October 12, 2016

CARE REAFFIRMS RATING TO NCD AND THE BANK FACILITIES OF JSW INFRASTRUCTURE

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	127 (reduced from Rs 167 crores)	**CARE A+ (Single A plus)**	Reaffirmed
Short term Bank Facilities (NFB- LC/BG)	60 (Rupees Sixty crores)	**CARE A1 (A One)**	Reaffirmed
Total Facilities	**187 (Rupees One hundred eighty seven crores only)**		
Long term Non-Convertible Debenture	262 (reduced from Rupees 340 crores)	**CARE A+ (Single A Plus)**	Reaffirmed

Rating Rationale

The ratings continue to derive strength from the JSW group's demonstrated ability to execute large projects in diversified sectors, significant growth in cargo throughput and revenue exhibited by the company on a consolidated basis over the past four years coupled with the improved profitability, cargo visibility for the ports under the subsidiaries viz, South West Ports Ltd (South West port), JSW Jaigarh Port Ltd (Jaigarh port) and JSW Dharamtar Port Pvt Ltd (Dolvi port), favourable location of all the ports with strategic importance for the JSW group companies.

The ratings are, however, constrained by the project execution risk on account of the planned brownfield expansion undertaken by JSWIL at Jaigarh, Dharamtar ports and Paradip Iron Ore Terminal and the expected increase in financial leverage in the medium–term due to the debt-funded nature of these projects.

JSWIL's ability to infuse equity and successfully execute the ongoing project expansion at Jaigarh, Dharamtar port and Paradip Iron Ore terminal in a timely and cost effective manner with the envisaged capital structure are the key rating sensitivities. Furthermore, ability to achieve the increase in cargo (third party) throughput at the ports is the other rating sensitivity.

Background

JSWIL, incorporated in the year 2006, is part of the JSW Group and is engaged in the business of developing infrastructure for ports, shipyard, roads and rail connectivity across India. JSWIL, through its subsidiaries, has three operating ports viz. South West Ports Ltd (SWPL; rated CARE A1+) in Goa, JSW Jaigarh Port Ltd (JSWJPL; rated CARE A+/A1), JSW Dharmatar Port (DPPL; rated CARE A+(senior debt/A (subordinate debt/A1(short-term)) in Maharashtra. JSWIL acts a holding company for investments into port infrastructure being developed by the JSW group, provides project management services to the SPVs formed for the specific projects during the implementation of the project and also provides cargo handling services at ports after commissioning. JSWIL has entered into agreements with SWPL and JSWJPL for cargo handling and maintenance of handling equipment.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Other key developments

Paradip Port Trust ("PPT"), one of the Major ports of India, on the Eastern Coast of India in the state of Odisha, envisaged development of a mechanized Iron ore berth of 370 m and accordingly PPT invited bids for development of the terminal on Build, Operate and Transfer (BOT) basis. Based on evaluation of the competitive bids invited by the PPT, the concession was awarded to consortium of JSWIL and SWPL, on the basis of highest revenue share of 21% and accordingly JSW Paradip Terminal Private Limited (JSWPTPL), a special purpose vehicle incorporated for the purpose, has entered into a Concession Agreement (CA) with PPT on May 29, 2015 to implement the project. JSWPTPL, incorporated on March 9, 2015 to implement the Project is sponsored by JSWIL & SWPL. JSWIL holds74% equity stake in JSWPTPL and balance is held by SWPL. The total project cost is Rs 496.2 crores which would be funded in Debt:Equity of 3:1.

During FY16, on a consolidated basis, JSWIL reported total operating income of Rs.727.6 crore and PAT of Rs.252.7 crore as against total operating income of Rs. 562.8 crore and PAT of Rs.147.7 crore during FY15.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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