# JSW Infrastructure Limited

January 10, 2017

**Ratings**

| **Facilities** | **Amount (Rs. crore)** | **Rating1** | **Rating Action** |
|---|---|---|---|
| Long term Bank Facilities | 116.00 (reduced from Rs 127 crore) | **CARE A+; Stable (Single A plus; Outlook: Stable)** | Reaffirmed |
| Short term Bank Facilities | 60.00 | **CARE A1 (A one)** | Reaffirmed |
| **Total facilities** | **176.00 (Rupees one hundred seventy six crore only)** | | |
| Long term Non-Convertible Debenture | 241.00 (reduced from Rs 262 crores) | **CARE A+; Stable (Single A plus; Outlook: Stable)** | Reaffirmed |

*Details of instruments/facilities in Annexure-1*

***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) as well as 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 projects 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.***

JSWIL, at a consolidated level, witnessed a y-o-y growth of about 29.3% in Total Operating Income (TOI) and PAT growth of 71.1% driven by higher cargo volumes. The company at the consolidated level has embarked on capital expansion (JSW Dharamtar Port, Jaigarh Port and Paradip Port). The capital expenditure at JSWIL as well as its subsidiaries is being funded through an average debt to equity ratio of 4:1. As a result, the overall gearing level of JSWIL is expected to deteriorate in the medium term as it has started availing the debt. JSWIL, in its capacity as a holding company as well as a project management company, remains exposed to the funding risk (towards equity contribution) as well as project execution risk with three projects going on in the separate subsidiaries. However, post completion of the expansion projects and stabilization thereof, incremental operating cash flows are expected to accrue to JSWIL and its subsidiaries, which would help the company in gradually improving its financial leverage.

JSWIL's key strength comes from cargo from group companies which provides steady volumes and cash flows. Going ahead also, volume growth at JSWIL is expected to be driven by cargo volumes of group company rather than third party cargo. The major expansion by the company is also on

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

account of increase in cargo from group companies. Completion of projects in a timely manner and within the envisaged cost (in the subsidiaries) as well as increase in third party cargo are the key moniterables in JSWIL.

**Analytical Approach followed –** CARE has followed consolidated approach in analyzing JSW Infrastructure. The subsidiaries viz. JSW Dharamtar, Jaigarh Port, South West Ports and JSW Paradip Terminal Private Limited have been consolidated on account of operational and financial linkages.

**Applicable Criteria**
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Rating Methodology - Infrastructure Sector Ratings
Financial ratios – Non-Financial Sector
CARE's methodology for Ports sector

**Company 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.

**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 582 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.

**Status of non-cooperation with previous CRA:** Not Applicable
**Rating History (Last three years):** Please refer Annexure-2
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*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.*

**About CARE Ratings:**

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**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 |
|---|---|---|---|---|---|
| Non-Fund Based - ST-Bank Guarantees | - | - | - | 60.00 | CARE A1 |
| Fund Based - LT-Term Loan | - | - | - | 116.00 | CARE A+; Stable |
| Debentures-Non Convertible Debentures | - | 11.90% | Redeemable on monthly basis from October 2014 to March 2019 | 241.00 | CARE A+; Stable |

**Annexure 2**

Rating History for last three years :-

| | | **Current Ratings** | | | **Chronology of Rating history for past three years** | | |
|---|---|---|---|---|---|---|---|
| **Sr. No.** | **Name of the Instrument/Bank Facilities** | **Type** | **Amount Outstanding (Rs. crore)** | **Rating** | **Date(s) & Rating(s) assigned in 2015-2016** | **Date(s) & Rating(s) assigned in 2014-2015** | **Date(s) & Rating(s) assigned in 2013-2014** |
| 1. | Non-Fund Based - ST-Bank Guarantees | ST | 60.00 | CARE A1 | 1)CARE A1 (October 16, 2015) | 1)CARE A1 (August 14, 2014) | 1)CARE A1 (December 27, 2013)<br>2)CARE A1 (October 04, 2013) |
| 2. | Fund Based - LT-Term Loan | LT | 116.00 | CARE A+; Stable | 1)CARE A+ (October 16, 2015) | 1)CARE A+ (August 14, 2014) | 1)CARE A+ (December 27, 2013)<br>2)CARE A+ (October 04, 2013) |
| 3. | Debentures-Non Convertible Debentures | LT | 0.00 | - | 1)Withdrawn (April 15, 2015) | 1)CARE A+ (August 14, 2014) | 1)CARE A+ (December 27, 2013)<br>2)CARE A+ (December 20, 2013) |
| 4. | Debentures-Non Convertible Debentures | LT | 241.00 | CARE A+; Stable | 1)CARE A+ (October 16, 2015) | 1)CARE A+ (August 14, 2014) | 1)CARE A+ (December 27, 2013) |

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