JSW Dharamtar Port Private Limited

September 02, 2021

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action
Long-term Bank Facilities	260.05 (Reduced from 274.12)	CARE AA-; Stable (Double A Minus; Outlook: Stable)	Revised from CARE A+; Stable (Single A Plus; Outlook: Stable)
Short-term Bank Facilities	30.00 (Enhanced from 20.00)	CARE A1+ (A One Plus)	Reaffirmed
Total Bank Facilities	**290.05 (Rs. Two hundred ninety crore and five lakh only)**		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

To arrive at the ratings of JSW Dharamtar Port Private Limited (JSW Dharamtar), a combined view of JSW Dharamtar and JSW Jaigarh Port Limited (JSW Jaigarh) has been considered. The revision in the ratings assigned to the long-term bank facilities and the reaffirmation of the ratings assigned to the short-term bank facilities of JSW Dharamtar take cognizance of the significant ramp-up expected in combined cargo volumes of JSW Jaigarh and JSW Dharamtar. Completion of expansion at Dolvi plant (Maharashtra) of JSW Steel Ltd (rated 'CARE AA; Stable/ CARE A1+') combined with favourable demand outlook for the steel sector enhances cargo visibility for JSW Dharamtar and JSW Jaigarh. Furthermore, JSW group's plan to shift the existing cargo transported through Mumbai anchorage, to JSW Jaigarh via sea route to JSW Dharamtar augur well for the combined cargo volumes. Both the ports have completed the expansion programme and there is no further debt-funded capex planned in the medium term. Hence, expansion in profit before interest, lease, depreciation and tax (PBILDT) through sustained cargo ramp-up and gradual debt rationalization is expected to improve the combined total debt/PBILDT at the end of FY22 (refers to the period April 1 to March 31).

The ratings continue to derive strength from the demonstrated ability of the group to execute large projects in diversified sectors, strong parentage of JSW Infrastructure Limited (JSWIL) and strategic importance of the Jaigarh and Dharamtar ports to the JSW group due to port locations in vicinity of the JSW group companies. Long operational track record of the ports, stable cargo performance at Dharamtar port and assured revenue stream from firm take or pay agreements (TPA) are other rating strengths.

However, the aforementioned rating strengths are tempered by the lower berth occupancy rate at Jaigarh port, due to the slow developing hinterland and large reliance on coastal and road transportation for evacuation of third-party cargo from the port. Concentrated cargo profile with lower share from third-party cargo, amid competition faced from other ports located on western coast are other credit weaknesses.

<u>Rating Sensitivities</u>

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Improvement in combined total debt/PBILDT to less than two times on sustained basis along with ramp up of cargo volumes
- Ability to increase third-party cargo throughput at its ports resulting in reduced revenue concentration risk towards group companies

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Any new significant debt-funded project expansion or inability to ramp up the cargo volumes as envisaged, resulting in combined Debt/EBITDA of more than four times on sustained basis
- Deterioration in the credit profile of JSW group companies impacting the cargo performance of JSW Dharamtar and JSW Jaigarh

Detailed description of the key rating drivers

Key Rating Strengths

Experienced management and JSW group's ability to execute large projects in diversified sectors: JSW Jaigarh and JSW Dharamtar are fully-owned subsidiaries of JSWIL. JSWIL is part of the Sajjan Jindal group and is led by experienced and resourceful promoters. JSWIL is committed to the development of infrastructure for ports for the JSW group. It has successfully executed large infrastructure projects such as commissioning of the port terminals at Mormugao Port, setting up a green-field port at Jaigarh, Ratnagiri, construction of an Iron Ore and Coal terminal at Paradip. The ratings derive comfort from the group's demonstrated ability to execute large infrastructure projects and financial resourcefulness of the promoters.

Strategic importance to the JSW group and cargo visibility

Due to the proximity of Dharamtar port to the Dolvi plant of JSW Steel Limited (JSWSL, rated 'CARE AA; Stable/ CARE A1+'), the flagship entity of the group and of Jaigarh port to the Ratnagiri plant of JSW Energy Limited (JSWEL, rated 'CARE A+; Stable'), they have strategic importance to the JSW group. Dolvi plant is expected to expand its capacity from 5 MMTPA to 10 MMTPA and to meet the increased cargo requirement, the capacity at Dharamtar and Jaigarh port has been increased to 34 MMTPA and 50 MMTPA, respectively.

