JSW Infrastructure Limited

December 15, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term / Short Term Bank Facilities@	50.00	CARE AA+; Stable / CARE A1+	Revised from CARE A1+
Long Term / Short Term Bank Facilities@	180.00 (Enhanced from 170.00)	CARE AA+; Stable / CARE A1+	Revised from CARE A1+
Short Term Bank Facilities	20.00 (Enhanced from 10.00)	CARE A1+	Reaffirmed
Short Term Bank Facilities^	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

@Facilties are reclassified from earlier short-term bank facilities to long-term/short-term bank facilities

^The rating assigned to the bank facilities of Rs.170 crore earlier is now withdrawn as the said facilities have been repaid/surrendered and there is no outstanding amount towards such facilities.

Rationale and key rating drivers

The ratings assigned to the bank facilities of JSW Infrastructure Ltd (JSWIL) factor steady growth in scale of operations during FY23 (refers to the period April 1 to March 31) and H1FY24 (refers to the period April 1 to September 30) due to ramp of cargo volumes on the capacities at eastern as well as western coast and strengthened financial flexibility post raising of Rs. 2,800 crore through Initial Public Offer (IPO) during October 2023. Expansion in PBILDT and rationalisation of debt levels also led to consistent improvement in consolidated leverage marked by consolidated net debt/PBILDT improving from 3.28 times during FY22 to 1.60 times during FY23 and less than unity during H1FY24.

JSWIL, with strengthened financial flexibility and robust cash accruals, has outlined ambitious growth plans (organic and inorganic) necessitating cash outflow of Rs.8,000-8,200 crore in the medium term. This exposes JSWIL to project execution and post-commissioning ramp-up risks, although JSWIL's experience in executing similar projects provides mitigation to a certain extent. CARE Ratings expects that low leverage and enhanced financial flexibility shall provide necessary headroom to JSWIL for aiding growth plans. Going forward, any debt funded capex/acquisition by JSWIL resulting into net debt/PBILDT exceeding 2.00x on a sustained basis shall be a key credit rating sensitivity.

The ratings assigned to the bank facilities of JSWIL remains underpinned by geographically diversified port locations with longer concession period, and JSWIL's strategic importance to JSW group for catering their cargo requirements with the presence of take or pay arrangements.

The rating strengths are, however, tempered on account of limited hinterland prospects for third-party cargo and large reliance on coastal and road transportation for evacuation at the Jaigarh port resulting in lower capacity utilisation at the port. The concentrated cargo profile of JSWIL mainly in the handling of coal and iron ore with a moderate share from third-party cargo (albeit with gradual improvement) continues to remain a credit weakness. JSWIL is also exposed to inherent risk related to a decline in cargo handling rates through the renegotiation of contracts or bulk discounts. Nevertheless, savings in freight cost for JSW Steel Limited (JSWSL: rated CARE AA; Stable / CARE A1+) owing to its proximity to port locations and comparable cargo handling rates with other minor ports mitigate this risk. Moreover, there has not been any downward revision in cargo handling rates of Jaigarh and Dharmtar ports in the last 10 years as articulated by the management. The continued restrictions on the operations of the southwest port, and relatively high revenue sharing arrangement with limited pricing flexibility at some terminals located on major ports, are other credit weaknesses.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant scale-up of operations achieved through substantial diversification in cargo mix along with majority contribution from third-party cargo on sustained basis

Negative factors

- Significant debt-funded capex/inorganic acquisition resulting in net debt/PBILDT beyond 2x on a sustained basis.
- Deterioration in the business linkages and financial profile of counterparties-JSW group companies impacting the revenue visibility of JSWIL.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

- Significant decline in cargo handling rates impacting profitability.

Analytical approach

The consolidated approach is considered on account of the operational and financial linkages with its subsidiaries. The list of entities consolidated is annexed as Annexure 6. The cargo handled of the JSW group comprises 67% of total cargo handled by JSWIL on a consolidated basis for FY23. Furthermore, Jaigarh Port, Dharamtar Port and Southwest Port terminal have strategic importance for raw material procurement by JSW Steel Ltd.

