

Ratings

CRISIL

An S&P Global Company

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Rating Rationale

January 31, 2019 | Mumbai

Jawaharlal Nehru Port Trust

Rating Reaffirmed; CCR Withdrawn

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Corporate Credit Rating	CCR AAA/Stable (Withdrawn)

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/Stable' rating on the long-term bank facility and tax-free bonds of Jawaharlal Nehru Port Trust (JNPT). The corporate credit rating has been **withdrawn** at JNPT's request. This is in line with CRISIL's withdrawal policy.

The ratings continue to reflect JNPT's healthy business risk profile, strong government linkages, and robust 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.

Analytical Approach

For arriving at its ratings, CRISIL has moderately consolidated JNPT with its special purpose vehicle (SPV), Mumbai JNPT Port Road Co Ltd (MJPRCL), to the extent of equity infusion and any cost overrun.

The ratings factor in the support expected from the Government of India (GoI). Port infrastructure is vital to economic growth and JNPT accounts for ~52% of container traffic at Indian ports. GoI holds 100% in JNPT and the trust 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.

Please refer Annexure - List of entities consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

* **Healthy 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 ~52% of the total container cargo traffic handled at all the major ports in India in fiscal 2018 and first nine months of fiscal 2019. Phase I of Bharat Mumbai container terminal (BMCT) container terminal started its operations in February 2018 increasing the total capacity to 7.7 million twenty-foot equivalent unit (TEU; including private terminals operating at the port, which handle 6.2 million TEU) in fiscal 2018 from 5.3 million TEU in fiscal 2017. Operating income has grown by 11% in fiscal 2018 majorly driven by growth in container traffic of 7.4%. Container traffic growth has moderated to 6% in nine months of fiscal 2019 on account of evacuation constraints at the port. However, traffic growth is expected to be maintained at 9-10% driven by utilisation at the phase-I of BMCT terminal considering the terminal has more updated technology compared to the other competitor terminals. Income from BOT contractors will continue to provide stability to revenue and ensures strong profitability. 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.

* **Well-phased infrastructure enhancement projects and capacity addition projects:** JNPT is undertaking sizeable projects to improve infrastructure in and around the port which will improve the operating efficiency of the port. The port has taken up initiative to improve road and rail connectivity to cater to increasing capacity. A SPV named Mumbai JNPT Port Road Co. Ltd (MJPRCL) formed by JNPT, National Highway Authority of India (NHAI), and The City and Industrial Development Corporation (CIDCO), is carrying out 6/8 laning of the highway connecting port to major cities. The project is under construction and expected to be completed in fiscal 2020. Additionally, construction of coastal berth and dredging activity are under progress. Construction of coastal berth is expected to be completed by October 2020 and dredging activity is expected to be completed by March 2019.

Private terminal operators are also adding capacity in the port in the phased manner. Second phase of BMCT terminal of capacity of 2.4 million TEU (MT) is under construction and is expected to be commissioned by December 2022. Further, development of additional liquid cargo jetty a capacity of 4.5 million MT is in tendering stage. Building of infrastructure is expected to improve the operational efficiency while capacity addition will help JNPT sustain its market position.

* **Robust financial risk profile:** Growth in operating income coupled with strong operating profitability have generated healthy cash accruals of around Rs 1000 crore in fiscal 2018 and around Rs 970 crore in fiscal 2017. Operating income which grew at 11% in fiscal 2018 moderated to around 5% in first half of fiscal 2019 (when compared to first half of fiscal 2018), operating profitability continued to remain healthy at 60%.

