargo handling services at several airports across different countries.

The rating is, however, constrained by the inherent vulnerability of Celebi's business operations to the cargo traffic at the Delhi airport, which is susceptible to the adverse developments in the Indian or global economy as witnessed in the past. Additionally, the company faces direct competition from Delhi Cargo Service Center Private Limited (DCSC), the other cargo facility operator at the Delhi airport. This exposes it to the risk of migration of some of its clients to DCSC, although the company has been able to retain substantial market share in the international segment and improve their share in the domestic segment over the past 2-3 years. Further, stiff competition may impact the tariffs charged by Celebi from its customers, notwithstanding the tariff hikes approved by the regulator.

ICRA notes that Celebi has given a total of Rs. 129 crore as loans and advances to various GMR and Celebi Group Companies in the past three years. The company has recovered Rs. 89 crore till 11M FY2024, while the balance Rs. 40 crore is expected to be recovered by December 2024. Also, it has paid out dividends of Rs. 369.6 crore over the past three years (Rs. 89.6 crore in FY2022, Rs. 56 crore in FY2023 and Rs. 224 crore in FY2024) to its shareholders resulting in reduction in its net worth, and leverage (TOL/TNW) increasing to 1.75 times as of December 2023 from 0.76 times in March 2020. Adjusting for cash and liquid investments, the net TOL/TNW stood at 1.26 times as of December 2023. The rating factors in the management's guidance to maintain unencumbered cash and liquid balance of over Rs. 60 crore on a sustained basis. However, any sizeable upstreaming of cash flows to the parent group or any group advances that adversely affects Celebi's liquidity position or its leverage metrics could exert pressure on the rating. The company has capex plans of around Rs. 100 crore in FY2025 and FY2026 towards the upgradation of infrastructure, which is expected to be funded through internal accruals and undrawn debt of around Rs. 25 crore. Nonetheless, the debt coverage metrics are likely to remain strong over the medium term with interest cover projected to sustain at above 13 times.

The Stable outlook on the rating reflects ICRA's opinion that Celebi's credit profile will be supported by its leading market position in the cargo business at the Delhi airport, healthy debt protection metrics and an adequate liquidity position.

Key rating drivers and their description

Credit strengths

Established position as cargo operator at Delhi airport since 2009 – Celebi has been providing cargo handling services at the Delhi airport under a 25-year concession agreement with DIAL since November 2009. Air cargo at DIAL is largely handled by two players—Celebi and DCSC. The Delhi airport is the busiest airport in the country in terms of cargo volumes, accounting for 29.7% of the overall cargo tonnage in 11M FY2024. Further, the company has been able to maintain its leading market position in Delhi by attracting international freighters, along with increasing its market share in the domestic operations through tie-ups with new airlines.

Strong financial risk profile – Celebi's financial risk profile is strong with net debt negative levels and healthy interest coverage ratio of 12.5 times in 9M FY2024. Further, the debt coverage metrics are anticipated to remain strong on the back of healthy profitability margins and low interest cost. With operating margins expected to remain steady at around 20-21% levels in FY2024 and FY2025, Celebi's financial risk profile is estimated to improve with Total Debt/OPBDITA improving to 0.39 times and 0.40 times in FY2024E and FY2025, respectively, from 0.85 times in FY2020. The same is likely to sustain going forward owing to increase in operating profits and amortisation of debt.

Long track record of promoters in the cargo handling industry – Celebi's primary shareholder, Celebi Hava Servici AS (CHS), has an established track record of operations in the cargo industry. The company has been providing cargo handling and ground handling services at various airports in Turkey since 1958 and is also present through joint ventures (JVs) at airports in other countries, including India, Hungary and Germany. Further, it has seen a healthy growth in the cargo volumes in FY2024. The same is expected to increase by around 23-24%, resulting in OI improving to around Rs. 680 crore in FY2024 from Rs. 569 in FY2023 crore, which is likely to increase further by around 6-7% to ~Rs. 730 crore in FY2025.

Credit challenges

Sizeable dividend payouts over the last three years resulting in net worth reduction and increase in leverage levels – Celebi has paid out total dividends of Rs. 369.6 crore over the past three years to its shareholders (Rs. 89.6 crore, Rs. 56 crore and Rs. 224 crore in FY2022, FY2023 and FY2024 respectively), resulting in reduction in its net worth and leverage (TOL/TNW) increasing to 1.75 times as of December 2023 from 0.76 times in March 2020. Adjusting for cash and liquid investments, net TOL/TNW stood at 1.26 times as of December 2023. The rating factors in the management guidance to maintain unencumbered cash and liquid balance of over Rs. 60 crore on a sustained basis. However, any sizeable upstreaming of cash flows to the parent group or any group advances that adversely affects Celebi's liquidity position or its leverage metrics could exert pressure on the rating. The company has capex plans of around Rs. 100 crore in FY2025 and FY2026 towards the upgradation of infrastructure, which is expected to be funded through internal accruals and undrawn debt of around Rs. 25 crore.