Outlook: Stable

The Stable outlook reflects CARE's expectation that JSWIL will continue to maintain its healthy operational performance in the medium term marked by its strategic importance to JSW group coupled with aided benefit from strong financial flexibility and low leverage. These factors, along with a favourable outlook for the Indian port sector support its credit profile.

Detailed description of the key rating drivers

Key strengths

Geographically diversified port locations: JSWIL has two minor ports (Jaigarh and Dharamtar) on the western coast, while it has seven operational terminals on the major ports as on March 31, 2023. Amongst the seven port terminals, four are located on the eastern coast and three on the western coast, leading to a geographically diverse presence for JSWIL. Besides, the ports are favourably located in the vicinity of JSW group companies, with Paradip terminal located near the coal and iron ore mines in Orissa and the Ennore, Mormugao and Mangalore terminals near the plants of JSWSL in Vijaynagar and Salem and the Nandyal plant of JSW Cement.

Dharamtar port is strategically located in the proximity of the JSWSL Dolvi plant and acts as a captive port for the plant for the import of coal/coke and iron ore. However, since Dharamtar port is a river jetty and cannot handle large vessels, most of the cargo at Dharamtar is transhipment from Jaigarh port, transported in smaller barges and mini bulk carriers, both Jaigarh and Dharamtar acting as twin ports. Jaigarh port is also adjacent to the JSW Energy Limited (JSWEL) Ratnagiri plant and the entire coal requirement for the plant is imported through this port.

Further, in the current fiscal year, JSWIL has expanded its footprints by acquiring oil terminal business at the Port of Fujairah, United Arab Emirates, and a Bulk Terminal near Dharamtar Port.

Strategic importance to JSW group: Due to its presence on major ports, such as Paradip, Mangalore, Ennore and Mormugao, along with ownership of Jaigarh and Dharamtar ports, JSWIL has strategic importance to JSW Steel Limited (JSWSL), the flagship entity of the JSW group, as well as to JSW Energy Limited (JSWEL). The various port special purpose vehicles (SPVs) cater to the cargo needs of the Dolvi, Vijaynagar and Salem plants of JSWSL and the energy plant of JSWEL. JSWSL has already completed expansion at the Dolvi plant with capacity from 5 MMTPA (million metric ton per annum) to 10 MMTPA and undertaking brownfield expansion at the Vijaynagar plant by 5 MMTPA. In the medium term, ramp up in production volumes of JSWSL owing benefit of completed capex augurs well for the cargo visibility prospects of JSWIL.

The ports under JSWIL, i.e., Jaigarh Port, Dharamtar Port and Ennore Terminals have take-or-pay agreements (TPAs) with JSWSL and JSWEL. Though some of these ports have TPAs for lower quantity, the overall actual cargo volumes handled at the ports is higher. The TPAs were around 28% of the cargo handled during FY23. However, JSWSL has historically been sourcing almost its majority of cargo requirements from JSWIL and intends to continue to do so on account of the competitive charges and lower logistics costs due to proximity to its plants in Maharashtra and Karnataka, which provides good cargo visibility for the JSWIL.

Robust growth in cargo volumes during FY23 and H1FY24: Overall consolidated cargo volumes have exhibited a robust year-over-year growth of 50%, escalating to 92.81 million metric tons (MMT) in FY23 from 61.94 MMT in FY22. This significant increase is attributed to heightened cargo handling primarily at Jaigarh, Dharamtar, Paradip East quay, and Mangalore Container terminal. Jaigarh Port and Dharamtar Port experienced healthy growth in volumes handled, largely due to the operationalisation of the nearby Dolvi Plant of JSWSL. Paradip East quay terminal and Mangalore container terminal demonstrated strong cargo volumes, reporting 12.03 MMT and 2.17 MMT, respectively, in their first full year of operations in FY23.

The cargo handled at Paradip East quay terminal primarily consists of coastal coal cargo, insulating JSWIL against the decline in coal imports in India. Additionally, the three acquired terminals at Ennore and Mangalore have seen a 16% increase in cargo growth. With an installed capacity of 158.40 MMTPA, utilisation rose to 59% in FY23, up from 39% in FY22.