JSW Jaigarh and JSW Dharamtar have TPA with JSWSL for a cargo volume lower than the actual cargo requirement and handled through these ports. However, JSWSL has historically been sourcing its cargo requirements from the port and intends to continue to do so on account of competitive charges and lower logistics costs due to proximity to its plants in Maharashtra, which provides cargo visibility for the ports.

Approximately 4.47 MMT out of 12.90 MMT of cargo handled at JSW Dharamtar during FY21 was through JSW Jaigarh Port and the balance was transported from Mumbai anchorage. However, now with ramp up in cargo requirement, JSW group plans to handle the entire cargo requirement of JSW Steel, Dolvi at JSW Jaigarh in place of Mumbai anchorage to reduce overall logistics cost. This augurs well for the combined cargo of JSW Jaigarh and JSW Dharamtar.

Port locations in vicinity of JSW group companies and multi-modal connectivity of Dharamtar port, resulting in stable cargo throughput at JSW Dharamtar

JSW Dharamtar is located 22 km down from the mouth of Amba river at Dharamtar, Mumbai and serves as a captive port for JSW Steel Ltd. for import of coal/coke and iron ore due to its proximity to the Dolvi plant. However, Dharamtar port is a river jetty and hence cannot handle large vessels, so, most of the cargo at Dharamtar is transshipment from Jaigarh port, transported in smaller barges and mini bulk carriers. Nonetheless, JSW Dharamtar has been consistently handling around 12-13 MMTPA of cargo in the past and this cargo is expected to increase as a result of the increased capacity of the JSWSL Dolvi plant from 5 MMTPA to 10 MMTPA.

JSW Jaigarh is located between Mumbai (356 Km) and Goa (250 Km) in Dhamankul Bay, Jaigarh, Ratnagiri District, on the west coast, 42 Km off the NH-17. The port is located in the protected lee of Jaigarh head with a 512-m long breakwater and the siltation levels are low owing to the geographical location of the port. The port has a draft of around 18 m-19 m, but the maintenance dredging cost is envisaged to be low resulting in lower operating cost for JSW Jaigarh. The port is adjacent to JSW Energy's Ratnagiri power plant (1.2 GW) and the entire coal for the plant is imported through the port.

Take or pay arrangement with JSW group companies

JSW Dharamtar and JSW Jaigarh have entered into TPA with JSW Steel and JSW Energy, providing assured revenue streams. While the TPAs are entered for minimal cargo, the actual cargo handled for JSW Steel and JSW Energy is much higher as transportation of cargo through Jaigarh and Dharamtar ports results in cost savings for JSW Steel and JSW Energy.

Expected improvement in capital structure and debt coverage

With a combined overall gearing of 1.09x as on March 31, 2021 and total debt/PBILDT of 4.07 times, JSW Jaigarh and JSW Dharamtar have moderate capital structure and leverage. On a combined basis, capex incurred was around Rs.450 crore during FY19-FY21. During April 2021, JSW Jaigarh availed an additional debt of Rs.270 crore and down-streamed the funds to repay the debt of three subsidiary companies of JSWIL namely Ennore Bulk Terminal Private Limited, Ennore Coal Terminal Private Limited and Mangalore Coal Terminal Private Limited. As a result, the combined debt increased from Rs.1,853 crore as on March 31, 2021 to Rs.1,947 crore as on June 30, 2021. Nevertheless, with no plans of availing incremental debt and the expected growth in the cargo volume due to enhanced capacity of JSW Steel Dolvi plant (H2FY22 onwards), the capital structure and leverage is expected to improve FY22 onwards. Combined total debt/PBILDT has already shown sign of the improvement in Q1FY22 with growth in cargo volumes from 4.07 times in FY21 to 2.94 times (annualized) in Q1FY22. On a combined level, JSW Dharamtar and JSW Jaigarh have taken foreign currency debt of USD 134.9 million, however the ports earn marine income, which is USD denominated, providing a natural hedge to the foreign currency outflow.

