

Rating Rationale

12 November 2021

Jawaharlal Nehru Port Trust

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 (Rs. Crs)		Tenure	Rating*	
	Previous	Present		Previous (13-Nov-2020)	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	41.32	41.32	Rupees Forty One Crores and Thirty Two Lakhs Only		

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

** Details of NCD/Bonds provided in Annexure - I

RATING ACTION/OUTLOOK

Brickwork Ratings (BWR) reaffirms the ratings of Jawaharlal Nehru Port Trust (JNPT or the trust) considering factors such as JNPT's ownership by the Government of India (GoI), leadership position in the container cargo segment, healthy financial performance, optimum capacity utilisation 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 trust's outlook is kept Stable, considering the healthy financial profile and availability of adequate funds in the form of term deposits or fixed deposits.

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. A debenture redemption reserve of Rs.41.32 Crs has been created and set apart for meeting the redemption liability at the end of the 10th year.

KEY RATING DRIVERS

Credit Strengths:-

- **Strong promoters and experienced management:** JNPT is 100% owned by the GoI. It is the largest container port in India and handled more than 4.67 mn TEUs in FY21, with a 48.64% share of the containerised cargo handled by the major ports in India. It is ranked 33rd 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. Shri. Sanjay Sethi, IAS, and Shri. Unmesh Sharad Wagh, IRS, are JNPT's current chairman and deputy chairman, respectively. JNPT trustees are appointed by the Ministry of Shipping, Ports and Waterways from various stakeholders of the government such as Customs, Railways, Forest, Coast Guard and Navy. The other trustee management members are also reputed members from the government's different departments.
- **Healthy financial performance:** Over the years, JNPT has seen a stable revenue stream on account of the Build-Operate-Transfer (BOT) revenue sharing model and stable revenues from its own container terminals. During FY21 (provisional), the total operating income improved marginally by 1.14%, i.e., from Rs.1899.61 Crs in FY20 to Rs.1921.19 Crs as of FY21 (provisional). The operating and net profitability margins were reported at 50.61% and 41.84%, respectively, during FY21 (provisional). The trust has reported a satisfactory tangible net worth of Rs.11638.58 Crs as of FY21 (provisional). The trust has continued to report a low debt equity level of 0.20X. The debt coverage indicators were reported at satisfactory levels during FY21 (provisional). During FY21, the trust generated cash accruals of Rs.922.15 Crs. At end-FY20, the trust had cash and cash equivalents of Rs.3573.70 Crs (of which Rs.3552.18 Crs were as TDR with banks).
- **Optimum capacity utilisation:** The trust's capacity utilization is optimum. During FY21, the trust reported its capacity utilization at 60.62% as compared to 57.85% in the previous corresponding period. During FY21, the total traffic handled was at 64.81 MT, bulk container handled was 7,063,859 tonne and container traffic handled around 4,676,831 TEUs.
- **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 April 2025. 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 the schedule, the work of Phase I was completed on 22 December 2017, and it was put into operation. The commencement of Phase II of 30 MTPA capacity is getting delayed due to the Covid -19



pandemic and confirmation of the revised layout. The Environmental Clearance (EC) for the revised layout (amendment) was received on 18 October 2021, and work is expected to commence within 6 months from the receipt of the EC.

Credit Risks:-

- **Competition from ports on western coast:** Ports based on India's west coast that have container cargo facilities and 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

To arrive at its ratings, BWR has relied on the standalone financials of the trust. BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES:

Going forward, the ability of the trust to maintain the optimum capacity utilisation, thereby improving its scale of operations as projected, and adequate generation of cash accruals to timely meet its debt obligations will remain key rating sensitivities.

- **Downward:** The ratings can move downward if there is substantial decline in the capacity utilisation level due to a significant reduction in cargo movement, leading to degrowth in revenues and profitability.

LIQUIDITY: Strong

The trust's liquidity position is strong. During FY21, the trust generated net cash accruals of Rs. 922.15 Crs against the principal debt obligations of USD 43.50 mn (approximately Rs. 399.23 Crs). The trust reported investments in fixed deposits of Rs. 3552.18 Crs as of 31 March 2021 (provisional), and cash and cash equivalents of Rs.21.53 Crs. The rated bonds are due for redemption in FY23, for which the trust has already created a debenture redemption reserve of Rs. 41.32 Crs. For the ECB facilities, the debt obligations for FY22 and FY23 are at USD 48.50 mn and USD 52.20 mn, respectively. Of this, the trust has already met the first half principal obligations for FY22. BWR believes that the trust will be generating adequate cash accruals for meeting debt obligations in the medium term.

About the trust:

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 more than 4.67 mn TEUs in FY21, with a share of 48.64% 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 the purpose of decongesting traffic. Over the last 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 2026. 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 13,119 TEUs and MSC Sindy vessel of draft 15.7 m.

The trust operates its own terminal, Jawaharlal Nehru Port Container 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.

KEY FINANCIAL INDICATORS

Key Parameters	Units	FY21	FY20
Result Type		Provisional	Audited
Operating Revenue	Rs. Crs	1921.29	1899.61
EBITDA	Rs.Crs	972.41	1068.01
Net profit	Rs. Crs	803.85	1053.58
Tangible Net worth	Rs. Crs	11638.58	10853.05
Total Debt/Tangible Net worth	In Times	0.20	0.25
Current Ratio	In Times	2.15	2.36

NON COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY: NIL

Rating History for the previous three years (Including withdrawal and suspended)

S.No	Instrument /Facility	Current Rating(2021)			Chronology of Rating History for the past 3 years (Rating assigned and press release date) along with outlook/watch, if applicable		
		Type (Long Term/ Short Term)	Amount (Rs. Crs)	Rating	Date(s) & Rating(s) assigned in 2020	Date(s) & Rating(s) assigned in 2019	Date(s) & Rating(s) assigned in 2018
1	Bonds/NCDs	Long Term	Rs. 2000 Crs (Subscribed Rs. 41.32 Crs)	BWR AAA / Stable Reaffirmed	BWR AAA / Stable Reaffirmed (13-Nov-2020)	BWR AAA / Stable Reaffirmed (13-Nov-2019)	BWR AAA / Stable Reaffirmed (14-Nov-2018)
Total			41.32	Rupees Forty One Crores and Thirty Two Lakhs Only.			

COMPLEXITY LEVELS OF THE INSTRUMENTS: Simple

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com / download / ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf). Investors queries can be sent to info@brickworkratings.com.

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to financial ratios](#)
- [Infrastructure sector](#)
- [Port Sector/Projects](#)

For any other criteria obtain [hyperlinks](#) from website.

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Annexure - I
Instrument Details

Instrument	Issue Date	Amount (Rs. Crs)	Coupon Rate	Maturity Date	ISIN Particulars
Bonds/NCDs	26-Mar-2013	Rs. 2000 Crs (Subscribed Rs. 41.32 Crs)	6.82% (7.32% for retail subscribers)	25-Mar-2023	INE281G07053

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