INFRASTRUCTURE LTD.
**Regd. Office:** JSW Centre,
Bandra Kurla Complex, Bandra (East)
Mumbai – 400 051.
Phone : 022-42861000
Fax : 022-42863000
CIN: U45200MH2006PLC161268
Website: www.jsw.in
Email id: infra.mumbai@jsw.in

December 19, 2023

To,

| **BSE Limited** | **National Stock Exchange of India Limited** |
|---|---|
| Phiroze Jeejebhoy Towers | "Exchange Plaza" |
| Dalal Street | Bandra-Kurla Complex, Bandra (East) |
| Mumbai - 400 001 | Mumbai - 400051 |
| **Scrip Code (BSE): 543994** | **Symbol: JSWINFRA** |

**Sub.: Intimation under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Revision in Credit Rating**

**Ref.: Letter dated December 19, 2023 issued by CARE Ratings Limited**

Dear Sir / Madam,

We wish to inform you that CARE Ratings Limited vide their letter dated December 19, 2023, has upgraded the credit ratings of the subsidiaries of JSW Infrastructure Limited **('Company')** in the following manner:

| Sr. no. | Name of company | Amount (Rs. in crore) | Facilities/ Instruments | Revised Rating | Existing Rating | Specification |
|---|---|---|---|---|---|---|
| 1 | JSW Jaigarh Port Limited | 30.00 | Long Term / Short Term Bank Facilities | CARE AA; Stable/CARE A1+ | CARE A1+ | Upgrade from CARE A1+ to CARE AA; Stable / CARE A1+ |
| | | 25.00 | Long Term / Short Term Bank Facilities | CARE AA; Stable/CARE A1+ | CARE A1+ | Upgrade from CARE A1+ to CARE AA; Stable / CARE A1+ |
| 2. | JSW Dharamtar Port Private Limited | 10.00 | Long Term / Short Term Bank Facilities | CARE AA; Stable/CARE A1+ | CARE A1+ | Upgrade from CARE A1+ to CARE AA; Stable / CARE A1+ |
| | | 5.00 | Long Term / Short Term Bank Facilities | CARE AA; Stable/CARE A1+ | CARE A1+ | Upgrade from CARE A1+ to |

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Email id: infra.mumbai@jsw.in

| Sr. no. | Name of company | Amount (Rs. in crore) | Facilities/ Instruments | Revised Rating | Existing Rating | Specification |
|---|---|---|---|---|---|---|
| | | | | | | CARE AA; Stable / CARE A1+ |
| 3. | Ennore Coal Terminal Private Limited | 98.00 | Long-term / Short-term bank facilities | CARE A+; Stable/CARE A1+ | CARE A; Stable/CARE A1 | Upgrade from CARE A; Stable/CARE A1 to CARE A+; Stable/CARE A1+ |

The above is for your information and record and a copy of the said letter is enclosed herewith.

Thanking you,

Yours sincerely,
For **JSW Infrastructure Limited**
GAZAL QURESHI
**Gazal Qureshi**
**Company Secretary and Compliance Officer**

**Cc:**

**India International Exchange (IFSC) Limited**
Unit No. 101, 1st Floor, Signature Building No. 13B, Road 1C
Zone 1, Gift SEZ, Gift City
Gandhinagar- 382355
**Scrip code (India INX):** 1100026

# JSW Jaigarh Port Limited

December 19, 2023

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long-term bank facilities | 500.00* (Reduced from 835.00) | CARE AA; Stable | Reaffirmed |
| Long-term/short-term bank facilities^ | 30.00 | CARE AA; Stable/CARE A1+ | Revised from CARE A1+ |
| Long-term/short-term bank facilities^ | 25.00 (Reduced from 65.00) | CARE AA; Stable/CARE A1+ | Revised from CARE A1+ |
| Short-term bank facilities | 10.00 | CARE A1+ | Reaffirmed |

Details of instruments/facilities in Annexure-1.
*The said term debt has been pre-paid. However, no due certificate for the same is awaited.
^Facilities are reclassified from short-term bank facilities to long-term/short-term bank facilities.