Despite the healthy growth observed during FY22 and FY23 at Jaigarh port, capacity utilisation remains moderate at 37%, constrained by limited hinterland prospects for third-party cargo and reliance on coastal and road transportation for cargo evacuation. However, the pricing flexibility at Jaigarh port, being a non-major port, has contributed to strong PBILDT.

In H1FY24, JSWIL managed a consolidated cargo volume of 49.30 MMT compared to 42.00 MMT in H1FY23, marking a significant year-over-year growth of 17%.

Strong growth in scale operations with healthy profitability: With the robust ramp-up in cargo during FY23, JSWIL reported a strong growth in its total operating income (TOI), which grew by around 41% to ₹3,225 crore during FY23 (FY22: ₹2,295 crore). JSWIL has clocked a CAGR of 41% over the past 3 years. It has also reported healthy profitability with a PBILDT margin increasing to 51.24% during FY23 from 49.29% in FY22. Further, JSIWL has also reported healthy growth in the profit after tax (PAT) margin to 23.24% during FY23 (FY22: 14.40%) majorly on account of reduced interest cost due to the refinancing of certain existing INR debt to dollar-denominated debt during FY22. Also, it reported strong gross cash accruals (GCA) of ₹1,348 crore during FY23 (FY22: ₹740 crore).

During H1FY24, JSWIL reported a TOI of Rs.1,726 crore thereby registering a y-o-y growth of 17% along with further improvement in PBILDT margin to 52.33%.

Strengthening financial flexibility and steady improvement in leverage: JSWIL's capital structure has improved marked by an overall gearing (based on net debt) from 1.26 times as on March 31, 2022, to 0.65x as on March 31, 2023, on account of minimal capex during FY23 and healthy accretion to profits. During October 2023, JSWIL completed its IPO of Rs.2,800 crore with the objects of prepayment of debt in its SPVs to the tune of Rs.880 crore, funding of capex plans of Rs.1,182 crore, IPO expense of Rs.74 crore and balance for general corporate purpose of Rs.664 crore. With this, JSWIL has prepaid all its external term debt except USD 400 million and minuscule debt in Mangalore Container Terminal as on November 30, 2023.

Net debt/PBILDT also improved from 3.28x in FY22 to 1.60x in FY23 and close to 1x in H1FY24. JSWIL also earns marine income, which is USD-denominated, providing a natural hedge to the interest coupon foreign currency outflow. However, the principal repayment of bond, which falls due in FY29 is unhedged exposing JSWIL to inherent forex risk.

Given the strong financial flexibility and healthy accumulated cash accruals post IPO, JSWIL has announced the acquisition of an oil terminal business at Port of Fujairah, United Arab Emirates at an enterprise valuation of Rs.1,562 crore and a bulk terminal near Dharamtar Port, Maharashtra at a purchase consideration of Rs.270 crore. The oil terminal will be funded in debt to equity of 65:35 while the bulk terminal will be purely internal accruals funded. Further to that, it has also announced a greenfield port project at Keni, Maharashtra with an approximate cost of Rs.5,000 crore which is expected to be funded in debt to equity of 50:50. Other brownfield capex plans of Rs.1200 crore will be funded through IPO proceeds.

Favourable industry outlook Overall Cargo throughput at Indian ports is at its all-time peak at 1433 MMT in FY23. The cargo throughput has shown a compounded annual growth rate (CAGR) of ~3% from FY19 to FY23 in Major Ports as well as Non-Major Ports. CARE Ratings expects compounded annual cargo growth of 4-5% for FY24 to FY27 led by the increasing trend of containerization in India. Lower per tonne km cost in coastal transportation as compared to road transportation and increasing capacity addition at ports also augur well for the coastal cargo prospects, especially on the eastern coast in the medium term.

