

## Navi Mumbai SEZ Private Limited

April 04, 2022

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	4,180.00 (reduced from 4,255)	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Total Facilities	<b>4,180.00</b> <b>(Rs. Four thousand one hundred and eighty crore only)</b>		

*Details of facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Navi Mumbai SEZ Private Limited (NMSEZ) draws strength from its resourceful parentage of the Reliance (Mr Mukesh Ambani) group and the Jai Corp (Mr Anand Jain) group, which together will hold a controlling stake in the company post-conversion of compulsorily convertible instruments and the vast experience of the promoters in executing large-sized projects; strategic location of the project with nearness to the proposed Navi Mumbai International Airport and Mumbai Trans-harbour Link, both likely to be completed in the medium term; and development in the Navi Mumbai region in the past couple of years, which augurs well for the prospects of NMSEZ as well as approval from the Maharashtra Government for conversion of the SEZ into an integrated industrial area (IIA). The rating also takes into consideration the Memorandum of Understanding (MoU) entered into with a wholly-owned subsidiary (WOS) of Reliance Industries Limited (RIL; *rated CARE AAA; Stable/CARE A1+*), to sub-lease the leasable land along with the associated development rights, reducing the marketing risk of the project and resulting in envisaged stable cash flows in the form of sub-lease premium upon signing and execution of the sub-lease deed.

The rating, however, continues to be constrained due to the uncertainties associated with the regulatory changes in the industrial policies and their possible adverse impact on the project.

### Rating Sensitivities

#### Positive Factors – Factors that could lead to positive rating action/upgrade)

- Commercialization of the project and generation of significant positive free cash flows on a sustained basis.

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

- Reduction in the indirect controlling stake by the Reliance (Mr Mukesh Ambani) group.
- Regulatory changes having an adverse impact on the project.

### Detailed description of the key rating drivers

#### Key Rating Strengths

#### **Strong parentage of the Reliance (Mukesh Ambani) group gives the company operational and financial flexibility**

NMSEZ is jointly promoted by Dronagiri Infrastructure Private Limited (DIPL) and the City & Industrial Development Corporation of Maharashtra Limited (CIDCO) to develop and operate an Integrated Industrial Area (IIA) at Navi Mumbai. DIPL is a wholly-owned subsidiary of Urban Infrastructure Holdings Private Limited (UIHPL). The Reliance (Mr Mukesh Ambani) group entities hold 33%, the Jai Corp Group led by Mr Anand Jain holds 32%, and SKIL Infrastructure holds 35% in UIHPL based on the existing equity holding prior to conversion of compulsorily convertible debentures (CCDs). UIHPL – which holds 99.67% stake in DIPL – had issued CCDs, post conversion of these CCDs, the Reliance (Mr Mukesh Ambani) group along with Jai Corp Limited, will hold a substantial equity stake in UIHPL. This will result in the Reliance (Mr Mukesh Ambani) group and Jai Corp Group indirectly having a controlling stake in NMSEZ. Moreover, funding requirement of NMSEZ is met out of equity and share application money (through UIHPL) as well as deposits from WOS of RIL. To date, NMSEZ has received equity capital and share application money of approx. Rs.3,100 crore and deposits to the extent of Rs.6,038 crore.

#### **Strategic location of the IIA**

The IIA is being constructed in the developing industrial region of Navi Mumbai and is in proximity to the upcoming second international airport near Uran, Navi Mumbai, the Jawaharlal Nehru Port, and the Mumbai-Pune Highway. Due to its strategic location, the company is well-positioned with respect to connectivity and trade, and is expected to attract various companies from several industries such as IT/ITES, financial services, textiles, logistics, gems and jewellery, etc.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications.

***Low marketing risk on account of MoU with WOS of RIL to sub-lease the land***

The location of the SEZ and the associated infrastructure/facilities are its key success factors. The Maharashtra Government allowed NMSEZ to convert the SEZ into an IIA. Furthermore, the marketing risk related to the project is greatly mitigated since the company has entered into an MoU with WOS of RIL to sub-lease the leasable land along with the associated development rights subject to fulfilment of certain conditions. Moreover, the Navi Mumbai Airport has received clearance from the environment ministry and its connectivity, i.e., the Mumbai Trans Harbour Link is expected to commence in the medium term. With the clearance by the environment ministry, the demand for the plots within the area is expected to increase. Furthermore, there is no major capex left to be incurred in the project, and moreover, there has been a significant development in the Navi Mumbai region in the past couple of years, which augurs well for the prospects of NMSEZ.

