

June 04, 2024

J M Baxi Heavy Private Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term – Fund based – Term loan	70.00	114.39	[ICRA]A+ (Stable); reaffirmed/assigned for enhance limits
Long term – Fund based – Cash credit	40.00	60.00	[ICRA]A+ (Stable); reaffirmed/assigned for enhance limits
Short term – Bank guarantee	20.00	30.00	[ICRA]A1; reaffirmed/assigned for enhance limits
Short term – Derivative limits	10.00	10.00	[ICRA]A1; reaffirmed
Total	140.00	214.39	

*Instrument details are provided in Annexure-I

Rationale

The rating action factors in the strong parentage of J M Baxi Heavy Private Limited (JMB Heavy/the company) - JM Baxi Ports & Logistics Limited {JMBPL, [ICRA]A+ (Stable)/[ICRA]A1+}. JMBPL is one of the leading players in the country's logistics sector and has an established track record across container train operations (CTO), project logistics, freight forwarding and port infrastructure. Additionally, the presence of Hapag-Lloyd AG (HLAG¹), which is one of the largest container handling companies globally, as strategic investor in the group, holding 40% stake in JMBPL is expected to provide synergy benefits to the group.

JMB Heavy shares its name with the flagship entity of the JM Baxi Group and is of significant strategic importance to the Group for diversifying its offering in the project logistic segment. JMBPL has extended loans and advances to the company and the support is expected to continue, going forward, if required.

The ratings also factor in the healthy orderbook position of JMB Heavy and the improvement in its profitability in FY2024 (provisional). The ratings favourably consider the company's healthy asset base, which includes conventional axles, tugs, barges, trailers etc. A major part of the current asset base was added through the acquisition of the project logistics business of Allcargo Logistics Limited (ALL) and Lift & Shift India Private Limited (Lift & Shift). The healthy asset fleet and brand recognition of the JM Baxi Group has resulted in robust orderbook position for the company.

The ratings are, however, constrained by the company's modest scale of operations and its subdued profitability, although the profitability improved in FY2024, as per the provisional financials. The ratings are also constrained by the exposure of the company to capital-intensive sectors like power, oil & gas and infrastructure, which tend to remain highly sensitive to the economic cycles. The credit profile of the company remains subdued owing to the losses in the past, though timely support from JMBPL has remained a major support for its credit profile.

The Stable outlook on the rating reflects ICRA's expectation that the credit profile of the entity will remain stable, supported by the healthy orderbook and continued support from the group entities to meet its business requirements.

¹ Hapag Lloyd AG; rated Baa2 (Positive) by Moody's

Key rating drivers and their description

Credit strengths

Part of J M Baxi Group with diversified service offering – The J M Baxi Group is one of the country's leading port logistics players with presence across the value chain, comprising container train operations, container freight stations, inland container terminals, cold storage, warehousing, bulk logistics and port infrastructure involving container/other cargo terminal. The Group has a diversified geographical presence through its own CFS and warehouses near JNPT port and Visakhapatnam, container terminals at the Visakhapatnam, Haldia, Kandla and Paradip (Paradip port handles both cargo and container, nevertheless dominated by cargo) ports and an inland container depot (ICD) and cold storage at Sonipat, Haryana. With the onboarding of HLAG in April 2023, the Group is expected to benefit from the addition of cargo volumes at its terminals. JMB Heavy shares its name with the flagship entity of the JM Baxi Group and is of significant strategic importance to the Group for diversifying its offering in the project logistic segment.

Healthy orderbook, driven by established customer relationships, execution track record and asset base – JMB Heavy has an order book of ~Rs. 155 crore as of April 2024 end, primarily from established customers engaged in the infrastructure and power & transmission sectors, where JMB Heavy is a prime vendor for the project logistics operations. The healthy orderbook has been driven by JMB Heavy's strong asset fleet after the acquisition of ALL and Lift & Shift. In addition, the company is incurring capex to augment its asset fleet that is expected to support the growth in the scale of operations going forward.

Credit challenges

Modest scale of operations with operations exposed to cyclicity in economic activity as capital intensive sectors remain key consumer of services – The company's operations remain exposed to capital-intensive sectors like power, oil & gas and infrastructure, which tend to remain highly sensitive to the economic cycles. As project logistics is a niche business and JMB Heavy has acquired most of its business assets from other entities, its scale of operations has been modest. In FY2024, the company achieved a revenue of ~Rs. 252.9 crore (provisional).

