# Paradeep Parivahan Limited

## (Erstwhile Paradeep Parivahan Private Limited)

**October 01, 2024**

**Ratings**

| Instrument / Facility* | Amount (Rs. crore) | Current Ratings | Previous Ratings | Rating Action | Complexity Indicator |
|---|---|---|---|---|---|
| Long Term Bank Facility (including proposed limit of Rs. 12.00 crore) | 50.01 (enhanced from 40.36) | IVR BBB; Stable (IVR Triple B with stable outlook) | IVR BBB-; Stable (IVR Triple B minus with stable outlook) | Upgraded | Simple |
| Short Term Bank Facilities (including proposed limit of Rs. 4.64 crore) | 7.64 (reduced from 19.64) | IVR A3+ (IVR A three plus) | IVR A3 (IVR A three) | Upgraded | Simple |
| **Total** | **57.65 (Rupees fifty-seven crore and sixty-five lakh only)** | | | | |

**Previously we had rated proposed short term bank facility of Rs.16.64 crore, which has been reclassified as proposed long term facility of Rs.12.00 crore and proposed short term facility of Rs.4.64 crore.*

**Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.**

**Detailed Rationale**

The upgrade in the ratings assigned to the bank facilities of Paradeep Parivahan Limited (PPL) continues to derive strength from its experienced promoters and its long track record of operation as an end-to-end logistic services provider with efficient cargo handling capabilities. Further, the ratings also derive comfort from improvement in business performance marked by improvement in profitability in FY24 [FY refers to the period from April 1 to March 31], healthy order book position indicating satisfactory revenue visibility, healthy capital structure coupled with healthy debt coverage indicators and its favourable long-term demand outlook. However, these rating strengths are partially offset by its labour-intensive operations with exposure to highly unionised work force and highly capital-intensive nature of its business.

Further, the ratings notes that port services sector is vulnerable to changes in Government regulations and timely execution of unexecuted orders as per project timelines remains critical to meet anticipated cash flow obligations. The stable outlook reflects expected stable business performance of the company guided by experienced promoters and revenue visibility in near to medium term.

**Key Rating Sensitivities:**

**Upward Factors**

- Significant growth in scale of business with improvement in profitability metrics thereby leading to improvement in cash accruals on a sustained basis
- Improvement in the capital structure with improvement in overall gearing ratio to below 0.5x and/or improvement in debt protection metrics

**Downward Factors**

- Dip in operating income and/or profitability impacting the debt coverage indicators with moderation in the interest coverage ratio to below 2x
- Moderation in the capital structure with deterioration in overall gearing to more than 3x
- Higher than-anticipated debt-funded capex or stretch in working capital cycle leads to weakening of the liquidity position

**List of Key Rating Drivers with Detailed Description**

**Key Rating Strengths**

- **Long track record of operation under experienced promoters**

PPL was originally set up in 2000 as a partnership firm, Paradeep Parivahan, by one Mr. Khalid Khan. Hence, it has a track record of more than 20 years. The day-to-day affairs of the company is look after by Mr. Khalid Khan, Mr. Pravat Kumar Nandi and Ms. Parbati Priya Nandi along with a team of experienced personnel, having experience of around two decades in this business.

- **End-to-end logistic services provider with efficient cargo handling capability**

The company is engaged in providing services like Stevedoring, Sea Transportation (Barging), Loading/ Unloading, Vehicle/ Rake Loading, Road Transportation and Rake Loading. The company's business involves loading and unloading of bulk cargo from or to the mother vessel and the delivery of the same to the required destination, either by road or rail. The company owns a large fleet of (400 vehicles) on-shore equipment such as excavators, pay-loaders, grabs, dumpers and trailers. Having a large fleet of own equipment and machinery helps the company to operate with higher efficiencies in terms of timely availability of transportation fleet at optimum cost. PPL provides complete ocean shipping solutions, mainly through Kolkata, Vizag and Haldia ports.

- **Healthy order book position**

The pending order book of PPL is ~Rs. 406.82 crore as on August 2024 which is 1.93 times of its FY24 revenue. Around 75% of the orders are expected to be executed in coming 12-15 months which provides medium term revenue visibility.

