

Jawaharlal Nehru Port Trust (JNPT)

Brickwork Ratings reaffirms the ratings for the Tax-Free, Secured, Redeemable Non-Convertible Bonds issue up to Rs.2000.00 Crs (subscribed amount Rs.41.32 Crs) of Jawaharlal Nehru Port Trust

Particulars

Facilities/ Instrument**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Nov 2019)	Present
NCD/Bonds	Rs.2000 Crs (Subscribed Rs.41.32 Crs)	Rs.2000 Crs (Subscribed Rs.41.32 Crs)	Long Term	BWR AAA (Stable)	BWR AAA (Stable) Reaffirmed
Total (O/s)	41.32	41.32	INR Forty-One Crores and Thirty-Two Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank Loan facilities/NCD/Bonds/Commercial Paper is provided in Annexures-I&II

RATING ACTION / OUTLOOK

The rating reaffirmation inter-alia factors in the ownership by the Government of India (GoI), leadership position of Jawaharlal Nehru Port Trust (JNPT or the company) in the container cargo segment, its robust financial risk profile and well-planned port capacity addition and modernisation plans, along with infrastructure development in adjacent areas for economic growth.

The rating is constrained by competition from ports with container cargo facilities and berthing facilities on the western coast of India.

The outlook for the company remains Stable, considering the stable revenue stream from long-term build-operate-transfer (BOT) contracts with private terminal operators. The outlook may be revised to Positive if the port capacity utilisation level improves and additional capacities improve revenues and cash accruals. It may be revised to Negative if the capacity utilisation level declines due to a significant reduction in cargo movement, leading to de-growth in revenues.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED

The Central Board of Direct Taxes on 6 November 2012, authorised JNPT to raise an aggregating amount not exceeding Rs.2000 Crs through the issue of secured, tax-free, redeemable non-convertible bonds. The Ministry of Shipping on 12 November 2012, sanctioned the issue of tax-free bonds by JNPT and conveyed the approval on 4 January 2013 for the issue of bonds of Rs.2000 Crs. The bonds of Rs.41.32 Crs were allotted on 26

March 2013. The bonds are secured by 1.75 hectares of land. Debenture redemption reserve of Rs.41.32 Crs has been created and set apart for meeting the redemption liability at the end of 10th year.

KEY RATING DRIVERS

Credit Strengths:

Strong Promoters and Business Profile:

JNPT is 100% owned by the GoI. It is the largest container port in India, which handled more than 5 mn Twenty- foot Equivalent Units (TEUs) in FY20 with a 51% share of containerised cargo handled by the major ports in India. It is ranked 29th among the top 100 container ports in the world. Over the last three decades, JNPT has systematically evolved its operational efficiency and improved its capacity handling to transform itself into a port at par with global standards. Operations include handling containerised cargo on its own at one container terminal (Jawaharlal Nehru Port Container Terminal (JNPCT)) and providing requisite infrastructure facilities to reputed terminal operators in the other three terminals, namely, NSICT-DP World, GTI-APL Terminal and Bharat Mumbai Container Terminal. The trust has entered long-term BOT contracts with these terminal operators. JNPT provides basic infrastructure, such as dredged basin/channel, road and rail infrastructure, aids to navigation, firefighting facilities, utilities and water and power supply, and manages resources.

JNPT handled 5,031,187 TEUs during FY19-20. Container traffic reduced by 1.99% over the last year. It handled 1,925,302 TEUs during H1FY21, against 2,572,810 TEUs handled in the same period in the previous year. The nationwide lockdown due to COVID-19 affected traffic during the period. The total traffic handled at JNPT declined by 3.19% from 70.71 mn tonnes in FY19 to 68.45 mn tonnes in FY20.

Robust financial risk profile:

JNPT has seen a stable revenue stream over the years on account of the BOT revenue sharing model and stable revenues from its own container terminals. The total operating income declined by 4.49% to Rs.1899.61 Crs in FY20 from Rs.1988.99 Crs in FY19, mainly on account of the slowdown in the broader economy, affecting trade volume. However, the operating profit margin remained stable at 62% and net profit margin improved to 55.46% in FY20 from 48.13% in FY19 due to lower tax provisions in FY20.

The overall gearing improved to 0.25x as on 31 March 2020, against 0.29x on 31 March 2019 due to the repayment of USD 48.5 mn (~Rs. 319.35 Cr), which is 12.125% of the total external commercial borrowings (ECBs), during FY20. Cash accruals and the DSCR were comfortable at Rs.1053.58 Crs and 3.08, respectively, in FY20. At end-FY20, the company had cash and cash equivalents of Rs.3350 Crs (of which Rs.3122 Crs were as TDR with banks).

Well-planned port capacity addition, infrastructure development in adjacent areas:

JNPT can handle diverse cargo comprising containers and bulk cargo through three main container terminals and Phase I of the fourth container terminal. Phase II of the fourth terminal is scheduled to be completed by December 2022.

The fourth container terminal at JNPT was awarded to Bharat Mumbai Container Terminals Pvt. Ltd. (BMCTPL) in May 2014. It is India's largest FDI project in the port sector, with an estimated investment of Rs.7,935 Crs spread over eight years for two phases (Phase I Rs.4719 Crs and Phase II Rs.3196 Crs). The project consists of two phases; each phase consists of 1 km of quay line, 16.5 m depth at berth, 12 quay cranes, 46 RTG yard cranes and 4 RMGC cranes for its rail yard generating a capacity of 2.4 mn TEUs. As per schedule, the work of Phase I was completed on 22nd December 2017 and it was put into operation. Phase II Environmental Clearance has been received, and work is likely to commence soon. The scheduled date of completion is in December 2022.

