



May 21, 2014
Mumbai

Jawaharlal Nehru Port Trust

Ratings Reaffirmed

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

* Non-convertible tax-free bond

CRISIL's rating 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 established market position in the container traffic segment, superior hinterland connectivity, 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 is the market leader in the container cargo segment of the port sector in India. It has a healthy market share of around 44 per cent in 2012-13 (refers to financial year, April 1 to March 31) of the total container cargo traffic handled in India. However, there has been a gradual decline in JNPT's market share because of capacity constraints. The overall traffic at JNPT (including private terminals operating at JNPT) registered compound annual growth rate of around 4 per cent over the past four years. In 2012-13, JNPT handled 4.26 million twenty-foot equivalent units (TEUs) of container traffic, accounting for about 90 per cent of the total traffic at the port. Furthermore, the capacity of private terminal at JNPT will increase on commissioning of NSCIT's 0.8 million TEU berth. In February 2014, JNPT awarded a build, operate, and transfer (BOT) contract to Singapore's PSA International for the development of a fourth terminal in two phases with capacity of 2.4 million TEUs each. CRISIL believes that JNPT will maintain its established market position, driven by the expectation of favourable growth in the container cargo segment over the medium term.

JNPT enjoys locational advantage, being closer to the hinterland of the northern, central, and western India states, which account for around two-thirds of India's total cargo traffic. It has superior connectivity with the country's air, rail, and road networks compared with other ports. The connectivity will be enhanced with the completion of the western corridor of the dedicated freight corridor project. Furthermore, JNPT is improving its road infrastructure to solve the congestion problem to help in evacuation of port traffic. JNPT has also completed the dredging activity in its channel, which will now enable it to handle large vessels up to a draught of 14 metres.

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 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. CRISIL also believes that JNPT will continue to benefit from its strong linkages with GoI, as the port is under the direct administrative control of the Ministry of Shipping. JNPT's Board of Trustees has members representing Ministry of Shipping, Department of Customs and Directorate General of Shipping, demonstrating strong linkages with GoI.

JNPT has a healthy financial risk profile, marked by debt of Rs.413.2 million and strong cash balance of about Rs.34.4 billion as on March 31, 2013. JNPT plans capital expenditure (capex) of around Rs.6 billion over the medium term to improve its road connectivity and acquire the latest equipment to enhance handling productivity. CRISIL believes that JNPT's strong internal accruals and large cash balance will be adequate to fund the proposed capex.

CRISIL believes that 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.

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, underscored by its healthy cash accruals and surplus liquidity over the medium term. 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.

About the Port Trust

Formed under the Major Port Trusts Act, 1963, JNPT commenced operations in 1989. JNPT 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 Nhava Sheva International Container Terminal (NSICT), which is operated by DP World Ltd (DP World), and the other 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.

In February 2014, JNPT awarded a BOT contract for the development of a fourth terminal with capacity of 4.8 million TEUs to Singapore's PSA International. PSA International has offered 35.790 per cent of the gross revenue of the project as JNPT's share for undertaking this project. The concession agreement for the same has been executed on May 06, 2014. The project will be taken up in two phases. The first phase will be completed in three years from the date of award (after financial closure and fulfilment of conditions precedent) 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. In June 2013, JNPT executed the BOT contract for construction of a 330-metre berth, capable of handling 800,000 TEUs, to DP World. The container terminal facility will cost around Rs.9 billion, which will be incurred by DP World, and is expected to commence operations in 2014-15. JNPT's share in the revenue from the terminal will be 28.09 per cent.

For 2012-13, JNPT reported a profit after tax (PAT) of Rs.5.05 billion on an operating income of Rs.10.98 billion, against a PAT of Rs.6.17 billion on an operating income of Rs.11.67 billion for the previous year.

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Last updated: May, 2013

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