**Key Rating Weaknesses*****Regulatory risk***

The company is exposed to the uncertainties associated with the regulatory changes in the industrial policies and rules within the country/state and their probable adverse impact on the upcoming IIA.

***Liquidity: Adequate***

The company does not have any term debt repayments in FY23. Furthermore, the company has undisbursed sanctioned term loans to the extent of Rs.2,157 crore as on March 01, 2022, which provide a liquidity cushion. Moreover, there have been continuous infusion of funds, in the form of equity (share application money) as well as deposits, to support the project execution, operations as well as debt repayment obligations. Going forward, the company is expected to get sizeable cash flows, which should suffice the repayment of its term debt obligations. As discussed with the management, the sub-lease agreement is yet to be finalised. Meanwhile, any shortfall in debt-servicing will be supported by the Reliance (Mr Mukesh Ambani) group, this will enable the company to enjoy significant financial flexibility.

***Analytical Approach: Standalone***

In addition, strong operational and financial linkages with the Reliance (Mr Mukesh Ambani) group have also been considered.

***Applicable Criteria***

[Criteria on assigning rating outlook and credit watch](#)

[CARE's Policy on Definition of default](#)

[Policy on Withdrawal of ratings](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology – Notching by factoring linkages in Ratings](#)

[Rating Methodology: Project Stage Companies](#)

[Liquidity analysis of Non-financial sector entities](#)

***About the Company***

NMSEZ is jointly promoted by DIPL and CIDCO to develop and operate an IIA at Navi Mumbai, Maharashtra. CIDCO holds 26% equity stake in NMSEZ, while the balance 74% equity stake is held by DIPL. DIPL is a 99.67% subsidiary of UIHPL, wherein, the Reliance group – led by Mr Mukesh Ambani – holds 33%, the Jai Corp group – led by Mr Anand Jain – holds 32%, and SKIL Infrastructure Limited holds 35% based on the existing equity holding prior to conversion of CCDs.

NMSEZ is located South-East of Mumbai on India's western coast, about 35 km south of Vashi, 20 km from Nariman Point (across sea), and about 9 km from Jawaharlal Nehru Port Trust (JNPT). The location is on the Pune-Mumbai-Thane corridor. By March 31, 2021, NMSEZ has incurred a total capex of around Rs.10,900 crore, funded by way of equity (including share application money) of around Rs.3,100 crore, security deposit of around Rs.6,000 crore, and bank term debt of around Rs.1,800 crore.

**Brief financials:** Not Applicable since the company is still a project stage entity.

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Covenants of rated instrument/facility:** Not applicable

**Complexity level of various instruments rated for this company: Annexure-3**
**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 (Including Sub-Limit of Rs.100 cr. of BG Limit)	-	-	Feb. 2024	4180.00	CARE AA; Stable
Non-fund-based - LT-Bank Guarantee	-	-	-	0.00	Withdrawn

**Annexure-2: Rating history of last three years**

Sr. No.	Name of the Instrument/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 (Including Sub-Limit of Rs.100 cr. of BG Limit)	LT	4180.00	CARE AA; Stable	-	1)CARE AA; Stable (18-Mar-21)	1)CARE AA; Stable (26-Mar-20)	1)CARE AA; Stable (26-Mar-19)
2	Non-fund-based - LT-Bank Guarantee	LT	-	-	-	1)CARE AA; Stable (18-Mar-21)	1)CARE AA; Stable (26-Mar-20)	1)CARE AA; Stable (26-Mar-19)
3	Fund-based - ST-Term loan	ST	-	-	-	-	1)Withdrawn (26-Mar-20)	-

**Annexure-3: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Term Loan	Simple
2	Non-fund-based - LT-Bank Guarantee	Simple

**Annexure-4: Bank Lender Details for this Company**

To view the lender wise details of bank facilities please [click here](#)

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

## Contact us

### Media Contact

Name: Mradul Mishra  
Contact No.: +91-22-6754 3596  
Email ID: [mradul.mishra@careedge.in](mailto:mradul.mishra@careedge.in)

### Analyst Contact

Name: Hardik Shah  
Contact no.: +91-79-4026 5620  
Email ID: [hardik.shah@careedge.in](mailto:hardik.shah@careedge.in)

### Relationship Contact

Name: Saikat Roy  
Contact no.: +91-22-6754 3404  
Email ID: [saikat.roy@careedge.in](mailto:saikat.roy@careedge.in)

### About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

#### Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careedge.in](http://www.careedge.in)**