JSW Infrastructure Limited

November 17, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Short Term Bank Facilities	70.00	CARE A1+ (Under Credit watch with Developing Implications) (A One Plus)	Placed on Credit watch with Developing Implications
Total Facilities	70.00 (Rs. Seventy Crore Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has placed the short term ratings of JSW Infrastructure Limited (JSWIL) under 'Credit Watch with Developing Implications' on account of the Share Purchase agreement signed by for the proposed acquisition of three terminals, namely, Chettinad International Bulk Terminal Pvt Ltd [CIBTPL, rated CARE BBB-/A3 (under Credit Watch with Developing Implications)], Chettinad International Coal Terminal Pvt Ltd [CICTPL, rated CARE A-/A2+(under Credit Watch with Developing Implications)] and Chettinad Mangalore Coal Terminal Private Limited (CMCTPL, rated CARE BBB/A3 (under Credit Watch with Developing Implications)] from the Chettinad group.

For funding the acquisition cost of ~Rs.958 crore, debt of Rs. 250 crore is proposed to be raised at the target terminals while Rs.400 crore facility is proposed to be raised at South West Port Limited (SWPL, a subsidiary of JSWIL). CARE notes JSWIL will pay a balance amount of approximately Rs.300 crore to shareholders of holding company of target terminals as a part consideration from its own funds. The transaction is expected to be completed on the closing date or any other extended date on or before the long stop date as may be mutually agreed by parties. CARE will closely follow the developments in this regard, evaluate the executed transaction documents and will consider taking appropriate rating action in due course.

The ratings continue to reflect strength derived from the JSW group's demonstrated ability to execute large projects in diversified sectors, consistent 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, JSW Jaigarh Port Limited (JSWJPL) and JSW Dharamtar Port Private Limited (JSWDPPL) on account of long term Take-or-Pay agreements in place as well as favorable location of all the ports with strategic importance for the JSW group companies.

The rating strengths are however constrained by the above mentioned debt funded acquisition transaction of JSWIL and its impact on overall capital structure of the group. Furthermore, JSWIL is also undertaking expansion at existing ports primarily to cater to increased steel requirements of JSW Steel Limited (JSWSL) and two green-field projects which are yet to be fully operational. The ratings are also constrained by moderate debt coverage metrics on account of expected increase in leverage, revenue concentration risk primarily due to high dependence on group companies for cargo throughput (mainly JSW Steel Limited) and uncertainty with respect to cargo handling by South West Port Limited (SWPL). CARE also notes that in light of the prevailing economic scenario and challenging business environment, the earlier envisaged capex plans of Rs.4600 crore on the Slurry Pipeline project has been deferred indefinitely by JSWIL management.

***Link to access 'Description of key rating drivers; sensitivity factors and liquidity considered in the previous press release' on CARE Ratings website is given below*:**

Name	Press Release link
JSW Infrastructure Limited	https://www.careratings.com/upload/CompanyFiles/PR/JSW%20Infrastructure%20Limited-01-28-2020.pdf

About the proposed transaction

JSWIL has entered into share purchase agreement with Chettinad group of companies wherein it is proposed to acquire shares of Chettinad Builders Private Limited (CBPL) along with following terminals which are held by Chettinad group companies.

1. Chettinad International Coal Terminal Private Limited (CICTPL)
2. Chettinad International Bulk Terminal Private Limited (CIBTPL)
3. Chettinad Mangalore Coal Terminal Private Limited (CMCTPL)

On the date of agreement CBPL held 100% stake in CICTL, 90% stake in CIBTL and 74% stake in CMCTPL. Post completion of the transaction, JSW infrastructure and its nominees will hold 100% stake in CBPL. As part of the acquisition funding, SWPL shall raise Rs.425 crore debt in its books.

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

Analytical approach:
CARE has taken a limited review based on key consolidated financials of JSWIL for the year ended March 31, 2020. List of entities consolidated is annexed as Annexure 3.

Applicable Criteria
CARE's Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology: Consolidation
Rating of loans by investment holding companies
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 Infrastructure Limited (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 has three operating ports viz. South West Ports Ltd in Goa, JSW Jaigarh Port in Maharashtra and JSW Dharamtar Port Private Ltd. JSWIL provides project management services to the SPVs formed for the specific projects during the implementation of the project and also provides cargo handling at ports after commissioning. JSWIL has entered into agreements with South West Port Ltd. and JSW Jaigarh port for cargo handling and maintenance of handling equipment. JSWIL currently has total operational capacity of ~75 MTPA and is in the process of expanding its capacity at existing ports and green-field projects to a total capacity of ~90 MTPA.

Brief Financials (Rs. crore) – JSWIL (Consolidated)	FY19 (A)	FY20 (A)
Total operating income	1154.05	1,209.90
PBILDT	698.05	685.95
PAT	283.95	196.53
Overall gearing (times)	0.79	1.31
Interest coverage (times)	3.94	2.63

A: Audited; Financials 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: Not Available

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
Non-fund-based - ST-Bank Guarantees	-	-	-	70.00	CARE A1+ (Under Credit watch with Developing Implications)

Annexure-2: Rating History of last three years

Sr. No.	Name of the 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.	Non-fund-based - ST-Bank Guarantees	ST	70.00	CARE A1+ (Under Credit watch with Developing Implications)	-	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)
2.	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (28-Jan-20)	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)
3.	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (20-Jul-18)	1)CARE AA- (Under Credit watch with Developing Implications) (18-Jan-18) 2)CARE AA-; Stable (02-Jan-18)

Annexure-3: List of entities consolidated

Name of the Company	% holding in FY20 (either directly or through subsidiaries)
JSW Jaigarh Port Limited	100%
South West Port Limited	74%
JSW Shipyard Private Limited	100%
West Waves Maritime and Allied Services 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	93.24%
Paradip East Quay Coal Terminal Pvt. Ltd.	93.24%
JSW Terminal Middle East FZE	100%

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

Sr. No.	Name of the Instrument	Complexity Level
1.	Non-fund-based - ST-Bank Guarantees	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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About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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