Key Rating Weaknesses

Relatively lower berth occupancy rate of Jaigarh port albeit with pricing flexibility being non-major port

Cargo volume witnessed a declining trend for Jaigarh port from around 20.12 MMT in FY19 to 13.71 MMT in FY21 as against capacity of 45 MMTPA pegging the berth occupancy rate at 34% for FY21. While the JSW Group cargo was available for the Dolvi plant of JSWSL, lower third-party cargo owing to moderate hinterland prospects and large reliance on marine and road transportation contributed to the moderate berth occupancy rate. Although JSW Jaigarh has pricing flexibility being non-major port, moderate berth occupancy rate pulled down combined ROCE of JSW Jaigarh and JSW Dharamtar to around 8.47% in FY21. Going forward, ramp up in cargo volume of Jaigarh port is envisaged due to handling of enhanced cargo requirement for Dolvi plant of JSWSL through capesize vessels and increase in third-party cargo led by favourable outlook for sugar exports along with LNG cargo of H-Energy.

Highly competitive industry and cargo concentration risk
JSW Dharamtar and JSW Jaigarh face competition from Mundra, Kandla, Hazira, Dighi and Mumbai ports located on the western coast. Moreover, cargo profile of both JSW Dharamtar and JSW Jaigarh is concentrated to largely coal and iron ore exposing them to the inherent cyclicity of the steel industry affecting their production.

Liquidity: Strong
JSW Dharamtar has strong liquidity marked by unencumbered cash and bank balances of Rs.20.54 crore and DSRA balance of Rs.3.10 crore as on June 30, 2021, against principal debt repayment obligations of Rs.18.58 crore during the period July 2021 to March 2022. Unutilized working capital limits of Rs.25 crore provides additional comfort.
JSW Jaigarh also has strong liquidity marked by unencumbered cash and bank balances of Rs.21.58 crore and DSRA balance of Rs.80.27 crore as on June 30, 2021, against principal debt repayment obligations of Rs.78.80 crore during the period July 2021 to March 2022. Unutilized working capital limits of Rs.30 crore provide additional liquidity.

Analytical approach: Combined (JSW Jaigarh and JSW Dharamtar)
JSW Jaigarh Port Limited (JSW Jaigarh) and JSW Dharamtar Port Private Limited (JSW Dharamtar) are fully-owned subsidiaries of JSW Infrastructure Limited (JSWIL). Furthermore, JSW Jaigarh and JSW Dharamtar work as twin ports to meet the cargo handling requirements of Dolvi plant of JSW Steel Limited, the flagship company of the JSW group. JSW Steel Ltd imports material at JSW Jaigarh and Mumbai anchorage for its raw material requirement, and the same is transported to Dharamtar port and finally transported to Dolvi plant in the barges. While JSW Jaigarh contributed to only 67% cargo of JSW Dharamtar during FY21, going forward, almost the entire cargo is expected to be transported from JSW Jaigarh for achieving cost efficiency post expansion of capacity at JSW Steel Dolvi plant. JSW Dharamtar has expanded its capacity in line with the expansion of JSW Steel Ltd and going forward, larger vessels are expected at JSW Jaigarh and planned to be transported to Dolvi plant of JSW Steel Ltd in the barges.
Hence, the approach has been revised from standalone to combined, taking into consideration the strong operational linkages between the two entities.

Applicable Criteria
CARE's Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology: Consolidation
Rating of loans by investment holding companies
Rating Methodology - Port Projects
Rating Methodology - Factoring Linkages Parent Sub JV Group
Financial Ratios – Non-financial sector
Liquidity Analysis of Non-Financial Sector Entities
Criteria for Short Term Instruments

