November 22, 2024

Nhava Sheva (India) Gateway Terminal Private Limited: [ICRA]AA+(Stable) Rating assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	150.00	[ICRA]AA+(Stable); Assigned
Total	**150.00**	

**Instrument details are provided in Annexure-I*

Rationale

The rating assigned to the bank lines of Nhava Sheva (India) Gateway Terminal Private Limited (NSIGT/the company) factors in the strong parentage of the company with the ultimate parent being DP World Limited (DPW/the parent, rated Baa2 (Stable) by Moody's). Currently DPW has presence in India through its Joint Venture with National Investment Infrastructure Fund (NIIF) known as Hindustan Infralog Private Limited, wherein it holds 65% ownership and through Hindustan Ports Private Limited (HPPL) in which NIIF bought 19.18% stake in March 2024. ICRA notes that HIPL and HPPL are in the process of merging their operations into a single entity, wherein DPW will continue to hold majority stake. The merged entity (i.e. HIPL and HPPL combined) will become the holding company for all the entities in India where currently HPPL and HIPL have ownership. While arriving at the ratings for the company ICRA has evaluated the credit profile of the merged entity factoring in the implicit support from DPW, being the majority shareholder in the merged entity and thereafter uplifted the rating of NSIGT using the credit view of the merged entity as immediate parent. Given the rapidly growing market and increasing investment commitment of DPW in the country, the Indian assets are expected to remain strategically important for DPW going forward as well. The ratings also factor in the healthy capacity utilisation for NSIGT over the last several years and comfortable revenue sharing with the Jawaharlal Nehru Port Authority (JNPA) which has resulted in healthy leverage and coverage indicators. The total debt/OPBDITA improved to 1.36x as on FY2024 end from 1.67x at the end of FY2023, which is expected to improve further in FY2025 with repayment of the debt. The interest coverage ratio also improved to 8.9x in FY2024 from 5.5x in FY2023. The rating also factors in the positive outlook for containerised cargo in India, as with rising exports, improving hinterland connectivity particularly with the commissioning of the Western Dedicated Freight Corridor (WDFC) and increasing containerisation of cargo, the overall share of the containerised cargo in the overall cargo mix is expected to grow.

The ratings however are constrained by the intense competition amongst the container terminals within JNPA and nearby ports like the Mundra Port owned by Adani Ports & Special Economic Zone Limited (APSEZ, rated [ICRA]AAA (Stable)/[ICRA]A1+). However, ICRA notes that the container terminals at JNPA are currently fully utilised and NSIGT remains less exposed to the volatility in the volumes. The ratings are also constrained by the low flexibility in the tariff setting as it is located on a Major Port wherein the cargo terminals are not free to set their tariffs and have to go through an approval process for the tariffs. In several instances in the past the process has resulted in tariff disputes for other terminals. ICRA notes that recently, Government of India (GoI) has released a consultation paper for migrating the terminals setup on Major Ports prior to November 2021 to a market-based tariff setting regime, which will allow such terminals to freely set the tariffs. The implementation of the same will remain a key monitorable going forward. The credit profile of the company is also exposed to the economic cycles as the trade volumes and hence the container volume flows are closely tied to the health of the global economy and trade.

The Stable outlook on the rating reflects ICRA's expectation that NSIGT will continue to benefit from the healthy container volume flows as JNPA remains one of the preferred port for containerised cargo destination in India. The same coupled with a stable revenue share should result in healthy and stable cash generation enabling a stable credit profile.

Key rating drivers and their description

Credit strengths

Strong parentage backed by a leading global port player - NSIGT is controlled by HPPL and benefits from being part of DP World group which is one of the largest container operator company, at global level along with established presence in India across the value chain, comprising port assets across west and east coast, container train operations, container freight stations, inland container terminals and warehousing. HPPL enjoys high financial flexibility owing to the presence of strong promoters. The board of directors of HPPL also include several representatives from DP World.

Healthy capacity utilisation supported by strong container volumes at the port with comfortable revenue share – NSIGT has maintained consistently high-capacity utilization, exceeding 100%, due to its strategic location at JNPT and efficient turnaround times enabled by advanced technologies and infrastructure. ICRA expects robust capacity utilisation to sustain over the long term, given JNPT's extensive and strong hinterland connectivity. Additionally, NSIGT also has a competitive revenue sharing agreement with JNPA, ensuring healthy and sustained profitability for the terminal.