Key weaknesses

Project execution risk for the underlying capex: JSWIL has planned a brownfield expansion capex of approx. Rs.1,200 over the next three years at Jaigarh Port and Mangalore Container Terminal. It has also received a letter of award for developing a greenfield port at Keni, Maharashtra with an outlay of approx. Rs.5,000 crore from FY25-FY29. This elevates the inherent project execution risk. Nevertheless, the strong financial flexibility and project execution track record of JSWIL mitigate these risks to an extent. CARE Ratings notes that JSWIL plans to bid for port projects on a pan-India basis under the public-private partnership (PPP) mode or acquire assets in ports/logistics businesses inorganically. The scale of the same and its impact on leverage would be key monitorable.

Competition from nearby ports & terminals and concentrated cargo mix: JSWIL faces competition from the minor ports on the eastern and western coast. Furthermore, its terminals at major ports also face high competition from other terminals located on the same port. Moreover, the cargo profile of JSWIL is largely concentrated in coal and iron ore constituting 86% of the total cargo handled for FY23 exposing it to the inherent cyclicity of the steel industry and energy demand from thermal plants. Going forward, coal volumes in India are expected to taper down by 2-3% in the medium term due to an increase in domestic coal production. In addition to this, despite the gradual decline in cargo concentration to the JSW group, the same stands high at 64% in H1FY24. This large proportion of group cargo exposes JSWIL to inherent risk related to decline in cargo handling rates through renegotiation of contracts or bulk discounts.

Nevertheless, the above risks are mitigated to an extent due to savings in freight cost for JSWSL owing to its proximity to port locations, comparable cargo handling rates with other minor ports and entering into take or pay arrangements. Moreover, as articulated by management, there has not been any downward revision in cargo handling rates of Jaigarh and Dharmtar ports in the last 10 years which provides additional comfort. Going forward, any significant downward revision in cargo handling rate and its impact on profitability shall be key rating monitorable.

Relatively higher revenue sharing for terminals at major ports coupled with presence of MGT clauses: As per their concession agreements, the terminals at major ports are required to pay a revenue sharing of around 21%-36% barring one Terminal where the revenue share is 52.52% to major port trusts. Furthermore, some of these terminals are required to pay as per minimum guaranteed tonnage in case of underachievement of cargo performance. Furthermore, pricing at these terminals is governed by the Tariff Authority of Major Port (TAMP) leading to limited pricing flexibility, however, the corporatised rate structure at Ennore Coal and Ennore Bulk terminals provides pricing flexibility despite the high revenue share. Hence, considerable revenue sharing with limited pricing flexibility increases the market risk for these terminals. Operations of South West Port Limited (SWPL), Mormugao were also impacted due to pollution issues in the past although interim relief has been granted subsequently by restricting the cargo handling capacity to 8.5 MMTPA.

Liquidity: Strong

JSWIL has a strong liquidity position on a consolidated level marked by sufficient generations of cash accruals vis-à-vis repayment obligations and sufficient liquid investments (including unencumbered cash and bank balance) to the tune of ₹1,928 crore as on March 31, 2023, and ₹2,533 crore as on September 30, 2023 (excluding IPO proceeds), besides unutilised working capital limits. The receivable period also improved from 81 days during FY22 to 57 days in FY23.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks:

Environment	JSWIL is exposed to environmental risk with respect to handling large coal volumes. Moreover, as the port assets may operate in environmentally sensitive regions, any tightening of regulations may impact operations and require additional capex. JSWIL has identified a focus on renewable energy, waste management and optimum utilization of resources to mitigate this risk.
Social	JSWIL focuses on access to drinking water, health care and education services to society
Governance	50% of JSWIL's board comprises of independent directors. The company has a dedicated grievance redressal mechanism for its stakeholders and fully independent audit committee.

Applicable criteria

Policy on default recognition
Consolidation
Factoring Linkages Parent Sub JV Group
Financial Ratios – Non financial Sector
Investment Holding Companies
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Ports Project
Policy on Withdrawal of Ratings

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Services	Services	Transport Infrastructure	Port & Port services

JSWIL, incorporated in the year 2006, is a part of the JSW group led by Sajjan Jindal and is engaged in the business of developing infrastructure and operations for ports across India. JSWIL through its subsidiaries has two minor ports, namely, Jaigarh and Dharamtar in Maharashtra, seven operational terminals at major ports (one at Mormugao and two at Mangalore, on the South west coast, and four on eastern coast [two each at Paradip and Ennore]). As on March 31, 2023, JSWIL has total operational capacity of around 158.4 MMTPA. JSWIL has also entered into an agreement with Port of Fujairah (POF) for operation and maintenance of bulk handling system of cargo at two berths at Fujairah Port.