## Rationale and key rating drivers

JSW Jaigarh Port Limited (JSW Jaigarh) and JSW Dharamtar Port Private Limited (JSW Dharamtar) work as twin ports to meet the cargo handling requirements of the Dolvi plant of JSW Steel Limited (JSWSL; rated 'CARE AA; Stable/CARE A1+'), the flagship company of the JSW group. Hence, CARE Ratings Limited (CARE Ratings) has combined the operational and financial performance of JSW Jaigarh and JSW Dharamtar to arrive at the ratings of JSW Jaigarh.

The ratings assigned to the bank facilities of JSW Jaigarh continue to remain underpinned by the strategic importance of the Jaigarh and Dharamtar ports to the JSW group due to the locations of the ports in the vicinity of the JSW group companies along with the long operational track record of the ports. Furthermore, the combined cargo volumes have seen a robust ramp-up due to production from the enhanced capacity of the Dolvi plant at Maharashtra of JSWSL, leading to healthy growth in its scale of operations and profitability during FY23 (FY refers to the period from April 1 to March 31) and H1FY24 (H1 refers to the period from April 1 to September 30).

The leverage has significantly improved, marked by a net debt-to-profit before interest, lease rentals, depreciation and taxation (PBILDT) of 0.73x as on September 30, 2023, as compared to 2.53x as on March 31, 2022. The ratings take cognisance of the completion of the initial public offering (IPO) of ₹2,800 crore of the parent entity, i.e., JSW Infrastructure Limited (JSWIL; rated 'CARE AA+; Stable/CARE A1+') in October 2023 with the objects of prepayment of debt in its subsidiaries, funding the capex plans and for general corporate purpose. Accordingly, JSW Dharamtar and JSW Jaigarh have prepaid their entire external term debt. The ratings also continue to derive strength from the strong parentage of JSWIL, the long operational track record of the ports, the assured revenue stream from firm take or pay agreements (TPAs), and the flexibility in tariff rates on the non-major ports.

JSW Jaigarh is also undertaking a brownfield capex of around ₹1,031 crore, to be funded from JSWIL. Also, JSW Dharamtar has entered into a share purchase agreement for acquiring 50%+1 share of PNP Maritime Services Private Limited (PMSPL; rated 'CARE A- [Rating watch with positive implications]') at a purchase consideration of ₹270 crore, which is to be funded by internal accruals.

The ratings' strengths are, however, tempered by the limited hinterland prospects for third-party cargo and the large reliance on coastal and road transportation for evacuation at the Jaigarh port. The concentrated cargo-mix profile to iron-ore and coal along with the lower share from third-party cargo amid the competition faced from other ports located on the Western coast are other credit weaknesses. Furthermore, due to the large proportion of the group cargo, JSWIL is exposed to the inherent risk related to a decline in cargo handling rates through renegotiation of contract or bulk discount. However, there has not been any downward revision in the cargo handling rates of JSW Dharamtar and JSW Jaigarh in the past 10 years, as articulated by the management. Going forward, the significant downward revision in the cargo handling rates and its impact on profitability will be a key rating monitorable.

Furthermore, JSW Jaigarh is exposed to the inherent project execution risk for the underlying brownfield capex. Nevertheless, the above risk is offset to an extent with the successful track record in executing large port projects.

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

## Rating sensitivities: Factors likely to lead to rating actions

**Positive factors**

- Significant increase in third-party cargo throughput at its ports, resulting in reduced revenue concentration risk towards group companies and significant improvement in the cargo mix.

**Negative factors**

- Significant debt-funded project expansion or inability to ramp up the cargo volumes as envisaged, resulting in combined net external debt/PBILDT of more than 3x on a sustained basis.
- Deterioration in the business linkages and financial profile of the JSW group companies, impacting the cargo performance of JSW Dharamtar and JSW Jaigarh.
- Significant decline in the cargo handling rate, impacting profitability.

