

Ratings

CRISIL

An S&P Global Company

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Rating Rationale

January 10, 2018 | Mumbai

Jawaharlal Nehru Port Trust

Ratings Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.2680 Crore
Long Term Rating	CRISIL AAA/Stable (Reaffirmed)

Rs.2000 Crore Tax Free Bond*	CRISIL AAA/Stable (Reaffirmed)
Corporate Credit Rating	CCR AAA/Stable (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

* Non-convertible tax-free bond

Detailed Rationale

CRISIL has reaffirmed its 'CRISIL AAA/CCR AAA/Stable' ratings on the long-term bank facility and corporate credit facility of Jawaharlal Nehru Port Trust (JNPT).

The ratings continue to reflect JNPT's robust business risk profile, strong government linkages, and healthy financial risk profile because of low debt and large cash balances. These strengths are partially offset by intense competition from private ports, particularly those on the western coast.

Key Rating Drivers & Detailed Description Strengths

* **Robust business risk profile:** It is driven by market leadership in the container cargo segment and long-term build, operate, and transfer (BOT) contracts with private terminal operators. Market share was healthy at around 37% of the total container cargo traffic handled in India in fiscal 2017. Current capacity is 5.2 million twenty-foot equivalent unit (TEU; including private terminals operating at the port, which handle 3.8 million TEU) and is operating at capacity utilisation of over 80% (against around 100% over the six years through fiscal 2015). Phase I of the fourth container terminal is expected to be operational in fiscal 2018, increasing the total capacity to 7.6 million TEU. CRISIL believes JNPT will maintain its established market position over the medium term, driven by the expectation of favourable growth in the container cargo segment and capacity addition. Income from BOT contractors provides stability to revenue and ensures strong profitability.

* **Strong government linkages:** JNPT is under the direct administrative control of the ministry of shipping (MoS). The trust's board has members representing MoS, department of customs, and directorate general of shipping, which reflects strong government linkages. In the past, debt contracted was either directly from the government or on the strength of its ownership. Since ports are strategically important for economic growth and JNPT is the largest container-handling cargo port, government support is likely to continue.

* **Healthy financial risk profile:** Debt protection metrics are comfortable due to low debt of Rs 557 crore against large cash balance of Rs 4,684 crore as on March 31, 2017. However, the trust has substantial capital expenditure (capex) over the medium term, which includes widening the existing road connecting the port and the main highway to 6-8 lanes. JNPT is also undertaking dredging activity in its channel to increase the depth to 15 metre from 14 metre, which will enable it to handle large vessels. Though the trust may have to contract additional debt to fund capex, strong internal cash accrual and large cash balance will help meet capex requirement and service debt obligation.

Weakness

* **Intense competition from private ports:** JNPT will continue to face competition from nearby private ports on the western

coast, which have efficient operations, facilities for berthing larger vessels, and state-of-the-art infrastructure. This led to a decline in the trust's market share to 37% in fiscal 2017 from over 50% in fiscal 2009. However, capacity addition and improvement in infrastructure facilities will limit any further drop in market share.

Outlook: Stable

CRISIL believes JNPT will maintain its established market position in the container cargo segment over the medium term because of favourable growth prospects. Furthermore, the trust is likely to maintain healthy financial risk profile due to high cash accrual and surplus liquid balance.

Downside scenario

* Any change in government policy leading to dilution in strategic importance or criticality to government

* Significant decline in profitability or large, debt-funded capex

About the Trust

Formed under the Major Port Trusts Act, 1963, JNPT commenced operations in 1989. It operates a dedicated container terminal and a multi-purpose terminal for shallow draught vessels at Navi Mumbai, across the Mumbai Port. Operations include handling containerised cargo at its own container terminal, and providing requisite infrastructure facilities to other terminal operators.

The trust has entered into long-term BOT contracts with private terminal operators, which stipulate revenue sharing and royalty based on volumes. One of the two private terminals at JNPT is Nhava Sheva International Container Terminal, operated by DP World Ltd, with a capacity of 1.2 million TEU. In July 2016, DP World also commissioned the 330-metre berth, capable of handling 0.8 million TEU, at an estimated project cost of around Rs 600 crore. The other private terminal is Gateway Terminals India Pvt Ltd, which is run by a consortium comprising APM Terminals Management BV and state-owned Container Corporation of India Ltd, with capacity of 1.8 million TEU. JNPT has also entered into an agreement with for the development of a fourth container terminal with capacity of 4.8 million TEU with Bharat Mumbai Container Terminal Pvt Ltd, a special-purpose vehicle of Port of Singapore's PSA International. The first phase of the 2.4 million TEU is expected to be commissioned in fiscal 2018.

Key Financial Indicators

As on / for the period ended March 31		2017	2016
Revenue	Rs crore	1624	1597
Profit after tax (PAT)	Rs crore	903	719
PAT margins	%	55.6	45.0
Adjusted debt/adjusted networth	Times	0.07	0.01
Interest coverage	Times	398	273

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Cr)	Rating Assigned with Outlook
INE281G07053	Tax-Free Bond**	26-Mar-2013	6.82%/7.32%	25-Mar-2023	2000	CRISIL AAA/Stable
NA	External Commercial Borrowing*	12-Aug-2016	NA	31-Mar-2024	2680	CRISIL AAA/Stable

*Equivalent to USD 400 million. 1 USD=INR 67.

**Non-convertible tax-free bond

Annexure - Rating History for last 3 Years

Instrument	Current			2018 (History)		2017		2016		2015		Start of 2015
	Type	Quantum	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
-	CCR	0	CCR AAA/Stable		No Rating Change	31-01-17	CCR AAA/Stable	23-12-16	CCR AAA		No Rating Change	CCR AAA/Stable

Tax Free Bond	LT	2000	CRISIL AAA/Stable		No Rating Change		No Rating Change		No Rating Change		No Rating Change	CRISIL AAA/Stable
Fund-based Bank Facilities	LT/ST	2680	CRISIL AAA/Stable		No Rating Change	31-01-17	CRISIL AAA/Stable		--		--	--

Table reflects instances where rating is changed or freshly assigned. 'No Rating Change' implies that there was no rating change under the release.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
External Commercial Borrowings*	2680	CRISIL AAA/Stable	External Commercial Borrowings*	2680	CRISIL AAA/Stable
Total	2680	--	Total	2680	--

*Equivalent to USD 400 million. 1 USD=INR 67.

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[The Infrastructure Sector Its Unique Rating Drivers](#)

[Criteria for Notching up Stand Alone Ratings of Entities Based on Government Support](#)

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