JSW Infrastructure Ltd.

January 02, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	85.00 (reduced from Rs 116 crore)	**CARE AA-; Stable (Double A Minus; Outlook: Stable)**	**Upgraded from CARE A+; Stable (A Plus; Outlook: Stable)**
Short term Bank Facilities	80.00	**CARE A1+ (A one Plus)**	**Upgraded from CARE A1 (A One)**
Total facilities	**165.00 (Rupees one hundred sixty five crore only)**		
Long term Non-Convertible Debenture	196.00 (reduced from Rs 241.00 crore)	**CARE AA-; Stable (Double A Minus; Outlook: Stable)**	**Upgraded from CARE A+; Stable (A Plus; Outlook: Stable)**

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in ratings of JSW Infrastructure group takes into account consistent growth in cargo throughput and revenue over the past years and equity infusion by promoters during December 2017 leading to improvement in capital structure.

The ratings continue to derive strength from the JSW group's demonstrated ability to execute large projects in diversified sectors, 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 large expansion undertaken by JSWIL at Dharamtar ports, Paradip Iron Ore Terminal and Paradip Coal Terminal.

Any large debt funded capex other than the current ongoing projects, large debt funded acquisition unrelated diversification and ability to achieve adequate utilisation of enhanced capacities through a combination of JSW group cargo and third party cargo remains the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced Management and JSW Group's capability to execute projects in diversified sectors

JSW Infrastructure Ltd. (JSWIL) is a part of the Sajjan Jindal group. The company is led by an experienced and resourceful management. The company is committed to the development of infrastructure for ports, air ports, shipyard, etc. for the JSW Group. The ratings derive comfort from the group's demonstrated ability to execute large infrastructure projects and financial strength of the promoters.

Successful execution and operations at Jaigarh Port

JSWIL has successfully developed an 'all weather' deep water greenfield port through its wholly owned subsidiary JSW Jaigarh Port Ltd. (JSWJPL) in Jaigarh, located in Ratnagiri district, Maharashtra to cater largely to the coal requirements of group company - JSW Energy Ltd's (JSWEL) 1.2GW power plant adjacent to the port. The port started operations during FY11 and presently has six bulk berths with a total capacity of 40MTPA. Cargo handled for a third party showed a drop of

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

24% during FY17 (i.e. from 2.1MMT in FY16 to 1.6MMT in FY17). During FY17, the cargo handled for JSW Steel Ltd (JSWSL) increased to 4.2MMT (0.2MMT in FY16) while cargo for JSWEL showed a decline to 2.7MMT (3.6MMT in FY16). As on December 27, 2017, JSWJPL has completed capex of Rs 1900 crore leading to capacity increase from 15 MTPA to 40MTPA. The LNG terminal is expected to be completed by March 2018.

Favourable location of the ports with strategic importance for JSW group companies
South West Port Ltd. (SWPL) operates two berths within Mormugao Port, Goa and is suitably located on the western coast, at a distance of around 360 km from Mangalore port and 600 km from Mumbai port. The port is well connected to hinterland districts of Belgaum, Dharwad, Bellary and Uttarakannada in Karnataka State through rail network. These regions are major producers of iron ore and consumers of coal and coke. SWPL is strategically important for JSWSL as it serves as a captive port for import of coal/coke and export of steel products of JSWSL plant at Vijaynagar, Bellary, Karnataka. The port is located around 370 km from Bellary and has better infrastructure as compared to other minor ports in South-West Maharashtra and North-West Karnataka.

JSW Jaigarh port is favourably located between Mumbai (356 Km) and Goa (250 Km) in Dhamankul Bay, Jaigarh, Ratnagiri District, on the west coast, 42 Km off the NH-17. The port is located in Jaigarh head with a 512-m long breakwater and the siltation levels are low owing to the geographical location of the port. The company has maintained a modest draft of around 18 m-19 m. The maintenance dredging cost of the company is envisaged to be low resulting in lower operating cost. The port is adjacent to JSWEL's Ratnagiri power plant (1.2GW) and entire coal for the plant is imported through the port.