## **Analytical approach:** Combined (JSW Jaigarh and JSW Dharamtar)

JSW Jaigarh and JSW Dharamtar are fully owned subsidiaries of JSWIL. Furthermore, JSW Jaigarh and JSW Dharamtar work as twin ports to meet the cargo handling requirements of the Dolvi plant of JSWSL, the flagship company of the JSW group. JSWSL imports materials at JSW Jaigarh and Mumbai anchorage for its raw material requirements. The cargo imported at JSW Jaigarh by JSWSL is transported to the Dharamtar port for requirements of the Dolvi plant.

## **Outlook:** Stable

The stable outlook reflects CARE Ratings' expectation that JSW Jaigarh will continue to maintain its healthy operational performance in the medium term, marked by its strategic importance to the JSW group, coupled with low leverage.

## Detailed description of the key rating drivers

**Key strengths**

**Strategic importance of ports to JSW group companies**

Due to the proximity of the Dharamtar port to the Dolvi plant of JSWSL – the flagship entity of the group, and of Jaigarh port to the Ratnagiri plant of JSW Energy Limited (JSWEL), the ports have strategic importance to the JSW group.

JSW Dharamtar is located 22 km down from the mouth of the Amba river at Dharamtar, Mumbai, and serves as a captive port for JSWSL for the import of coal, coke and iron-ore, which are directly evacuated through a mechanised conveyor system connected to the premises of JSWSL's Dolvi manufacturing plant. However, Dharamtar port is a river jetty, and hence, cannot handle large vessels; so, most of the cargo at Dharamtar are transshipments from Jaigarh port, transported in smaller barges and mini-bulk carriers.

JSW Jaigarh is 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 the protected lee of Jaigarh head with a 512-m-long breakwater and the siltation levels are low owing to the geographical location of the port. The port has a draft of around 18-19 m and the maintenance dredging cost is envisaged to be low, resulting in lower operating costs for JSW Jaigarh. The port is adjacent to JSWEL's Ratnagiri power plant (1.2 GW) and the entire coal for the plant is imported through the port.

**Take or pay arrangement with JSW group companies**

JSW Jaigarh and JSW Dharamtar have entered into TPAs with JSWSL and JSWEL, providing assured revenue streams. The TPAs were around 46% of the cargo handled during FY23. While the TPAs are entered for minimal cargo, the overall actual cargo handled for JSWSL and JSWEL are higher, as the transportation of cargo through Dharamtar and Jaigarh ports result in cost savings for JSWSL and JSWEL.

**Ramp-up in cargo volumes, healthy growth in revenue and profitability**

The Jaigarh and JSW Dharamtar ports have shown robust growth in volumes handled owing to the completion of the expansion of the nearby Dolvi plant of JSWSL. The cargo volume at Jaigarh port has witnessed a growth of 44% during FY23 to 20.24 million metric tonne (MMT) as against 14.01 MMT during FY22, while the cargo volume of Dharamtar port has witnessed a growth of 40% during FY23 to 24.04 MMT during FY23 as against 17.21 MMT during FY22. The combined cargo volumes have witnessed a healthy growth of around 42% during FY23.

The combined total operating income (TOI) grew by around 36% to ₹1,647 crore during FY23 (FY22: ₹1,213 crore) along with an improvement in its PBILDT margin to 59.30% during FY23 as against 54.30% in FY22 on account of an increase in revenue without a correspondence increase in fixed cost. It also reported a healthy profit-after-tax (PAT) margin of 40.03% during FY23

(FY22: 23.16%) and strong gross cash accruals (GCA) of ₹828 crore (FY22: ₹603 crore). The combined return on capital employed (ROCE) also improved to 21.74% during FY23 as compared to 15.42% during FY22.

During H1FY24, the combined entity has handled cargo of 23.70 MMT while registering a TOI of ₹868 crore with a PBILDT margin of 62.77%. In the medium term, the ramp-up in the production volumes of JSWSL owing to the benefits of the completed capex augurs well for the cargo visibility prospects of JSW Dharamtar and JSW Jaigarh.

