JSW Jaigarh Port Limited

January 06, 2021

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	1,580.00	CARE A+; Stable (Single A Plus; Outlook: Stable)	Reaffirmed and removed from Credit watch with Developing Implications; Stable outlook assigned
Short Term Bank Facilities	105.00 (Reduced from 108.00)	CARE A1+ (A One Plus)	Reaffirmed and removed from Credit watch with Developing Implications
Total Bank Facilities	**1,685.00 (Rs. One Thousand Six Hundred Eighty-Five Crore Only)**		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of the ratings assigned to the long term and short term bank facilities of JSW Jaigarh Port Limited (JSW Jaigarh) take into account, the presence of experienced management and the promoter, JSW Group's capability to execute projects in diversified sectors. The ratings also derive strength from the favourable location of the port along with strategic importance to JSW Steel Limited and JSW Energy Limited, operational track record, cargo visibility, assured revenue stream for the port and a comfortable capital structure.

However, the rating strengths are tempered by decline in the cargo handled, project execution risk towards ongoing expansion plans and the exposure to foreign currency fluctuation risk.

Bank guarantee of Rs.3 crore availed from Punjab National bank has been closed and based on the No Dues Certificate issued by the bank, the ratings assigned to the same have been withdrawn.

The ratings were placed on Credit Watch with Developing Implications on account of a share purchase agreement entered by JSW Infrastructure Limited for purchase of three assets from Chettinad group. The proposed transaction was completed on November 13, 2020 and consequently the Credit Watch has been resolved.

Rating Sensitivities

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

- Improvement in EBITDA margins beyond 70% on sustained basis.
- Ability to increase third party cargo throughput 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 impacting the capital structure and repayment ability resulting in overall gearing of more than 1.5x
- Any delay in execution of the existing expansion plans along with any major cost overruns.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced Management and JSW Group's capability to execute projects in diversified sectors

JSW Jaigarh is held by JSW Infrastructure Limited (JSWIL, rated CARE A1+). JSWIL is a part of the Sajjan Jindal group and is led by an experienced and resourceful management. JSWIL is committed to the development of infrastructure for ports, air ports, shipyard, etc. for the JSW Group. It has successfully executed large infrastructure projects such as commissioning of the port terminals at Mormugao Port and setting up a green-field port at Jaigarh, Ratnagiri. The ratings derive comfort from the group's demonstrated ability to execute large infrastructure projects and financial resourcefulness of the promoters.

Successful execution and operations at JSW Jaigarh

JSWIL has successfully developed an 'all weather' deep water greenfield port through its wholly owned subsidiary JSW Jaigarh Port Ltd. (JSW Jaigarh) in Jaigarh, located in Ratnagiri district, Maharashtra to cater largely to the coal requirements of 1.2GW Ratnagiri power plant of JSW Energy Limited (JSW Energy, rated CARE A+;Stable /A1+); Dolvi plant of JSW Steel Limited (JSW Steel, rated CARE AA-/AA-(Is); Stable/ CARE A1+). The port started operations during FY11 with capacity of 15 MTPA which has further increased to total capacity of 45MTPA with currently seven bulk berths with draft size of 18.5 meters. The current capacity of JSW Jaigarh is expected to increase to around 50 MTPA by June 2021. There is a minimum guaranteed off-take by JSW Energy and JSW Steel as per the take or pay agreement entered with the companies providing revenue stability to a certain extent. The third party cargo handling is expected to increase at this port. The increased capacity at JSW Jaigarh is expected to be gradually absorbed with commissioning of expanded capacity at Dolvi plant of JSW Steel expected to be completed in H2FY2021. Further, H-energy gateway Pvt. Ltd. is developing LNG terminal at JSW Jaigarh envisaged to be commissioned in March 2021 for 5 MTPA capacity and for which JSW Jaigarh has entered into a take or pay agreement.

Favorable location of the port with strategic importance for JSW group companies
JSW Jaigarh is favourably 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 Jaigarh with a 512-m long breakwater and low siltation levels owing to the geographical location of the port. The company has draft of around 18 m-19 m. The maintenance dredging cost of the company is envisaged to be low resulting in lower operating cost. The port is adjacent to JSW Energy's Ratnagiri power plant (1.2 GW) and entire coal for the plant is imported through the port.

