



May 19, 2015  
Mumbai

## Jawaharlal Nehru Port Trust

### Ratings Reaffirmed

<b>Corporate Credit Rating</b>	<b>CCR AAA (Reaffirmed)</b>
<b>Rs.20 Billion Tax-Free Bond*</b>	<b>CRISIL AAA/Stable (Reaffirmed)</b>

\* Non-convertible tax-free bond

CRISIL's ratings on the long-term non-convertible bond issue of Jawaharlal Nehru Port Trust (JNPT) and corporate credit rating on the company continue to reflect JNPT's strong business risk profile, strong linkages with the Government of India (GoI), and healthy financial risk profile. These rating strengths are partially offset by the intense competition that JNPT faces from private ports, particularly those on India's western coast.

JNPT has a strong business risk profile marked by its market leadership position in the container cargo segment and supported by its long term BOT contracts with private terminal operators. It has a healthy market share of around 40 per cent in 2013-14 (refers to financial year, April 1 to March 31) of the total container cargo traffic handled in India. JNPT currently has a capacity of 4.4 million Twenty Equivalent Units (TEUs) (including private terminals operating at JNPT which handle 3.0 million TEUs) and is operating at capacity utilisation of around 100 per cent over the six years ended 2014-15. On account of this, the additional traffic because of the growth in the sector over the past few years is diverted to other ports which led to gradual decline in JNPT's market share. To expand the port capacity, JNPT, in June 2013, awarded 330 mtrs standalone container terminal having capacity of 0.8 million TEUs to Nhava Sheva India Gateway Terminal (NSIGT) and in July 2014, awarded the fourth container terminal with capacity of 4.8 million TEUs to Port of Singapore Authority (PSA). While the trial operations of the 0.8 million TEUs berth has started in April 2015 and is expected to be fully operational by July 2016, 2.4 million TEUs out of the 4.8 million TEU of the fourth container terminal is expected to be operational in 2017-18; which will increase the ports capacity to 7.6 million TEUs by 2017-18. CRISIL believes that JNPT will maintain its established market position over the medium term, primarily driven by the expectation of favourable growth in the container cargo segment and capacity additions at JNPT. JNPT has entered into long-term BOT contracts with private terminal operators, which stipulate revenue sharing and royalty based on volumes. Revenue from BOT contractors are further expected to increase post commissioning of the under-construction terminals. CRISIL believes that income from private operators provides stability to JNPT's revenue and ensures strong profitability.

JNPT has strong linkages with GoI as the port is under the direct administrative control of the Ministry of Shipping (MoS). JNPT's Board of Trustees has members representing MoS, Department of Customs and Directorate General of Shipping, demonstrating strong linkages with GoI. In the past, the debt raised by JNPT was either directly from GoI or on the strength of GoI's ownership. This financial support demonstrates strong relationship between GoI and JNPT. Ports being a strategically important sector for the economic growth and JNPT being the largest container handling cargo port in India, CRISIL believes that JNPT will continue to enjoy GoI support in future.

JNPT has a healthy financial risk profile, marked by the strong debt protection metrics, low debt of Rs.413.2 million and large cash balance of about Rs.26.8 billion as on March 31, 2014. It has large capital expenditure (capex) plans of around Rs.60 billion over the medium term. JNPT is planning to undertake widening of the existing road which connects the port and the main highway to 6/8 lane. This will enable smooth evacuation of port traffic which is further expected to increase with new terminal expected to get commissioned. JNPT is also incrementally undertaking dredging activity in its channel, which will now enable it to handle large vessels. While JNPT has recently completed the dredging activity which increased the depth of the channel from 11 metres to 14 metres, it is further deepening the channel to 15 metres over the medium term. CRISIL believes that capex for improving infrastructure facilities at the port will increase the operating efficiencies of the port. In order to fund the capex, JNPT will have to resort to additional debt in addition to its strong internal accruals and large cash balance. CRISIL believes that JNPT will have sufficient cash accruals to service the debt obligations.

JNPT will continue to face intense competition from nearby private ports on the west coast of India as private ports have efficient operations, facilities for berthing larger vessels, and state-of-the-art infrastructure. As a result of the aggressive growth of private ports on the western coasts of India and capacity constraints at JNPT, JNPT's market share among the major ports has declined as reflected in its market share about 40 per cent in 2013-14 against 54 per cent in 2008-09. CRISIL, however, believes that capacity additions at the port and improvement in infrastructure facilities will curtail the drop in JNPT's market share.

### **Outlook: Stable**

CRISIL believes that JNPT will maintain its established market position in the container cargo segment because of the favourable growth prospects for the segment in India over the medium term. Furthermore, CRISIL believes that JNPT will maintain its healthy financial risk profile over the medium term, underscored by its healthy cash accruals and surplus liquidity. The outlook may be revised to 'Negative' if JNPT's business risk profile deteriorates because of significant traffic diversion to nearby private ports because of capacity constraints at JNPT, or a significant decline in its profitability or liquidity, or if it undertakes a large debt-funded capex.

### **About the Port 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 (both in Maharashtra). It was planned as an alternative to Mumbai Port to decongest the latter. JNPT's operations include handling containerised cargo at its own container terminal, and providing requisite infrastructure facilities to other terminal operators.

One of the two private terminals at JNPT is NSIGT, which is operated by DP World Ltd; it has a capacity of 1.2 million TEUs awarded at a pre-decided royalty with minimum guaranteed traffic of 0.6 million TEUs. In June 2013, JNPT executed the BOT contract for construction of a 330-metre berth, capable of handling 0.8 million TEUs, to DP World. The container terminal facility will cost around Rs.6 billion, which will be incurred by DP World. JNPT's share in the revenue from the terminal will be 28.09 per cent.

The other 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. The capacity of this terminal is 1.8 million TEUs and is awarded at a revenue share of 35.503 per cent with a minimum guaranteed revenue for 1.3 million TEUs.

In May 2014, JNPT signed the concession agreement for the development of a fourth container terminal with capacity of 4.8 million TEUs with M/s. Bharat Mumbai Container Terminal Pvt Ltd, SPV of Port of Singapore's PSA International. PSA International has offered 35.79 per cent of the gross revenue of the project as JNPT's share for undertaking this project. The construction of the terminal started in March 2015. The project will be taken up in two phases. The first phase will be completed by November 2017 and will have handling capacity of 2.4 million TEUs; the second phase with similar capacity will be commissioned within eight years from the date of award.

For 2013-14, JNPT reported a profit after tax (PAT) of Rs.5.06 billion on an operating income of Rs.13.45 billion, against a PAT of Rs.5.05 billion on an operating income of Rs.10.98 billion for the previous year.

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