- **Improvement in business performance marked by improvement in profitability**

The business performance of the company has improved in FY24 marked by improvement in its profitability and consequent improvement in its cash accruals. The scale of operations of the company has witnessed a y-o-y growth of ~4.24% from Rs.202.48 crore in FY23 to Rs.211.27 crore in FY24. The growth in revenue was underpinned by growing volumes and expansion of services in the contracts from IFFCO and other existing ports. Growth in scale of operations has also boosted the EBITDA of the company. With improvement in absolute EBITDA, the EBITDA margin has also improved from 13.22% in FY23 to 16.79% in FY24 on the back of better efficiency in cost reduction specially in power and fuel cost.

Further, aided by rise in EBITDA, the PAT margin of the company also improved in FY24 and stood at 6.90% (3.72% in FY23). In 5MFY25, the company has achieved a topline of ~Rs.121.00 crore.

- **Healthy capital structure coupled with healthy debt coverage indicators**

The capital structure of the company remained comfortable indicated by its debt-to-equity ratio at 0.72x (1.05x as on March 31, 2023) and Overall gearing at 0.91x (1.55x as on March 31, 2023) respectively as on March 31, 2024. The improvement in capital structure is driven by infusion of equity by the promoters amounting to Rs.6.09 crore to support the business operations along with scheduled repayment of loans and accretion of profit to reserves. Further, total indebtedness of the company also remained comfortable marked by TOL/TNW at 1.64x as on March 31,2024 [2.29 as on March 31,2023].

Despite increase in interest cost, the interest coverage ratio has improved to 5.49x in FY24 (4.27x in FY23) fuelled by increase in absolute EBITDA. Total debt to EBITDA and Total debt to NCA has also improved from 1.97x and 3.16 years respectively as on March 31,2023 to 1.23x and 1.95 years respectively as on March 31,2024.

- **Favourable long-term demand outlook**

The Indian port infrastructure is expected to grow in the long-term, thereby spurting support industries such as dredging companies. However, the Indian ports sector is plagued by delays, 4 inadequate risk assessment of soil, limited escalation clauses and weak financial position. The shortage of dredgers in the Indian market provides opportunities for PPL.

**Key Rating Weaknesses**

- **Labour-intensive operations with exposure to highly unionised work force**

Due to the labour-intensive nature of business and operations in regions with highly unionised work force, the company remains exposed to the risk of strikes/industrial actions. However, the risk is mitigated to some extent on account of increasing mechanisation of operations over the last few years.

- **Port services sector is vulnerable to changes in Government regulations**

Most of the ports are implementing award of license for shore handling on the basis of competitive bidding for revenue share and imposed ceiling rates. This apart, the Ministry of Shipping has announced a policy to implement similar license scheme for stevedoring and shore-handling services at all major ports, whereas the operators had been mainly paying a modest license fee to the port and charge rates from customers based on the market demand. Hence, the changes in Government policies will impact the revenue growth and profitability of the companies operating in the port services sector.

- **Highly capital-intensive business, timely execution of unexecuted orders as per project timelines remains critical to meet anticipated cash flow obligations**

The business of the company remains highly capital intensive, due to constant requirement to add more equipment's for smooth operations. Further, timely execution of the orders as per project defined timelines remains critical for adequate cash flow generation and servicing of debt obligations.

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Manufacturing Companies.

Financial Ratios & Interpretation (Non-Financial Sector).

Criteria for assigning Rating outlook.

Policy on Default Recognition

Complexity Level of Rated Instruments/Facilities

**Liquidity – Adequate**

The liquidity position of the company is expected to remain adequate in the near term marked by its expected adequate gross cash accruals in the range of ~Rs. 32.50-~Rs.58.35 crore as against its debt repayment obligations in the range of ~Rs. 8.53 to ~Rs.12.10 crore during FY25-FY27. The company has earned a gross cash accrual of Rs. 22.38 crore in FY24 against debt repayment obligation of Rs.16.51 crore. Further, on the back of its comfortable capital structure, the company has adequate gearing headroom. Moreover, the current ratio also stood comfortable at 1.88x as on March 31, 2024. However, the average working capital utilisation remained at ~41% during the past 12 month's period ended August 2024, which imparts comfortable liquidity buffer.