**Comfortable capital structure and low leverage**

The combined entity's capital structure has improved, marked by an overall gearing of 0.64x as on March 31, 2023, from 0.99x as on March 31, 2022, on account of minimal capex during FY23. the net debt/PBILDT has also improved from 2.53x in FY22 to 1.17x in FY23 and 0.73x in H1FY24. During October 2023, JSWIL has completed its IPO of ₹2,800 crore with one of the objects as the prepayment of debt in JSW Dharamtar and JSW Jaigarh and funding of the brownfield capex in JSW Jaigarh. With this, as on November 30, 2023, JSW Dharamtar and JSW Jaigarh have prepaid all their external term debt, thus providing financial flexibility.

Given the strong financial flexibility and healthy accumulated cash accruals, JSW Jaigarh is undertaking a brownfield capex to the tune of ₹1,031 crore, which will also be funded through the IPO proceeds of JSWIL. Also, JSW Dharamtar has signed a share purchase agreement for the acquisition of 50%+1 share of PMSPL from SP Port Maintenance Private Limited (a Shapoorji Pallonji group company) at a purchase consideration of ₹270 crore, which is to be funded by internal accruals. The entity is operating a bulk terminal at Dharamtar port.

**Experienced management and the JSW group's ability to execute large projects in diversified sectors**

JSWIL is a part of the Sajjan Jindal group and is led by an experienced and resourceful management team. JSWIL is committed to the development of infrastructure and operations for ports for the JSW group. It has successfully executed large infrastructure projects such as the commissioning of the port terminals at Mormugao port, setting up a greenfield port at Jaigarh, Ratnagiri, construction of an iron-ore and coal terminal at Paradip, along with the development of the Mangalore Container Terminal. The ratings derive comfort from the group's demonstrated ability to execute large infrastructure projects and the financial resourcefulness of the promoters.

**Key weaknesses**

**Competition from other ports and terminals and concentrated cargo mix**

JSW Jaigarh and JSW Dharamtar face competition from Mundra, Kandla, Hazira, Dighi, and Mumbai ports located on the Western coast. The cargo profile, on a combined basis, is largely concentrated in coal and iron-ore, constituting more than 85% of the cargo handled for FY23, exposing it to the inherent cyclicity of the steel industry and energy demand from thermal plants. This apart, the JSW group's cargo stood at more than 90% of the combined cargo of FY23, resulting in high dependence on the JSW group companies. This was on account of the Jaigarh port having a lower berth occupancy rate on a base of a large installed capacity coupled with the limited hinterland prospects for third-party cargo, along with the reliance on coastal and road transportation for cargo evacuation, which leads to higher reliance on the JSW group for cargo volumes. The large proportion of the group cargo also exposes the port companies to the inherent risks related to a decline in the cargo handling rates through the renegotiation of contracts or bulk discounts. Moreover, the share of third-party cargo is less likely to improve in the near term on account of the large capacity addition by JSWSL.

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

**Project execution risk for the underlying capex**

JSW Jaigarh is currently undertaking a brownfield expansion capex of approximately ₹1,031 over the next three years. The primary expansion is towards setting up of a liquified petroleum gas (LPG) terminal with a capacity of 2 million metric tonne per annum (MMTPA) at a cost of ₹868 crore. This elevates the inherent project execution risk. Furthermore, the balance capex is towards the purchase and installation of electric sub-station and dredger. However, the risk is partly mitigated by JSWIL's demonstrated ability to execute large infrastructure projects and the financial resourcefulness of the promoters. JSWIL has successfully executed large infrastructure projects such as commissioning of the port terminals at the Mormugao Port, setting up a green-field port at Jaigarh and recently construction of an Iron Ore and Coal terminal at Paradip along with development of Mangalore Container Terminal. Going forward, any significant cost or time overruns in the project will be a key credit monitorable.

**Liquidity:** Strong

JSW Jaigarh has strong liquidity, marked by a free cash and bank balance of ₹722 crore as on March 31, 2023, besides unutilised working capital limits. Furthermore, with the prepayment of the entire external term debt post the IPO of JSWIL, there are no repayment obligations, except for the repayment of unsecured loans to JSWIL. As on September 30, 2023, JSW Jaigarh has a free cash and bank balance of ₹974 crore.