During October 2023, JSWIL has completed its IPO of Rs.2,800 crore. Subsequently, it has announced acquisition of oil terminal business at Fujairah Port, United Arab Emirates and Bulk Terminal near Dharamtar Port, Maharashtra thereby expanding its footprints in ports business.

Brief Consolidated Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	H1FY24 (UA)
Total operating income	2,295	3,225	1,726
PBILDT	1,131	1,652	904
PAT	330	750	578
Overall gearing (times)	1.37	1.12	NA
Interest coverage (times)	3.55	5.86	6.16

A: Audited UA: Unaudited; NA: Not available; Note: 'the above results are latest financial results available'

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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - ST-Bank Overdraft		-	-	-	20.00	CARE A1+
Fund-based - ST-Term loan		-	-	12 months from Disbursement	0.00	Withdrawn
Fund-based/Non-fund-based-LT/ST		-	-	-	50.00	CARE AA+; Stable / CARE A1+
Non-fund-based - LT/ ST-BG/LC		-	-	-	180.00	CARE AA+; Stable / CARE A1+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Non-fund-based - LT/ ST-BG/LC	LT/ST*	180.00	CARE AA+; Stable /	-	1)CARE A1+	1)CARE A1+	1)CARE A1+ (06-Jan-21)

				CARE A1+		(09-Dec-22) 2)CARE A1+ (20-Sep-22) 3)CARE A1+ (26-Jul-22)	(16-Aug-21)	2)CARE A1+ (CW with Developing Implications) (17-Nov-20)
2	Fund-based - ST-Term loan	ST	-	-	-	1)CARE A1+ (09-Dec-22) 2)CARE A1+ (20-Sep-22) 3)CARE A1+ (26-Jul-22)	-	-
3	Fund-based - ST-Bank Overdraft	ST	20.00	CARE A1+	-	1)CARE A1+ (09-Dec-22) 2)CARE A1+ (20-Sep-22) 3)CARE A1+ (26-Jul-22)	-	-
4	Fund-based/Non-fund-based-LT/ST	LT/ST*	50.00	CARE AA+; Stable / CARE A1+				

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

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

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of Entities Consolidated

Name of the Company	% holding as on March 31, 2023 (either directly or through subsidiaries)
JSW Jaigarh Port Limited	100%
South West Port Limited	90%
JSW Shipyard Private Limited	100%
JSW Nandgaon Port Private Limited	100%
JSW Dharamtar Port Private Limited	100%
JSW Mangalore Container Terminal Private Limited	100%
Masad Marine Services Private Limited	100%
Jaigarh Digni Rail Limited	63%
JSW Salav Port Private Limited	100%
JSW Paradip Terminal Private Limited	97.40%
Paradip East Quay Coal Terminal Pvt. Ltd.	97.40%
Ennore Coal Terminal Private Limited	100%
Ennore Bulk Terminal Private Limited	90%
Mangalore Coal Terminal Private Limited	100%
Southern Bulk Terminals Private Limited	100%
JSW Terminal Middle East FZE	100%

Note on the complexity levels of the rated instruments: CARE Ratings 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	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Rajashree Murkute Senior Director **CARE Ratings Limited** Phone: +91-22-6837 4474 E-mail: rajashree.murkute@careedge.in
Relationship Contact Saikat Roy Senior Director **CARE Ratings Limited** Phone: 91 22 6754 3404 E-mail: saikat.roy@careedge.in	Maulesh Desai Director **CARE Ratings Limited** Phone: +91-79-4026 5656 E-mail: maulesh.desai@careedge.in Setu Gajjar Assistant Director **CARE Ratings Limited** Phone: +91-79-4026 5615 E-mail: setu.gajjar@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For the detailed Rationale Report and subscription information,
please visit www.careedge.in