JSW Dharmatar Port is located 22 km down from the mouth of Amba river at Dharamtar, near Mumbai and was setup by erstwhile Ispat Industries Ltd to handle raw materials for its steel manufacturing plant at Dolvi, Maharashtra. Dharamtar port serves as a captive port for JSWSL for import of coal/coke and iron ore.

Cargo visibility for the ports
While there is no take or pay agreement of South West Ports with JSW Steel Limited (JSWSL), JSWSL sources majority of the cargo through SWPL mainly on account of competitive berth charges. The presence of dedicated infrastructure to transport bulk cargo (in terms of rakes) also aids SWPL. There is minimum cargo commitment of 8MTPA from JSWSL valid till August 2018. Further, JSWSL also uses the port for export of finished steel products. During FY17, JSWSL imported around 11.0MMT of coal/coke through SWPL. The agreement with JSWSL provides long-term cargo visibility for SWPL.

Jaigarh port has entered into a take or pay agreement for 4 MTPA with JSWEL whereby JSWEL would pay cargo handling charges @ Rs.250 per MT in FY10, with a 3% escalation every year. JSWJPL handled 2.7 MTPA cargo for JSWEL in FY17. JPL also entered into an agreement for 4 MTPA with JSWSL for a period of 15 years from July 2015 to June 2030, whereby JSWSL would pay cargo handling charges @ Rs.160 per MT till the completion of Berth 6A. Post the completion of berth, JSWSL would pay cargo handling charges @ Rs.200 per MT. JSWJPL handled 4.2 MTPA cargo for JSWSL in FY17. The agreements provide an assured revenue stream and stable cash flows to the company. Further, the company has entered into short-term agreements with few other parties viz. Sona Alloys Pvt. Ltd., Bhoomi Resources India Pvt. Ltd., Zuari Holdings, Manico minerals, Rama Phosphates etc. for cargo handling. During FY17, JSWJPL handled 12.6 MMT of cargo (out of which cargo handled for JSWEL was 2.7 MMT) vs 5.9 MMT cargo handled during FY16.The increase in cargo handled by JSWJPL was primarily on account of increase in trans-shipment cargo of JSW Steel's Dolvi complex to 4.2 MT in FY17 from 0.2 MT in FY16. Further, JSWSL is undertaking capital expenditure at Dolvi plant to increase the capacities from

5MTPA to 10 MTPA which is expected to be completed by FY19 which shall increase the cargo traffic at JSWJPL. Further, JPL has also entered into agreement with H-Energy Gateway Pvt. Ltd. for cargo handling of 5 MTPA @Rs.75 per MT with escalation of 5% in FY20. The LNG terminal is expected to be commissioned by March 2018. These agreements provide long-term cargo visibility for the JSWJPL.

JSW Dharamtar Port Pvt. Ltd. (JSWDPPL) has entered into a take or pay agreement with JSWSL for 10 MTPA whereby JSWSL would pay cargo handling charges @120 per MT for a period of 15 years effective from July 01, 2015. Currently, JSWDPPL derives 100% revenue from JSWSL.

All these agreements provide assured and stable cargo handling revenues to JSWIL and its subsidiaries. Further, the counterparties (JSWEL and JSWSL) have strong credit profiles.

Through-put agreements with its subsidiaries for cargo handling services
JSWIL provides cargo handling and project management services to its group entities. The company has entered into back to back cargo handling agreements with its subsidiaries, SWPL & JSWJPL on one hand and JSW Steel Ltd on the other. As per the revised agreement entered for a period between April 01, 2014 to March 31, 2019, the cargo handling charges are stipulated for various cargo with an escalation of 5% every year.

