

Rating Rationale

Brickwork Ratings reaffirms 'BWR AAA' for Jawaharlal Nehru Port Trust's Tax Free, Secured, Redeemable and Non-Convertible Bonds issue of ₹ 2000 Cr with outstanding amount of ₹ 41.32 Cr

Brickwork Ratings has *reaffirmed* the **Rating**¹ 'BWR AAA' (*Pronounced BWR Triple A*) with *Stable Outlook* for Jawaharlal Nehru Port Trust's (JNPT) Tax Free, secured Redeemable and Non-convertible Bonds issue of ₹ 2000 Cr with outstanding amount of ₹ 41.32 Cr.

Instruments with this rating are considered to have **highest degree** of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.

The rating continues to factor JNPT's position as the largest container port in India with full ownership and control of the Government of India, robust market share of around 55% of the total container cargo handled in India and strong financial profile marked by negligible debt and huge cash balance. These strengths are partially offset by stiff competition faced by other public and private ports in India.

BWR has noted that out of the issue size of ₹ 2000 Crs, Bonds worth ₹ 41.32 Crs only have been raised, and further issuance under this scheme is not permissible.

BWR has essentially relied upon the audited FY13 results, provisional FY14 results, publicly available information and information and clarifications provided by the JNPT.

Background

JNPT was formed under the Major Port Trusts act, 1963 and commissioned its operations in May 1989. It is a fully owned by Government of India. The Jawaharlal Nehru Port Trust has been a primary gateway for the movement of containerized trade from India. JNPT helped in decongesting Mumbai Port in a major way. It operates a dedicated container terminal at Navi Mumbai, situated across the Mumbai Port in the island city. Currently it is ranked 31st among top 100 container ports in the world and handles about 55% of total containers handled by all Major Ports in India

Collectively JNPT handled 64.49 million tonnes of cargo in 2012-13 including 4.26 million TEU's (Twenty Foot Equivalent Unit) containers. JNPT is planning to handle 10 mn TEUs capacity by 2018-19 and looking forward to expand into a multipurpose port. Operations of JNPT include handling containers, liquid bulk & cement ships and providing requisite infrastructure to two private terminal operators. JNPT has mainly three dedicated container terminals namely JNPCT, DP World (NSICT) & APM Terminal (GTIPL). The latter two are private terminal operators.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

JNPT has got the Government of India's approval in FY 2013 for raising ₹ 2000 Cr tax free bonds; however, due to market conditions, only ₹ 41.32 Cr was raised. The proceeds were to be utilized for dredging work, for 33 km length where depth will be increased from 11 meters to 14 meters as well as berth pockets for all three terminals. The dredging activity is already complete up to the depth of 14 meters.

Board of Trustees

JNPT is managed by a 19 member Board of Trustees with Shri N N Kumar, IRS as Chairman of the Trust. The Board has representation from Ministry of Shipping, Indian Railways, Department of Customs, Defense Services etc. and all the Trustees are appointed by the Government of India.

Financial Performance

JNPT's operating income grew 22.53% in FY 14 to ₹1345.29 Cr against ₹1097.87 Cr in FY13. The same was on account of higher income from BOT contracts and higher port and dock charges. The operating expenditure declined to ~45% of operating income for FY14 against ~55% for FY13. The operating profit increased to ₹734.26 Cr with an operating margin of ~55% in FY14 against operating profit of ₹489.17 Cr and operating margin of ~45% in FY13. However the PAT was flat at ₹506.33 Cr with a PAT margin of ~37% in FY14 against PAT of ₹504.96 Cr with PAT margin of ~46% in FY13. The same was on account of lower net financial income in FY14 of ₹41.19 Cr compared to ₹241.19 Cr in FY13. Their Networth stood at ₹5762.94 Cr. The Company did not have any long term debt other than the outstanding tax-free bonds resulting in a negligible gearing. The Cash and Cash equivalent balance also was healthy at ₹2683.45 Cr in FY14, indicating ample liquidity. Overall JNPT has strong financial profile on account of huge networth, negligible borrowings and high cash and cash equivalents giving financial flexibility to the port.

Expansion Plans

Post the increase in depth to 14 meters JNPT has 33 km- long channel with a 14-meter draft against the earlier 11 meters. In the second phase, JNPT is planning to increase it to 15 meter and ultimately to 17 meters which will enable it to handle bigger ships of 9000 TEU and 15,000 to 18,000 TEU capacity respectively as compared to fully-loaded vessels with 6,000 TEU capacities currently. In February 2014, JNPT awarded a build, operate, and transfer (BOT) contract to Singapore's PSA International for the development of a fourth terminal with a quay length of 2000 meters and capacity of 4.8 million TEUs at an estimated project cost of ₹7,915 Cr in two phases with capacity of 2.4 million TEUs each. The project is scheduled to be completed in six years in two phases. JNPT has also signed the concession agreement with DP World's Indian subsidiary for development of a standalone container handling facility at a cost of Rs.600 Crs with a capacity addition of 0.8 Million TEUs. The project is slated to be completed by June 2016.

Rating Outlook

JNPT is the largest container port in India and fully owned and controlled by Government of India. As of FY14, it has negligible debt and huge cash balance of more than ₹2500 Cr, giving adequate financial flexibility. JNPT's ability to successfully implement all the planned expansion and improve its operating income amongst stiff competition from other ports are the key rating sensitivities.

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