

RATING RATIONALE

13 Nov 2019

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 (JNPT)

Particulars

Facilities/ Instrument**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Nov 2018)	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 the strong business profile of the port, ownership structure (100% owned by Govt. of India), JNPT being the largest container port in India, handling capacity of over ~5 Mn TEUs in FY19, which is ~52% of the total containerized cargo handled by all major ports in India and 28th ranking among the top 100 container ports in the world. The trust has entered into long-term BOT contracts with private terminal operators, which stipulate revenue sharing and royalty based on volumes. The road connectivity is further being strengthened by ongoing project of 6/8 lane widened connectivity to NH-4 and NH-17. At present it has ~7 Mn TEU capacity and expected to enhance to 10 Mn TEU by 2022. It is further supported by comfortable financial profile such as low gearing of 0.29x and debt coverage indicators with healthy cash accruals of Rs.1029.24 Crs in FY19.

The rating is however constrained by the implementation risk for ongoing capital expenditure (outlay through internal and extra budgetary resources (IEBR)) mainly towards development of fourth container terminals its port services (container and bulk handling) being susceptible to increased competition from nearby ports (e.g. Adani Port, APM Terminals). It is further constrained by the lower utilization of JNPT (main berth) as the port has utilized ~12.34 mn tons out of the total capacity of 22.10 Mn tons. However, during FY19, due to BOT operators' increased volumes capacity utilization increased marginally to 77.05% from 73.22% in FY18. However, overall capacity utilization remains lower at 59.64% in FY19 from 74.52% in FY18 due to additional capacity of third terminal (BMCT terminal). Also, the average import cycle dwell time of JNPT region port terminal for Sep'19 was 26.1 hrs and the export cycle dwell time was 63.9 hrs.

Outlook for the company, remains Stable, considering the stable diversified revenue generation from long term BOT contracts with private terminal operators, Port and Dock Services mainly from Birth hire incomes and pilotage income, Container handling and rental income expected to provide continuous cash flow, steady progress in ongoing capital expenditure and generation of adequate cash accruals from current operations.

Going forward, phase II of the fourth terminal owned by PSA Singapore with capacity of 4.8 Mn (including phase I) is expected to generate full revenues by FY22. The Outlook may be revised to “Positive” if utilization level improves and the creation of additional capacities is completed providing higher revenues and cash accruals or it may be revised to “Negative”, if the trust fails to implement the ongoing projects on time, there is reduction in cargo movement and generates lower than estimated revenues.

KEY RATING DRIVERS

Credit Strengths:

Strong Promoters and Business Profile: JNPT is wholly owned by Government of India (GoI) which holds 100% stake in the port. It is the largest container port in India and is ranked 28th among the top 100 container ports in the world. 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. Operations include handling containerized 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 provides revenue sharing and royalty-based business/volumes.

JN Port traffic handled increased at a stable rate of 6.20% from 4.83 Mn TEUs in FY18 to 5.13 Mn TEU in FY19 and 2.57 Mn TEU till during Apr-Sep'19. Total Traffic handled at JNPT increased by 7.12% from 66.004 mn tons in FY18 to 70.71 mn tons in FY19 including bulk cargo of 8.59 Mn tons in FY19 (vs. 8.14 Mn tons in FY18) and liquid traffic of 7.50 Mn tones in FY19 (vs. 7.19 Mn tones in FY18).

Strong financial risk profile:

JNPT has seen a stable revenue growth over the years on account of the BOT (build-operate-transfer) revenue sharing model and stable revenues from its own container terminals. Its Operating. revenues have grown by 5.19% to Rs.1988.99 Crs in FY19 from Rs.1890.88 Crs in FY18, mainly on account of increase in lease income (revenue sharing (BOT), Port and Dock charges and Estate income), Cargo and bulk storage charges remain low at Rs.406.94 Crs in FY19 (vs. Rs.547.32 Crs). Overall gearing remained stable at 0.29x as on March 31, 2019 as against 0.21x as on March 31, 2018. As it has drawn down US\$400 mn (~Rs.2633.80 Crs) during FY19, for on-lending to the Mumbai JNPT Port Road Company Ltd. (MJPRCL; 49% shareholder) for road widening 6/8 laning of existing road connectivity. While there is a marginal increase in debt levels due to ongoing capital expenditure, gearing level remains comfortable and the company has adequate debt protection metrics and coverage ratios due to healthy cash accruals of Rs.1029.24 Crs in FY19. Further, it has cash and cash equivalents of Rs.3328.17 Crs as on FY19 in the form of TDR with Banks.