Cargo visibility and assured revenue stream for the port
JSW Jaigarh has entered into a take or pay agreement (TPA) with JSW Energy's Ratnagiri plant until June 2030, whereby JSW Energy would pay cargo handling charges @ Rs.250 per MT in FY10, with a 3% escalation every year. In case the actual cargo handled falls short of the guaranteed cargo quantity of 4 MTPA in any financial year, JSW Energy would pay JSW Jaigarh cargo handling charges for the shortfall @ Rs.150 per MT. JPL also entered into a TPA for 4 MTPA with JSW Steel for a period of 15 years from July 2015 to June 2030, whereby JSW Steel would pay cargo handling charges @ Rs.200 per MT as the construction of Berth 6 is completed. The TPAs provide an assured revenue stream and stable cash flows to the company.
The company has entered into short-term agreements with few other parties for cargo handling. Further, JSW Jaigarh also entered into agreement with H-Energy Gateway Pvt. Ltd. for cargo handling of 1.4 MTPA @Rs.400 per tonne for a period of 44 years from Zero date or upto completion of concession agreement, whichever is earlier. The LNG terminal is expected to be commissioned by March 2021. JSW Jaigarh also has autonomy in tariff fixation as it is not regulated by TAMP.

Comfortable Capital Structure
With an overall gearing of 1.24x as on March 31, 2020 against 1.15x as on March 31, 2019, JSW Jaigarh has a comfortable capital structure. Further, despite envisaged capex of Rs.250 crore in FY21 and of Rs.150 crore in FY22, the management does not expect the capital structure to improve from FY20 levels. Further, the debt service coverage indicators are also expected to remain comfortable throughout tenure of the debt. However, an increase in the interest cost led to deterioration in the PBILDT interest coverage ratio from 2.15 times for FY19 to 1.80 times for FY20.

Key Rating Weaknesses
Decline in cargo handled at JSW Jaigarh
During FY20, cargo throughput at JSW Jaigarh exhibited a decline of ~28% at 14.86 MMT compared to 20.43 MMT in FY19 and 15.04 MMT in FY18. The decline in cargo handled by JSW Jaigarh was primarily on account of decrease in iron ore cargo for JSW Steel to 0.37 MMT in FY20 from 4.33 MMT in FY19 and decline in trans-shipment cargo of JSW Steel's Dolvi complex to 4.49 MMT in FY20 from 7.38 MMT in FY19 along with the covid-19 induced lockdown during March 2020. However, JSW Steel is undertaking capital expenditure at Dolvi plant to increase the capacities from 5MTPA to 10 MTPA which is expected to be completed by H2FY2021 which shall increase the cargo traffic at JSW Jaigarh.
Project execution risk on account of expansion plans of the port
JSW Jaigarh's capacity enhancement (Phase II) has been successfully completed at the cost of Rs.1939 crore. The project was completed within less than expected time and cost. However, additional mechanizing expenditure (Phase III) is being incurred at JSW Jaigarh for adding 1 loader at Berth number 6 at a cost of Rs.130 crore, which will result in increase in the capacity from 45 MTPA to 50 MTPA. An additional Rs.120 crore is being incurred for purchasing an unloader and leasing it out to JSW Dharamtar.
Out of total cost of Rs.250 crore to be funded in debt:equity ratio of 75:25, Rs.88 crore has been incurred out of internal accruals and the sanction for bank facilities is still under process and expected to be achieved during January 2021, leading to a project execution risk. Nevertheless, on completion of expansion by June 2021, the capacity at JSW Jaigarh will be 50 MTPA, resulting in higher revenues to the port and the group. The additional capacity will be utilised for the meeting the demand of the enhanced capacity of JSW Steel's Dolvi plant from 5 MT to 10 MT.

Foreign currency exposure risk
JSW Jaigarh has INR denominated revenues while it has availed buyers credit and term loans in foreign currency (of USD 120.4 mn). Hence, it is exposed to risk of fluctuation in the foreign currency exchange rates which would impact the amount to be repaid. However, the said risk is mitigated as there is sufficient cushion of cash accruals available against the debt repayment obligations of the port.

<u>Liquidity: Adequate</u>
Adequate liquidity characterized by sufficient cushion in accruals vis-à-vis repayment obligations of Rs.147.81 Crore due in FY21. JSW Jaigarh had unencumbered cash of Rs.20.34 crore as on March 31, 2020 and of Rs.63.30 crore as on November 30,

2020. The overdraft limit of Rs.30 crore is fully unutilized as on November 30, 2020, providing additional liquidity cover. JSW Jaigarh had availed moratorium on principal repayments and the repayment schedule has been shifted by 3 months for Rupee Term Loan of Rs.975 crore and by 6 months for Foreign Currency Term Loan of USD 75mn. However, all interest payments due were paid.