Healthy leverage and coverage indicators – NSIGT has reported healthy profitability over the years being an established terminal with healthy capacity utilization and a stable revenue share. The total debt/OPBDITA improved to 1.36x as on FY2024 end from 1.67x at the end of FY2023, which is expected to improve further in FY2025 with repayment of the debt. ICRA expects the company's revenue growth to be driven solely by tariff increases, capacity is already fully utilized and there are constraints on further capacity expansion at JNPT.

Positive long-term outlook for containerised cargo - At present, the containerization levels of the cargo handled at the various ports remains low in the country, which makes the long-term prospects for container traffic favourable. Consequently, the group is also expected to witness a healthy and sustained capacity utilization at its port operations as well as in its other infrastructure assets.

Credit challenges

Intense competition from container terminals within JNPT and nearby ports – NSIGT faces intense competition from peer container terminals at JNPT, having nearly same resources as of NSIGT due to backing of respective group entities having substantial stake in ports and logistics sector. Given the capacity restriction, NSIGT's ability to attract the volume depends on tariffs and other value-added services. Additionally, JNPT also faces increasing competition from Mundra port which has witnessed significant ramp up in the volumes amid improving efficiency levels, tariff flexibility and a strong hinterland. JNPT's capacity constraints and land limitations hinder its competitiveness. On other side, Mundra port's integrated logistics offerings, supported by parent company APSEZ (rated [ICRA]AAA (Stable)/[ICRA]A1+) challenges JNPT's dominant position in the Indian port sector.

Low flexibility in tariff determination as the terminal is located on a major port – NSIGT has a low flexibility in the tariff setting as it is located on a Major Port wherein the cargo terminals are not free to set their tariffs and have to go through an approval process for the tariffs. GoI has released recently a consultation paper for a market-based tariff setting regime to allow such terminals to freely set the tariffs. The implementation of the same will be a key monitorable.

Operations exposed to economic cycles affecting trade volumes - The revenue of the terminal remains susceptible to the economic cycles. However, the favorable long-term prospects for container traffic and the Group's established relationships with all major shipping lines along with its integrated presence in the logistics chain and port operations partially mitigate the risk to an extent.

Liquidity position: Adequate

The company's liquidity position is **adequate**, supported by its cash and liquid investments of Rs. 62.7 crore. NSIGT doesn't have a major planned capex plan. Capex is expected to be limited for maintenance, which will be incurred through internal accruals. ICRA expects NSIGT to meet its debt repayments comfortably given the healthy operational cash flows.

Rating sensitivities

Positive factors – The ratings may be upgraded in a scenario of strengthening of the credit profile of the parent i.e. merged entity of HPPL and HIPL

Negative factors – The ratings could be downgraded in a scenario of weakening of the credit profile and/or weakening of the linkages with the parent i.e. merged entity of HPPL and HIPL. The ratings could also be downgraded in a scenario of sustained decline in the volumes handled at the terminal resulting in a decline in revenue and profits. Any materially large debt funded capex resulting in the moderation in the leverage and coverage metrics may result in a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Ports
Parent/Group support	ICRA has arrived at the company's rating after factoring a parent subsidiary rating notch-up using the credit view of the merged entity of HIPL and HPPL which in turn factors in the parentage of DP World Limited
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the Standalone financials of NSIGT.

Note (for analyst reference only):

About the company

NSIGT is a wholly owned subsidiary of Hindustan Ports Private Limited. DP World which has a major ownership in HPPL, signed a concession agreement in 2013 (through NSIGT) to develop and operate a new 330-meter quay length terminal at Jawaharlal Nehru Port for a capacity of 0.8 million TEUs per annum. The terminal was commissioned in July 2016, post construction of 330 meters of quay length, reclamation of 27 hectares of area backup for container yards and requisite container handling equipment along with other facilities. With a draft of 16.2 meters, NSIGT has a capacity to handle vessels with ability to carry containers up to 14,500 TEUs.

Key financial indicators (audited)

NSIGT Standalone	FY2023	FY2024
Operating income	731.81	741.15
PAT	93.48	139.76
OPBDIT/OI	37.0%	36.9%
PAT/OI	12.8%	18.9%
Total outside liabilities/Tangible net worth (times)	2.62	1.45
Total debt/OPBDIT (times)	1.67	1.36
Interest coverage (times)	5.46	8.86

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 (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
	Type	Amount Rated (Rs Crore)	Nov 22, 2024	Date	Rating	Date	Rating	Date	Rating
Term Loan	Long Term	150.00	[ICRA]AA+ (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term Loan	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 Loan	June 2024	8.23%	June 2027	150.00	[ICRA]AA+(Stable)

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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