JNPT has contracted an external commercial borrowing (ECB) of around Rs 2700 crore of which Rs 1800 crore was drawn down in fiscal 2018. This has resulted increase in debt to Rs 1820 crore as on March 31, 2018 from Rs 557 crore as on March 31, 2017. The ECB loan has been utilised towards funding of road project under the SPV MJPRCL. However, strong cash accruals and moderate debt levels have resulted in healthy debt protection metrics - interest coverage ratio stands and net cash accruals to total debt stand comfortable at ~17 times and 0.55 times respective in fiscal 2018 and is expected to remain healthy going forward. The capital structure of the trust remains comfortable with gearing at ~0.2 times as on March 31, 2018. Although the trust is taking up substantial capital expenditure (capex) over the medium term, its strong accruals and cash balance of around Rs 4393 crore as of September 30 2018 would support the overall capital structure.

* **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.

Weakness:

* **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. However, the newly commissioned BMCT port of JNPT is also equipped with more updated technology and modern facilities, which will support the traffic growth at the port. Furthermore, capacity addition and improvement in infrastructure facilities would also help JNPT maintain strong market position.

Liquidity

Liquidity remains healthy, supported by healthy annual cash accrual and liquid surplus. Expected annual cash accrual of Rs 900-1000 crore should comfortably cover the ECB obligation. Annual obligation of Rs 300-400 crore on the ECB loan will commence in September 2019, and will be met through cash accrual. The trust had large cash balance of Rs 4393 crore (Rs 3530 crore unencumbered) as on September 30, 2018. It will continue to benefit from its strong government linkages and any need-based support from Gol.

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 its healthy business profile driven by steady traffic growth and moderate capacity utilization. The financial profile is also expected to remain robust driven by healthy 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 three 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 second 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. The third private terminal is Phase I of BMCT terminal run by PSA Singapore with a capacity of 2.4 million TEU. The second phase of the 2.4 million TEU is under construction and expected to be commissioned by December 2022.

MJPRCL was formed for 6/8 laning of the highway connecting the port to major cities such as Mumbai, Pune, Navi Mumbai, Nashik, and Ahmedabad, and to Goa. The SPV is held by JNPT (51% stake), NHAI (43%), and CIDCO (6%).

Profit after tax was Rs 466 crore on total operating income of Rs 975 crore during the first half of fiscal 2019, against Rs 459 crore and Rs 928 crore, respectively, for the corresponding period of the previous fiscal.

Key Financial Indicators - JNPT (CRISIL adjusted financials)

As on / for the period ended March 31		2018	2017
Revenue	Rs crore	1892	1702
Profit after tax (PAT)	Rs crore	924	898
PAT margins	%	48.90	52.76
Adjusted debt/adjusted networkth	Times	0.21	0.07
Interest coverage	Times	17.20	-*

*Although there was an interest outgo/bank charges of Rs 11.37 crore in fiscal 2018, foreign exchange gain of Rs 19.11 crore nullified the same.

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-13	6.82%/7.32%	25-Mar-23	2000	CRISIL AAA/Stable
NA	External Commercial Borrowing	12-Aug-16	NA	31-Mar-24	2680	CRISIL AAA/Stable

*Non-convertible tax-free bond

Annexure - List of entities consolidated

Entity consolidated	Extent of consolidation	Rationale for consolidation
MJPRCL	Moderate	Support to the extent of equity, cost overrun and cash flow mismatches

Annexure - Rating History for last 3 Years

Instrument	Current			2019 (History)		2018		2017		2016		Start of 2016
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
-	CCR	0.00	Withdrawal			10-01-18	CCR AAA/Stable	31-01-17	CCR AAA/Stable	23-12-16	CCR AAA	CCR AAA/Stable
Tax Free Bond	LT	41.31 31-03-18	CRISIL AAA/Stable			10-01-18	CRISIL AAA/Stable	31-01-17	CRISIL AAA/Stable	23-12-16	CRISIL AAA/Stable	CRISIL AAA/Stable

Fund-based Bank Facilities	LT/ST	2680.00	CRISIL AAA/Stable			10-01-18	CRISIL AAA/Stable	31-01-17	CRISIL AAA/Stable		--	--
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All amounts are in Rs.Cr.

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](#)

[CRISILs Criteria for Consolidation](#)

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

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