JSW Dharamtar has also strong liquidity, marked by a free cash and bank balance of ₹58 crore as on March 31, 2023, besides unutilised working capital limits. Furthermore, with the prepayment of the entire external term debt post the IPO of JSWIL, there are no repayment obligations, except for the repayment of unsecured loans to JSWIL. As on September 30, 2023, JSW Dharamtar has a free cash and bank balance of ₹253 crore.

**Assumptions/Covenants:** Not applicable

**Environment, social, and governance (ESG) risks:** Not applicable

## Applicable criteria

Policy on default recognition
Consolidation
Financial Ratios – Non financial Sector
Factoring Linkages Parent Sub JV Group
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 and port services |

JSW Jaigarh, a wholly owned subsidiary of JSWIL, was set up for developing an 'all weather' deep water port in Jaigarh, located in the Ratnagiri district of Maharashtra to largely cater to the coal requirements of JSWEL's 1.2-GW power plant and the raw material requirements of JSWSL's 10-MMTPA Dolvi steel plant. The port project was developed on a build, own, operate, share, and transfer (BOOST) basis, under a license awarded by the Maharashtra Maritime Board (MMB) to JSW Jaigarh for a period of 50 years. The port is located on the West coast at the Damankul Bay, approximately 360 km from Mumbai and 251 km from Panaji, Goa. At present, JSW Jaigarh has seven bulk berths with a total cargo handling capacity of about 55 MMTPA.

| Brief Combined Financials of JSW Jaigarh and JSW Dharamtar (₹ crore) | March 31, 2022 (A) | March 31, 2023 (A) | H1FY2024 (UA) |
|---|---|---|---|
| Total operating income | 1,213 | 1,647 | 868 |
| PBILDT | 658 | 975 | 545 |
| PAT | 281 | 659 | 353 |
| Overall gearing (times) | 0.99 | 0.66 | 0.58 |
| Interest coverage (times) | 4.66 | 6.28 | 6.77 |

A: Audited; UA: Unaudited. Note: The above results are the latest financial results available.

| Brief Standalone Financials of JSW Jaigarh (₹ crore) | March 31, 2022 (A) | March 31, 2023 (A) | H1FY2024 (UA) |
|---|---|---|---|
| Total operating income | 921 | 1,207 | 644 |
| PBILDT | 494 | 707 | 406 |

| Brief Standalone Financials of JSW Jaigarh (₹ crore) | March 31, 2022 (A) | March 31, 2023 (A) | H1FY2024 (UA) |
|---|---|---|---|
| PAT | 161 | 428 | 232 |
| Overall gearing (times) | 1.07 | 0.74 | 0.66 |
| Interest coverage (times) | 4.26 | 5.52 | 5.74 |

A: Audited; UA: Unaudited. Note: The above results are the latest financial results available.

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of the 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 | | - | - | - | 10.00 | CARE A1+ |
| Fund-based-Long term | | - | - | June 30, 2031* | 500.00* | CARE AA; Stable |
| Fund-based/Non-fund-based-LT/ST | | - | - | - | 30.00 | CARE AA; Stable / CARE A1+ |
| Non-fund-based - LT/ ST-BG/LC | | - | - | - | 25.00 | CARE AA; Stable / CARE A1+ |

*The said term debt has been pre-paid. However, no due certificate has been awaited.

## 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 | Fund-based-Long term | LT | 500.00 | CARE AA; Stable | - | 1)CARE AA; Stable (20-Sep-22) | 1)CARE AA-; Stable (02-Sep-21) | 1)CARE A+; Stable (06-Jan-21)<br><br>2)CARE A+ (CW with Developing Implications) (17-Nov-20) |
| 2 | Non-fund-based - LT/ ST-BG/LC | LT/ST* | 25.00 | CARE AA; Stable / CARE A1+ | - | 1)CARE A1+ (20-Sep-22) | 1)CARE A1+ (02-Sep-21) | 1)CARE A1+ (06-Jan-21)<br><br>2)CARE A1+ (CW with |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Developing Implications) (17-Nov-20)<br><br>3)CARE A1+ (02-Apr-20) |
| 3 | Fund-based - ST-Bank overdraft | ST | 10.00 | CARE A1+ | | | | |
| 4 | Fund-based/Non-fund-based-LT/ST | LT/ST* | 30.00 | 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-Long term | 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 |