JNPT has availed ECBs of USD 400 mn for on-lending to Mumbai JNPT Port Road Company Limited (MJPRCL), a special purpose vehicle for the implementation of a road widening project comprising 6/8 laning of the existing road to the port. JNPT holds 51% paid up equity share capital in MJPRCL.

Furthermore, it is undertaking various projects under the Sagarmala Programme, infrastructure development near the port, the development of a port-based SEZ, the development of satellite and dry ports and so on.

Credit Risks:

Competition from ports on Western Coast:

Ports based on India's West Coast that have container cargo facilities, berthing facilities for larger vessels provide competition to JNPT and constrain its growth in cargo volumes. However, the ongoing capacity expansion and modernisation of infrastructure will help it maintain or improve its market position by leveraging future trade growth opportunities.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, Brickwork Ratings (BWR) has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale). BWR has considered the company's operational and financial performance while arriving at the rating.

RATING SENSITIVITIES

Positive:

Port capacity utilisation level improves, capacity addition leads to improvement in revenues and cash accruals

Negative:

Capacity utilisation level declines due to a significant reduction in cargo movement, leading to degrowth in revenues

LIQUIDITY POSITION

The company's liquidity position is adequate, marked by cash and cash equivalents of Rs.3350 Crs (of which Rs.3122 Crs of TDR with Banks) as of FY20. The company generated operating cash-flow of Rs. 1355 Crs during FY20, which comfortably took care of the debt servicing obligation of Rs. 439.66 Crs (interest - Rs. 120.31 Cr, principal payment – Rs. 319.35 Crs) during the year. During FY21, principal repayment of Rs. 286.43 Crs, as well as interest payment, can be comfortably taken care of by operating cash-flows. Existing cash balances provide additional cushion for debt servicing.

COMPANY PROFILE

Jawaharlal Nehru Port Trust (JNPT) at Navi Mumbai is the largest container port in India and has been a key enabler for EXIM trade growth in the country. JNPT handled over 5 mn TEUs in FY19-20, with a share of 51% of the total containerised cargo handled by all the major ports in the country. Commissioned on 26 May 1989, JNPT occupies a prominent place among the most modern ports in India. Initially, it was planned to be a satellite port to the Mumbai Port with a purpose to decongest traffic. Over the next three decades, JNPT systematically evolved its operational efficiency and improved its capacity handling to transform itself into a port at par with global standards. The JNPT ecosystem consists of a full-fledged custom house, 34 container freight stations (CFS) and connectivity to 52 inland container depots (ICDs) across the country. Road connectivity is further being strengthened by the ongoing project of 6/8 lane widened connectivity to NH-4 and NH-17. At present it has a ~7 mn TEUs capacity, which is expected to enhance to 10 mn TEUs by 2022. To augment the port capacity, JNPT accomplished its ambitious project of the deepening and widening of the Mumbai Harbour Channel and JN Port Channel at Rs. 1963 Crs, due to which it successfully handled the MSC Cristina vessel of capacity 13119 TEUs and MSC Sindy vessel of draft 15.7 m.

The trust operates its own terminal, JNPCT, with an annual capacity of 1.5 mn TEUs. It was commissioned in 1989 and is the oldest of the four container terminals. The trust has entered long-term BOT contracts with private terminal operators, which stipulate revenue sharing and royalty income, based on volumes. One of the three private terminals at JNPT is **Nhava Sheva International Container Terminal (NSICT)**, operated by DP World Ltd., with a capacity of 1.2 mn TEUs. In July 2016, DP World also commissioned the 330-m berth, capable of handling 0.8 mn TEUs, at an estimated project cost of around Rs.600 Crs. The second private terminal is **Gateway Terminals India Pvt. Ltd. (GTIPL)**, which is run by a consortium comprising APM Terminals Management BV and state-owned Container Corporation of India Ltd., with a capacity of 1.8 mn TEUs. The third private terminal is Phase I of **BMCT terminal** run by PSA Singapore with a capacity of 2.4 mn TEUs. The second phase of the 2.4 mn TEUs is under construction and is expected to be commissioned by December 2022.

KEY FINANCIAL INDICATORS (INR Crs)

Key Parameters	Units	FY19	FY20
Result Type		Audited	Provisional *
Operating Income	Rs. Crs	1988.99	1899.61
OPBDIT	Rs. Crs	1220.43	1169.16
PAT	Rs. Crs	957.33	1053.68
Tangible Net-Worth	Rs. Crs	9805.34	10853.05
D: E Ratio	Times	0.29	0.25
Current Ratio	Times	2.51	2.35

*The audit of FY 2019-20 financials is in progress by Comptroller and Auditor General of India (CAG)

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NA

RATING HISTORY

Instrument	Current Rating			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	Nov 2019	Nov 2018	Nov 2017
Bonds/NCD	Long Term	Up to Rs.2000 Crs (Subscribed Rs.41.32 Crs)	BWR AAA (Stable) Reaffirmed	BWR AAA (Stable)	BWR AAA (Stable)	BWR AAA (Stable)
Total (O/s)		41.32	INR Forty-One Crores and Thirty-Two Lakhs Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Infrastructure Sector**

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**ANNEXURE I
INSTRUMENT (NCD/Bonds) DETAILS**

Instrument	Issue Date	Amount in Crs.	Coupon Rate	Maturity Date	ISIN Particulars
Bonds/ NCD	26.03.2013	41.32	6.82% (7.32% for retail subscribers)	25-3-2023	INE281G07053
Total		41.32	INR Forty-One Crores and Thirty-Two Lakhs Only		

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