Stable Revenue from terminal and well-defined capacity addition:

JNPT (or Nhava Sheva) can handle diverse cargo comprising of containers, liquid bulk and Cement through three main terminals and the fourth terminal is under development of which phase I is

operational. JNPT is benefitting from stable revenue stream from BOT operators, where JNPT provides basic infrastructure such as dredged basin/channel, road and rail infrastructure, aids to navigation, firefighting facilities, utilities, water and power supply etc. and manages resources. Development and operation of cargo terminals are through private sector participation on BOT basis.

Fourth Container Terminal at JNPT, was awarded to Bharat Mumbai Container Terminals Pvt. Ltd. (BMCTPL) in May'14. BMCT is expected to make an investment of Rs.7,935 Crs spread over eight years for two phases. Phase I was completed in Dec'17 with a cost of Rs.4719 Crs. Phase II comprises of 1000 mtrs of quay line, 16.5 mtrs depth, 12 quay cranes, 46 RTG yard cranes, and 4 RMGC cranes with a capacity of 2.4 mn TEU (total 4.8 mn TEU) and estimated cost of ~Rs.3196 Crs. It is expected to be completed by Dec'22. Further it is undertaking various sizeable projects such as coastal berth and additional liquid cargo jetty under "Sagarmala Programme", modernization of the port and infrastructure development to improve infrastructure in and around of the port to improve its operational efficiencies.

Further, it has taken development under port modernization for Port based SEZ (Total area 277.38 hectares) with a Cost Rs.476 Crs which is expected to be completed by Dec'19. Further, deepening and Widening of Mumbai Harbour Channel and JN Port Channel (Phase II) which includes increasing capacity to 15 m draft from 14 m draft with a vessel capacity of 12,500 TEU having an estimated cost of Rs.2306 Crs. Dredging work was started in Sep'17. It has also undertaken Indore-Manmad Rail line project which is in its initial stage and involves an investment of Rs.8931.64 Crs (JNPT share is Rs.1475.18 Crs).

Favourable Location with strong operators:

JNPT is situated at Navi Mumbai (formerly known as the Nhava Sheva Port), which can handle diversified commodities/cargo such as Coal, Iron Ore, LNG, POL, Oil and Lubricants and Cars. It has four terminals berths aggregating to a total capacity of 7.0 Mn TEUs, of which it is currently utilizing 5.13 Mn TEU.

It has container terminal is having capacity of 1.35 mn TEUs, connectivity by rail and road, 34 CFSs, 46 ICDs and full-fledged custom house, airport hotels and proximity to Mumbai, Pune and Nasik. 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 (NSICT), operated by DP World Ltd., with a capacity of 1.2 mn TEU. In July 2016, DP World also commissioned the 330-metre berth, capable of handling 0.8 mn TEU, 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 capacity of 1.8 mn TEU. The third private terminal is Phase I of BMCT terminal run by PSA Singapore with a capacity of 2.4 mn TEU. The second phase of the 2.4 mn TEU is under construction and expected to be commissioned by Dec'22.

Credit Risks:

Exposure to risks related to timely implementation of the expansion project and revenues to be generated from the new capacity additions:

JNPT has incurred significant capital expenditure over the last three years envisaging setting up of new container terminal of which phase I is already completed, phase II is expected to become operational by Dec'22. This is expected to increase its capacity to 10.00 Mn TEU by 2022.

The capex is proposed to be funded with a mix of debt and from internal sources. Over the next couple of years, JNPT is expected to incur ~Rs.2000 Crs-Rs.3000 Crs towards capacity enhancement, deepening and widening of Mumbai Harbour channel, capital dredging and rail-road connectivity. However, current utilization levels remained low at 5.32 Mn TEUs, mainly due to slowdown in demand from cargo containers and private users. Timely implementation of these projects without any cost overrun is critical for growth prospects of JNPT and capacity utilisation in the new berths remains a key rating sensitivity.