About the Company (JSW Dharamtar Port Private Limited)
JSW Dharamtar Port Pvt. Ltd. (JSW Dharamtar), a wholly-owned subsidiary of JSW Infrastructure Ltd. (JSWIL) was incorporated in September 24, 2012. It was set-up as an 'all weather' port (draft of 1.5 M) in Dolvi, located in Raigad district, Maharashtra to act as a captive facility for catering to the raw material requirements of Dolvi steel plant of JSW Steel Ltd (JSW Steel, rated CARE AA; Stable/ CARE A1+) adjacent to the port. The port is located at south-east of Mumbai Harbour in Dharamtar Creek in the estuary of Amba River extending to about 12 nautical miles upstream of the river.
Dolvi steel plant of JSW Steel currently brings its raw materials through Supramax vessels up-to Mumbai and from high sea brings the cargo to the Jetty through 2,000 – 3,500 Ton Barges. The company has expanded its facilities in JSW Dharamtar so that it can utilize JSW's Jaigarh port from where transshipment could directly take place to JSW Dharamtar. The same shall cater to JSW Steel's (Dolvi plant) import requirements of coal and ore; post expansion of the Dolvi plant's capacity from 5 to 10 MMTPA; the expansion of Dolvi plant is completed and commercial production is expected by September 2021.
JSW Dharamtar has completed the expansion activity and now has a cargo handling capacity of 34 MMTPA.

Brief Combined Financials of JSW Jaigarh and JSW Dharamtar (Rs. crore)	FY20	FY21
Total operating income	799	874
PBILDT	415	456
PAT	70	155
Overall gearing (times)	1.27	1.09
Interest coverage (times)	2.01	4.98

Note: Financials are classified as per CARE Ratings' criteria

Based on the provisional unaudited results, JSW Jaigarh and JSW Dharamtar, on a combined level, reported a total income of Rs.286 crore and a PBILDT of Rs.165 crore during Q1FY22.

Brief Standalone Financials of JSW Dharamtar (Rs. crore)	FY20 (A)	FY21 (A)
Total operating income	176	193
PBILDT	96	111
PAT	50	67
Overall gearing (times)	1.45	1.07
Interest coverage (times)	3.16	5.97

A: Audited; Note: Financials are classified as per CARE Ratings' criteria

Based on the provisional unaudited results, JSW Dharamtar reported a total income of Rs.65 crore and a PBILDT of Rs.40 crore during Q1FY22.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	FY2032	260.05	CARE AA-; Stable
Non-fund-based - ST-BG/LC	-	-	-	5.00	CARE A1+
Fund-based - ST-Bank Overdraft	-	-	-	25.00	CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Term Loan	LT	260.05	CARE AA-; Stable	-	1)CARE A+; Stable (06-Jan-21) 2)CARE A+ (CWD) (17-Nov-20)	1)CARE A+; Stable (28-Jan-20)	1)CARE AA-; Stable (14-Dec-18)
2.	Non-fund-based - ST-BG/LC	ST	5.00	CARE A1+	-	1)CARE A1+ (06-Jan-21) 2)CARE A1+ (CWD) (17-Nov-20)	1)CARE A1+ (28-Jan-20)	1)CARE A1+ (14-Dec-18)
3.	Fund-based - LT-Subordinated Bank Loan	LT	-	-	-	1)Withdrawn (06-Jan-21) 2)CARE A (CWD) (17-Nov-20)	1)CARE A; Stable (28-Jan-20)	1)CARE A+; Stable (14-Dec-18)
4.	Non-fund-based - LT-BG/LC	LT	-	-	-	1)Withdrawn (06-Jan-21) 2)CARE A+	1)CARE A+; Stable (28-Jan-20)	1)CARE AA-; Stable (14-Dec-

						(CWD) (17-Nov-20)		18)
5.	Fund-based - ST-Bank Overdraft	ST	25.00	CARE A1+	-	1)CARE A1+ (06-Jan-21) 2)CARE A1+ (CWD) (17-Nov-20)	1)CARE A1+ (28-Jan-20)	-

*ST - Short term/LT - Long Term

Annexure-3: Detailed explanation of covenants of the rated facilities

Bank facilities	Detailed explanation
A. Financial covenants	
I Term Debt/Equity	Less than or equal to 3:1
II DSCR (Debt Service Coverage Ratio)	To be greater than 1.1x during first year and 1.2x from second year onwards
III FACR (Fixed Asset Coverage Ratio)	To be greater than 1.1x
B. Non-financial covenants	
I Sponsor Undertaking	Sponsor to unconditionally and irrevocably arrange to meet any shortfall in debt servicing throughout the tenor of the facility and retain management control.

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple
2.	Fund-based - ST-Bank Overdraft	Simple
3.	Non-fund-based - ST-BG/LC	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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