Analytical approach: A standalone approach has been considered, while factoring the linkages and considering the benefits of being part of the resourceful JSW Infrastructure group.

Applicable Criteria
CARE's Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology - Infrastructure Sector Ratings
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 Jaigarh Port Ltd. (JSW Jaigarh), a wholly owned subsidiary of JSW Infrastructure Ltd. (JSWIL), was set-up for developing an 'all weather' deep water port in Jaigarh, located in Ratnagiri district, Maharashtra to cater largely to the coal requirements of JSW Energy Ltd's (JSW Energy, *rated* CARE A+, Stable/A1+) 1.2GW power plant adjacent to the port. The port project was developed on a Build, Own, Operate, Share and Transfer (BOOST) basis, under a license awarded by Maharashtra Maritime Board (MMB) to JSW Jaigarh for a period of 50 years. The port is located on the west coast at the Damankul Bay, approx. 360 km from Mumbai and 251 km from Panaji, Goa.
Presently, JSW Jaigarh has seven bulk berths with a total cargo handling capacity of about 45 MTPA. It primarily caters to the coal import requirements of the 1.2GW (4 units X 300 MW each) thermal power plant of JSWEL at Ratnagiri. JSW Jaigarh has signed a Take-or-Pay Agreement (TPA), valid till March 31, 2024, with JSW Energy for import of coal cargo. As per the agreement, JSW Energy has guaranteed a minimum throughput of 4 MTPA from FY11 onwards.
JSW Jaigarh also entered into an agreement for 4 MTPA with JSW Steel for a period of 15 years from July 2015 to June 2030, whereby JSW Steel would pay cargo handling charges @ Rs.200 per MT as the construction of Berth 6 is completed. As the capacity of JSW Steel plant is expected to increase by June 2021, expansion plans are also underway at JSW Jaigarh and its capacity is expected to increase from 45 MTPA to 50 MTPA. Earlier, JSW Jaigarh had plans of enhancing its cargo handling capacity to 80MTPA by either constructing a container terminal or a bulk terminal. As the capex requirement is very high and no long-term contract has been received for a container terminal, the expansion plans have been currently put on hold.
H – Energy (part of Hiranandani Group) is developing Floating Gas Re-gasification Unit (FSRU) at JSW Jaigarh. The envisaged capacity would be 8 MTPA under Phase – I and is expected to be operational by H2FY21. JSW Jaigarh has entered into take or pay agreement for 1.4 MTPA at Rs.300 per tonne.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	609.89	620.55
PBILDT	330.16	317.09
PAT	77.16	20.52
Overall gearing (times)	1.15	1.24
Interest coverage (times)	2.15	1.80

A: Audited; Note: Financials are classified as per CARE's internal standards
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 instruments/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-Long Term	-	-	FY 2032	1580.00	CARE A+; Stable
Fund-based/Non-fund-based-Short Term	-	-	-	105.00	CARE A1+

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based-Long Term	LT	1580.00	CARE A+; Stable	1)CARE A+ (Under Credit watch with Developing Implications) (17-Nov-20)	1)CARE A+; Stable (28-Jan-20) 2)CARE AA-; Stable (17-May-19)	1)CARE AA-; Stable (14-Dec-18)	1)CARE AA- (Under Credit watch with Developing Implications) (18-Jan-18) 2)CARE AA-; Stable (02-Jan-18)
2.	Fund-based/Non-fund-based-Short Term	ST	105.00	CARE A1+	1)CARE A1+ (Under Credit watch with Developing Implications) (17-Nov-20) 2)CARE A1+ (02-Apr-20)	1)CARE A1+ (28-Jan-20)	1)CARE A1+ (14-Dec-18)	1)CARE A1+ (Under Credit watch with Developing Implications) (18-Jan-18) 2)CARE A1+ (02-Jan-18)

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

Bank Facilities	Detailed explanation
A. Financial covenants	**Detailed Explanation**
I Total Debt/Total EBIDTA	Not to exceed 4x
II FACR (Fixed Asset Coverage Ratio)	Minimum 1.25x (in case FACR falls below stipulated cover, borrower to provide cash collateral to extent of shortfall)
III DSCR (Debt Service Coverage Ratio)	Equal to or greater than 1.2x to be tested annually
IV TOL/TNW (Total Outside Liabilities/Tangible Net worth)	Should not be more than 3x
B. Non-financial covenants	
I Debt Shortfall Undertaking and Sponsor Undertaking	Sponsor shall retain management control and meet any shortfall for meeting debt servicing of the facility during the entire tenor.

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

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based-Long Term	Simple
2.	Fund-based/Non-fund-based-Short Term	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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