Increase in competition from nearby ports:

The trust has assurance and logistical linkages and generates ~55% of the revenues from BOT operations and rental services, whereas 24% comes from Port and Dock services, rest (Container and Bilk handling). The trust faces stiff tariff competition from nearby ports (Adani port, APM Terminals). However, its modernization efforts and new terminals are expected to provide traffic growth while maintaining its strong market share.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale). BWR has taken a consolidated view on the operational and financial performance of the company while arriving at rating.

RATING SENSITIVITIES

Going forward, JNPT's utilization of its built-up capacities, while continuing to implement its capital expenditure plan and ensuring timely implementation of ongoing capital projects and generating adequate cash accruals will be the key rating sensitivities.

Positive: The Outlook may be revised to "Positive" if utilization level increases providing higher cash accruals generation and completion of ongoing capital expenditure plans in a timely manner resulting in improvement in its revenue generation.

Negative: The Outlook may be revised to "Negative", if the company fails to capitalize on increased capacities, has a reduced cargo movement and generates lower than estimated revenues.

LIQUIDITY POSITION

The Liquidity of the company remains strong with Rs.1029.24 Crs Cash accruals generated during FY19 as against no debt repayment during FY19. It also has cash and cash equivalents as on FY19, is at Rs.3328.17 Crs, out of the total ECB of US\$400 mn, (Rs.2633.80 Crs) about 12% is payable during FY20.

COMPANY PROFILE

Commissioned on 26th May 1989, JNPT occupies a prominent place among the most modern ports in India and is ranked 28th among the top 100 container Ports in the world. The Jawaharlal Nehru Port Trust (JNPT) at Navi Mumbai (formerly known as the Nhava Sheva Port) is the largest container port in India and has been a key enabler for EXIM trade growth in India. JNPT handled over 5 Mn TEUs in FY 2018-19, which is share of ~52% of the total containerized cargo handled by all major ports in the country.

Initially, JN Port 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. 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.

The road connectivity is further being strengthened by ongoing project of 6/8 lane widened connectivity to NH-4 and NH-17. At present it has ~7 mn TEU capacity and expected to enhance to 10 mn TEU by 2022. In order to augment the Port capacity, JNPT accomplished its ambitious project of Deepening and Widening of Mumbai Harbour Channel and JN Port Channel at a cost of Rs.1963 Crores

Government. of India holds 100.00% in JNPT (wholly owned by GoI). Operations include handling containerized 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 provides revenue sharing and royalty-based business/volumes.

KEY FINANCIAL INDICATORS (in INR Crs)

Total Operating. revenues have grown by 5.19% to Rs.1988.99 Crs in FY19 from Rs.1890.88 Crs in FY18, mainly on account of increased in lease income (revenue sharing (BOT), Port and Dock charges and Estate income), Cargo and bulk storage charges remain low at Rs.406.94 Crs in FY19 (vs. Rs.547.32 Crs). However, EBITDA (0.74%) and Profitability (0.56%) remain stable at Rs.1220.43 Crs and Rs.957.33 Crs respectively in FY19. Total Debt stood at Rs.2838.52 Crs, with no repayment in FY20 (CPLTD) and as against it has generated Cash accruals of Rs.1029.24 Crs and Cash and Cash Equivalents of Rs.3328.17 Crs in FY19 (of which Rs.3294.92 Crs of TDR with Banks).

FINANCIAL INDICATORS - ISSUER

Key Parameters	Units	FY18	FY19
Result Type		Audited	Audited
Operating Income	Rs. Crs	1890.88	1988.99
EBITDA	Rs. Crs	1211.55	1220.43
PAT	Rs. Crs	952.04	957.33
Tangible Net-Worth	Rs. Crs	8860.06	9805.34
D: E Ratio	Times	0.21	0.29
Current Ratio	Times	2.81	2.51

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED

Central Board of Direct Taxes on 6th Nov 2012, authorised JNPT to raise an aggregating amount not exceeding Rs.2000 Crs through the issue of secured tax free redeemable non-convertible bonds. Ministry of Shipping on 12th Nov 2012, sanctioned issue of Tax-Free Bonds by JNPT and conveyed the approval on 4th Jan 2013, for issue of bonds of Rs.2000 Crs. The Bonds of Rs.41.32 Crs were allotted on 26th Mar 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 as reserve for meeting the redemption liability at the end of 10th year. Interest of Rs.2.88 Crs was paid during FY19.

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 2018	Nov 2017	Oct 2016
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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Jawaharlal Nehru Port Trust (JNPT)

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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