**About the Company**

PPL was originally set up in 2000 as a partnership firm, Paradeep Parivahan, by one Mr. Khalid Khan. The firm was reconstituted as a private limited company in 2006 as Paradeep Parivahan Pvt Ltd. Later in June 2024, the company was converted into a public company with the current name. PPL is engaged in port handling, on-shore dredging, and export of iron ore fines. PPL is primarily involved in providing stevedoring, shore handling and other port support services. The company has also completed prestigious project for Mahanadi Coal Field Ltd, Western Coal Field Ltd and having operations at Indian Oil Refinery Paradip Project & Iffco at Paradip port. It has also been providing services at the ports of Kolkata, Haldia and Vizag. The company has a registered office in Odisha and branches in Kolkata and Vizag. It owns a fleet of more than 400 heavy earth moving equipment's.

**Financials (Standalone):**

**(Rs. Crore)**

| For the year ended / As on* | 31-03-2023 | 31-03-2024 |
|---|---|---|
| | Audited | Audited |
| Total Operating Income | 202.48 | 211.27 |
| EBITDA | 26.77 | 35.46 |
| PAT | 7.54 | 14.61 |
| Total Debt | 52.62 | 43.62 |
| Tangible Net worth | 33.85 | 52.78 |
| Adjusted Tangible Net Worth | 33.85 | 47.98 |
| EBITDA Margin (%) | 13.22 | 16.79 |
| PAT Margin (%) | 3.72 | 6.90 |
| Overall Gearing Ratio | 1.55 | 0.91 |
| Interest Coverage (x) | 4.27 | 5.49 |

**Classification as per Infomerics' standards*

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil

**Rating History for last three years:**

| Sr. No. | Name of Security/Facilities | Current Ratings (Year 2024-25) | | | Rating History for the past 3 years | | |
|---|---|---|---|---|---|---|---|
| | | Type | Amount outstanding (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2023-24 | Date(s) & Rating(s) assigned in 2022-23 | Date(s) & Rating(s) assigned in in 2021-22 |
| | | | | | Sept 15, 2023 | June 23, 2022 | - |
| 1. | Term Loan/ GECL | Long Term | 13.01 | IVR BBB; Stable | IVR BBB-; Stable | - | - |
| 2. | Proposed Term Loan* | Long Term | 12.00 | IVR BBB; Stable | - | - | - |
| 3. | Cash Credit | Long Term | 25.00 | IVR BBB; Stable | IVR BBB-; Stable | IVR BBB-; Positive | - |
| 4. | Bank Guarantee | Short Term | 3.00 | IVR A3+ | IVR A3 | - | - |
| 5. | Proposed Bank Guarantee* | Short Term | 4.64 | IVR A3+ | IVR A3 | IVR A3 | - |

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**Analytical Contacts:**


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|---|---|
| Name: Nidhi Sukhani | Name: Avik Podder |
| Tel: (033) 46022266 | Tel: (033) 46022266 |
| Email: nsukhani@infomerics.com | Email: apodder@infomerics.com |


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Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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**Annexure 1: Instrument/Facility Details**

| Name of Facility/ /Security | ISIN | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|---|---|---|---|---|---|---|
| Term Loan/GECL | - | - | - | - | 13.01 | IVR BBB; Stable |
| Proposed Term Loan | | | | | 12.00 | IVR BBB; Stable |
| Cash Credit | - | - | - | - | 25.00 | IVR BBB; Stable |
| Bank Guarantee | - | - | - | - | 3.00 | IVR A3+ |
| Proposed Bank Guarantee | - | - | - | - | 4.64 | IVR A3+ |

**Annexure 2: Facility wise lender details:**
**https://www.infomerics.com/admin/prfiles/len-Paradeep-Parivahan-oct24.pdf**

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities:** Not Applicable

**Annexure 4: List of companies considered for consolidated/Combined analysis:** Not Applicable

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.