

## Navi Mumbai SEZ Private Limited

March 18, 2021

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long term Bank Facilities – Term Loan	4,180 (enhanced from 2,433)	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Long term Bank Facilities – Bank Guarantee	75		
<b>Total</b>	<b>4,255</b> <b>(Rs. Four Thousand two hundred and fifty-five crore only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The reaffirmation of the long term rating assigned to the bank facilities of Navi Mumbai SEZ Private Limited (NMSEZ) factors the resourcefulness and the vast experience of the promoters in executing large sized projects, strategic location of the project with nearness to proposed Navi Mumbai International Airport & Mumbai Trans-harbour Link, both likely to be completed within the next few years and rise in the project assets valuation precisely due to significant appreciation in the prices of land over the years as well as approval from the State Government for conversion of the SEZ into an integrated industrial area (IIA). The rating also takes into consideration the Memorandum of Understanding (MoU) with wholly owned subsidiary (WOS) of Reliance Industries Limited (RIL; rated CARE AAA; Stable/CARE A1+), to sub-lease the entire leasable land along with the associated development rights, reducing the marketing risk of the project and resulting into stable cash-flows in the form of Sub-Lease Premium upon signing and execution of the Sub-Lease Deed.

Further, the rating draws strength from parentage of Navi Mumbai SEZ Private Limited (NMSEZ) with Reliance (Mukesh Ambani) and Jai Corp (Anand Jain) Group companies holding controlling stake in the company upon conversion of compulsorily convertible instruments.

### Rating Sensitivities

#### Positive

- Commercialization of the project and generation of positive free cash flows

#### Negative

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

### Detailed description of the key rating drivers

#### Key Rating Strengths

**Controlling stake in holding backed by majority fund infusion by Reliance (Mukesh Ambani) Group gives the company operational and financial flexibility:** NMSEZ is jointly promoted by Dronagiri Infrastructure Pvt. Ltd. (DIPL) and City & Industrial Development Corporation of Maharashtra Ltd. (CIDCO) to develop and operate a Special Economic Zone (SEZ) at Navi Mumbai, Maharashtra. CIDCO holds 26% stake in NMSEZ while the balance 74% equity is held by DIPL. DIPL is a wholly owned subsidiary of Urban Infrastructure Holdings Pvt. Ltd (UIHPL). Reliance (Mukesh Ambani) group companies hold 33%, Jai Corp Group led by Mr. Anand Jain holds 32% and SKIL Infrastructure holds 35% in Urban Infrastructure Holdings Pvt. Ltd. (UIHPL). UIHPL (which holds 99% stake in DIPL) had issued Compulsorily Convertible Debentures (CCD) to Reliance (Mukesh Ambani) Group. On conversion of CCDs, Reliance Group along with Jai Corp Group will hold substantial equity stake in UIHPL. This will result in Reliance Group and Jai Corp Group indirectly having a controlling stake in NMSEZ. Moreover, the promoter group (Reliance group) has been continuously infusing funds (through UIHPL) into the company in the form of share application money as well as deposits given by the WOS of RIL. Till December 31, 2020, NMSEZ has received deposits to the extent of Rs.6,038 crore.

**Strategic location of the Project:** The project is being constructed in the developing industrial region of Navi Mumbai and is in close proximity to the upcoming second international airport near 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.careratings.com](http://www.careratings.com) and in other CARE publications.

**Marketing risk reduced on account of MoU with WOS of RIL to sub-lease the land:** The location of and infrastructure/facilities are its key success factors. In FY18, the Maharashtra government has allowed the promoters to convert the SEZ into an Integrated Industrial Area (IIA). 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 land of about 4000 acres (entire leasable area) along with the associated development rights by making an initial payment of Rs. 2,180 crore subject to fulfilment of certain conditions. Further, Navi Mumbai Airport has received the clearance from the Environment Ministry and its connectivity i.e. Mumbai Trans Harbour Link which is expected to commence within next few years. With the clearance by Environment Ministry, the demand for the plots within the area is expected to increase. Furthermore, there is no major capital expenditure left to be incurred in the project and moreover, there has been a significant appreciation in the value of land in the last couple of years.

**Regulatory risk:** The rating is constrained due to the uncertainties associated with the regulatory changes in the Industrial Policy/rules within the country/state.

#### **Liquidity: Adequate**

As on December 31, 2020, the company had cash balances as well as liquid investments of around Rs. 55 crore. The company does not have any debt repayment in the next three years. Moreover, the promoters (Reliance group) have been continuously infusing funds in the form of equity (share application money) as well as deposits given by the WOS of RIL, to support the operations as well as debt repayment obligations. Going forward, the company is expected to get regular cash flows which will help in repayment of debt obligations. As discussed with the management, the Sub-Lease Deed constituting the amount of Sub-Lease Premium and other terms is yet to be signed. Meanwhile, any shortfall in debt servicing would be supported by Reliance group. Also, being a part of the Reliance group, the company enjoys adequate financial flexibility.

#### **Analytical approach: Standalone**

In addition, the financial support as well as operational linkages with the promoter (RIL group) has been considered.

#### **Applicable Criteria**

[Criteria on assigning Outlook and Credit Watch to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

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

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

[Liquidity Analysis of Non-Financial Sector Entities](#)

#### **About the Company**

Navi Mumbai SEZ Pvt. Ltd. (NMSEZ) is jointly promoted by Dronagiri Infrastructure Pvt. Ltd. (DIPL) and City & Industrial Development Corporation of Maharashtra Ltd. (CIDCO) to develop and operate an Integrated Industrial Area (IIA) at Navi Mumbai, Maharashtra. CIDCO holds 26% stake in NMSEZ while the balance 74% equity is held by DIPL. DIPL is a 99% subsidiary of Urban Infrastructure Holdings Pvt. Ltd wherein Reliance group led by Mr. Mukesh Ambani holds 33%, Jai Corp Group led by Mr. Anand Jain holds 32% and SKIL Infrastructure Ltd holds 35%.

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.

Brief Financials (Rs. crore)	FY20 (A)	FY19 (A)
Total operating income	0.84	6.35
PBILDT	290.87	429.71
PAT	-25.90	-34.13
Overall gearing (times)*	0.62	1.34
Interest coverage (times)	0.92	0.92

\*including share application money

A: Audited; Classified as per CARE 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

**Annexure-1: Details of Instruments/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	-	-	FY24	4180.00	CARE AA; Stable
Non-fund-based - LT-Bank Guarantees	-	-	-	75.00	CARE AA; Stable

**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 - LT-Term Loan	LT	4180.00	CARE AA; Stable	-	1)CARE AA; Stable (26-Mar-20)	1)CARE AA; Stable (26-Mar-19)	1)CARE AA; Stable (07-Mar-18)
2.	Non-fund-based - LT-Bank Guarantees	LT	75.00	CARE AA; Stable	-	1)CARE AA; Stable (26-Mar-20)	1)CARE AA; Stable (26-Mar-19)	1)CARE AA; Stable (07-Mar-18)
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 the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple
2.	Non-fund-based - LT-Bank Guarantees	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

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