Equity infusion leading to comfortable capital structure
With the ongoing capex programe by JSWIL as well as its subsidiaries being funded through an average debt to equity ratio of 3.68:1, the overall gearing level of JSWIL is expected to deteriorate in the medium term as it has started availing the debt. However, the promoters have infused Rs.492 crore in December 2017 which will lead to improvement in capital structure. Also, post completion of the expansion projects and stabilization thereof, incremental operating cashflows are expected to accrue to JSWIL and its subsidiaries, which would further help the company in improving its financial leverage.

Key Rating Weaknesses
Project execution risk
JSWIL, at a consolidated level, is in the midst of expansion programme involving capital expenditure of Rs.2994 crore. The details of the capital expenditure are below

1. Dharamtar port incurring a capex of Rs 440 crore which is funded with debt and equity in the ratio of 3 : 1. The expansion of the Dharamtar port is progressing and is expected to be completed in March 2018. As on September 30, 2017, the company has incurred capex of Rs 307 crore.
2. JSWIL has won rights of Iron ore terminal in Paradip. The capital expenditure for the developing the berth is Rs 582 crore which would be funded by debt: equity ratio of 3.09:1. As on September 30, 2017, the company has incurred capex of Rs 87 crore.
3. JSWIL is also developing coal terminal in Paradip. The capital expenditure is expected to be Rs.1255 crore and is expected to be completed by March 2019.
4. JSWJPL through its SPV Jaigarh Digni Rail Limited (JDRL), is developing of 33.7km new rail link for Jaigarh port between Jaigarh and Digni. The Project is a new rail new alignment between Jaigarh Port and Digni Station (New station proposed to be developed 8 km south of existing Sangameshwar Station) on the Konkan Railway Line.

The total project capex envisaged is Rs 717 crore which is financed through D:E of 2.69:1. The project is expected to be completed in April 2019. As on September 30, 2017, the company has incurred capex of Rs 38 crore.

JSWJPL has incurred a total capex of Rs.1900 crore and has completed its expansion in December 2017. 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.

Analytical approach:
CARE has followed consolidated approach. The subsidiaries along with the parent company JSWIL have been consolidated on account of operational and financial linkages. They together are referred to as JSW Infrastructure group.

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
Rating Methodology: Factoring Linkages in Ratings

About the Company (JSWIL)
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 AA-; Stable/A1+), JSW Dharmatar Port (DPPL; rated CARE AA-; Stable(senior debt/ A+; Stable(subordinate debt); Stable/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.

Brief Financials (Rs. crore) (JSWIL Consolidated)	FY16 (A)	FY17 (A)
Total operating income	753.09	934.18
PBILDT	512.21	627.57
PAT	234.10	310.32
Overall gearing (times)	0.93	1.07
Interest coverage (times)	5.10	6.87

A: Audited

Status of non-cooperation with previous CRA:
Not Applicable

Any other information:
Not Applicable

Rating History for last three years: Please refer Annexure-2

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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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	-	-	-	80.00	CARE A1+
Fund-based - LT-Term Loan	-	-	March 2019	85.00	CARE AA-; Stable
Debentures-Non Convertible Debentures	-	-	January 2019	196.00	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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Non-fund-based - ST-Bank Guarantees	ST	80.00	CARE A1+	-	1)CARE A1 (10-Jan-17) 2)CARE A1 (12-Oct-16)	1)CARE A1 (16-Oct-15)	1)CARE A1 (14-Aug-14)
2.	Fund-based - LT-Term Loan	LT	85.00	CARE AA-; Stable	-	1)CARE A+; Stable (10-Jan-17) 2)CARE A+ (12-Oct-16)	1)CARE A+ (16-Oct-15)	1)CARE A+ (14-Aug-14)
3.	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (15-Apr-15)	1)CARE A+ (14-Aug-14)
4.	Debentures-Non Convertible Debentures	LT	196.00	CARE AA-; Stable	-	1)CARE A+; Stable (10-Jan-17) 2)CARE A+ (12-Oct-16)	1)CARE A+ (16-Oct-15)	1)CARE A+ (14-Aug-14)

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