Working capital-intensive operations – As the company extends credit to large corporates in the capital-intensive sectors, JMB Heavy's working capital intensity has been substantially high. The project logistics business tends to remain highly working capital-intensive, while the heavy lift business has slightly lower working capital intensity. Going forward, the working capital intensity should improve with the company focusing on the heavy lift business. Nevertheless, the working capital intensity will continue to be high.

Weak credit profile owing to losses in the past – JMB Heavy's financial performance has remained subdued owing to its low scale of operations and losses on account of low-margin contracts in the past, which has weakened the company's credit profile. Additionally, the credit metrics remain subdued owing to the significant asset acquisition in FY2023 and the incremental working capital borrowings due to the working capital-intensive operations. JMB Heavy is dependent on financial support from the group entities for meeting its business requirements and executing additional capex for increasing its asset fleet.

Liquidity position: Adequate

JMB Heavy's liquidity is expected to remain **adequate**, given the strong financial support from the J M Baxi Group in terms of unsecured loans. The company has fund-based limits of Rs. 40 crore, which have remained utilised to the extent of 68% on an average for the 12 months ended March 2024, providing cushion in the working capital limits. The JM Baxi Group entities have supported the company in the past for the acquisition of assets and ICRA expects this support to continue for JMB Heavy's planned capex in the upcoming years to increase its asset fleet.

Rating sensitivities

Positive factors –The rating maybe upgraded in a scenario of the improvement in the consolidated credit profile of the J M Baxi Group.

Negative factors – The rating may be downgraded in a scenario of the weakening of the consolidated credit profile of the JM Baxi group and/or weakening of the linkages of the company with the JM Baxi group. The ratings may also witness downgrade pressure in a scenario of sustained decline in the orderbook, revenue and profitability resulting in the weakening of the capitalization and coverage metrics of the company on a standalone basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Parent: JM Baxi Ports Limited The ratings take into account the parentage i.e. JMBPL and the company remains strategically important to JMBPL.
Consolidation/Standalone	<u>The ratings are based on standalone financials of the company.</u>

About the company

J M Baxi Heavy Private Limited (JMB Heavy), incorporated on March 30, 2017, is a wholly-owned subsidiary of J M Baxi Ports & Logistics Limited (JMBPL), the flagship entity of the J M Baxi Group. In December 2020, the project logistics business was transferred from group entity Boxco Logistics India Pvt Ltd to JMB Heavy. Subsequently, JMB Heavy acquired the project logistics division of All Cargo Limited and Lift&Shift in FY2023, enhancing its market share and operational capabilities. Specialising in the transportation of over-dimensional cargo (ODC) and overweight cargo requiring specialised methods, JMB Heavy serves the logistics needs of the engineering, capital goods, and power & transmission industries. As a leading player in the ODC and multimodal segment, it also provides ancillary services, including CHA activities, route surveys, constructing temporary structures, obtaining necessary approvals, and managing warehouses, inventory and sites.

Key financial indicators (audited)

JMB Heavy Standalone	FY2022	FY2023
Operating income	146.2	246.4
PAT	-1.9	-23.8
OPBDIT/OI	1.9%	2.8%
PAT/OI	-1.3%	-9.7%
Total outside liabilities/Tangible net worth (times)	4.2	-89.1
Total debt/OPBDIT (times)	22.2	34.1
Interest coverage (times)	0.5	0.3

Source: Company, ICRA Research; 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 Mar 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023		Date & rating in FY2022
				Jun 04, 2024	May 30, 2023	Feb 28, 2023	Dec 22, 2022	-
1 Long term – Fund based – Term loan	Long term	114.39	114.39	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A- (Positive)	[ICRA]A- (Positive)	-
2 Long term – Fund based – Cash credit	Long term	60.00	-	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A- (Positive)	[ICRA]A- (Positive)	-
3 Short term – Bank guarantee	Short term	30.00	-	[ICRA]A1	[ICRA]A1	[ICRA]A2+	[ICRA]A2+	-
4 Short term – Derivative limits	Short term	10.00	-	[ICRA]A1	[ICRA]A1	[ICRA]A2+	[ICRA]A2+	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term – Fund based – Term loan	Simple
Long term – Fund based – Cash credit	Simple
Short term – Bank guarantee	Very Simple
Short term – Derivative limits	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	Long term – Fund based – Term loan	June 2022	9.15%	June 2027	114.39	[ICRA]A+ (Stable)
NA	Long term – Fund based – Cash credit	NA	NA	NA	60.00	[ICRA]A+ (Stable)
NA	Short term – Bank guarantee	NA	NA	NA	30.00	[ICRA]A1
NA	Short term – Derivative limits	NA	NA	NA	10.00	[ICRA]A1

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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