Vulnerability to fluctuations in cargo volumes at Delhi airport – Celebi's operations remain susceptible to fluctuations in cargo volumes at the Delhi airport as it derives around 90-91% of its revenues by providing cargo handling services at the airport. Further, revenues depend on international cargo, which accounts for around 78-79%. The cargo volumes largely depend on global economic conditions. The international cargo volumes declined by around 9% in FY2023 owing to slowdown in the global economy, Russia-Ukraine war. Resultantly, the total volumes contracted by 3% in FY2023, and the revenues were stagnant at Rs. 568.8 crore in FY2023 compared to Rs. 569.6 crore in FY2022. However, volumes in FY2024 are expected to increase by around 24%, amid growth in international cargo volumes by 19% on the back of Red Sea crisis, higher trans-shipment volumes and improvement in global economic situation. The revenues are likely to increase by around 20% in FY2024, driven by higher volumes from both international as well as domestic segments.

Potential risk of client loss and pricing pressure due to competition – Celebi faces direct competition from DCSC, the other cargo operator at the Delhi airport. This exposes it to the risk of migration of some of its clients to DCSC, although the company has been able to retain substantial market share in the international segment and improve their share in the domestic segment over the past 2-3 years. Further, stiff competition may impact the tariffs charged by Celebi from its customers, notwithstanding the tariff hikes approved by the regulator. Celebi is likely to face pressure on its volumes from the upcoming Jewar Airport in Noida, and the extent of impact remains a key rating monitorable.

Liquidity position: Adequate

Celebi's liquidity remains adequate with cash and liquid investments of Rs. 86.0 crore and unutilised working capital limits of Rs. 10.0 crore as on December 31, 2023. It has capex plans of around Rs. 100 crore in FY2025 and FY2026 and repayments of around Rs. 20 crore in FY2025, which can be comfortably met from its cash flows. Despite the sizeable dividend payout and capex plans over the medium term, the liquidity is expected to remain adequate with unencumbered cash and liquid investments of over Rs. 60 crore likely to be maintained in the company on a sustained basis.

Rating sensitivities

Positive factors – ICRA may upgrade Celebi's rating if there is a significant growth in the scale of revenues, operating profits, and net worth position supported by an increase in volumes while maintaining the market share, healthy debt coverage metrics and liquidity position on a sustained basis.

Negative factors – The rating could be downgraded if there is a significant decline in the revenues or earnings or any unanticipated large debt-funded capex that impacts the debt coverage metrics. Any significant upstreaming of cash flows to the parent group that weakens Celebi's liquidity position could lead to a rating downgrade. Specific triggers that may lead to a downgrade of Celebi's ratings include net TOL/TNW increasing beyond 1.5 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Celebi Delhi Cargo Terminal Management India Private Limited (Celebi), incorporated in June 2009, is a joint venture (JV) between Celebi Hava Servici AS (CHS, Turkey) and Delhi International Airport Limited (DIAL). CHS holds a 74% stake in the JV, while DIAL holds the remaining 26%. Celebi was incorporated by CHS as a special purpose vehicle (SPV) for implementing a 25-year concession agreement with DIAL (dated August 24, 2009) to operate, maintain and upgrade the cargo terminal at the Delhi airport. Celebi provides domestic and international cargo handling and warehousing services to various airlines as well as carrying and forwarding (C&F) agents at the airport.

Bureau of Civil Aviation Security (BCAS) has last renewed the security clearance to Celebi on July 22, 2020. The security clearance is valid for a period of 5 years from the date of issue of security clearance or the period of validity of contract with the Airport Operator, whichever is earlier.

Key financial indicators (audited)

As per IndAS accounting	FY2022	FY2023	9M FY2024*
Operating income	569.6	568.8	511.4
PAT	95.6	84.7	75.2
OPBDIT/OI	23%	22%	21.0%
PAT/OI	17%	19%	14.7%
Total outside liabilities/Tangible net worth (times)	0.8	0.8	1.8
Total debt/OPBDIT (times)	0.4	0.09	0.4
Interest coverage (times)	14.4	14.6	12.5

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore*

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 (FY2025)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as on Dec 31, 2023 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
					Apr 12, 2024	-	Feb 28, 2023	Nov 16, 2021
1	**Fund-based – Working capital facility**	Long term	10.0	-	**[ICRA]A+ (Stable)**	-	**[ICRA]A+ (Stable)**	**[ICRA]A+ (Stable)**
2	**Fund-based – Term loan**	Long term	90.0	61.4	**[ICRA]A+ (Stable)**	-	**[ICRA]A+ (Stable)**	**[ICRA]A+ (Stable)**

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Term loan	Simple
Long-term – Fund-based – Working capital facility	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	Fund-based – Working capital facility	-	-	-	10.00	[ICRA]A+ (Stable)
NA	Fund-based – Term loan	May 2017	-	March 2028	90.00	[ICRA]A+ (Stable)

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

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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