**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<br>Director<br>**CARE Ratings Limited**<br>Phone: +91-22-6754 3596<br>E-mail: mradul.mishra@careedge.in<br><br>**Relationship Contact**<br><br>Saikat Roy<br>Senior Director<br>**CARE Ratings Limited**<br>Phone: 91 22 6754 3404<br>E-mail: saikat.roy@careedge.in | Rajashree Murkute<br>Senior Director<br>**CARE Ratings Limited**<br>Phone: +91-22-6837 4474<br>E-mail: rajashree.murkute@careedge.in<br><br>Maulesh Desai<br>Director<br>**CARE Ratings Limited**<br>Phone: +91-79-4026 5656<br>E-mail: maulesh.desai@careedge.in<br><br>Setu Gajjar<br>Assistant Director<br>**CARE Ratings Limited**<br>Phone: +91-79-4026 5615<br>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.

**Disclaimer:**

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,**
**please visit [www.careedge.in](http://www.careedge.in)**

# JSW Dharamtar Port Private Limited

December 19, 2023

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long-term/short-term bank facilities^ | 10.00 | CARE AA; Stable/CARE A1+ | Revised from CARE A1+ |
| Long-term/short-term bank facilities^ | 5.00 | CARE AA; Stable/CARE A1+ | Revised from CARE A1+ |
| Short-term bank facilities | 10.00 (Reduced from 20.00) | CARE A1+ | Reaffirmed |
| Long-term bank facilities@ | - | - | Withdrawn |

Details of instruments/facilities in Annexure-1.

^The facilities are reclassified from short-term bank facilities to long-term/short-term bank facilities.

@The rating assigned to the bank facilities of ₹92.71 crore earlier are now withdrawn as the said facilities have been repaid and there is no outstanding amount towards such facilities.

## Rationale and key rating drivers

JSW Dharamtar Port Private Limited (JSW Dharamtar) and JSW Jaigarh Port Limited (JSW Jaigarh) work as twin ports to meet the cargo handling requirements of the Dolvi plant of JSW Steel Limited (JSWSL; rated 'CARE AA; Stable/CARE A1+'), the flagship company of the JSW group. Hence, CARE Ratings Limited (CARE Ratings) has combined the operational and financial performance of JSW Dharamtar and JSW Jaigarh to arrive at the ratings of JSW Dharamtar.

The ratings assigned to the bank facilities of JSW Dharamtar continue to remain underpinned by the strategic importance of the Dharamtar and Jaigarh ports to the JSW group due to the locations of the ports in the vicinity of the JSW group companies along with the long operational track record of the ports. Furthermore, the combined cargo volumes have seen a robust ramp-up due to production from the enhanced capacity of the Dolvi plant at Maharashtra of JSWSL, leading to healthy growth in its scale of operations and profitability during FY23 (FY refers to the period from April 1 to March 31) and H1FY24 (H1 refers to the period from April 1 to September 30).

The leverage has significantly improved, marked by a net debt-to-profit before interest, lease rentals, depreciation and taxation (PBILDT) of 0.73x as on September 30, 2023, as compared to 2.53x as on March 31, 2022. The ratings take cognisance of the completion of the initial public offering (IPO) of ₹2,800 crore of the parent entity, i.e., JSW Infrastructure Limited (JSWIL; rated 'CARE AA+; Stable/CARE A1+') in October 2023 with the objects of prepayment of debt in its subsidiaries, funding the capex plans and for general corporate purpose. Accordingly, JSW Dharamtar and JSW Jaigarh have prepaid their entire external term debt. The ratings also continue to derive strength from the strong parentage of JSWIL, the long operational track record of the ports, the assured revenue stream from firm take or pay agreements (TPAs), and the flexibility in tariff rates on the non-major ports.

JSW Jaigarh is also undertaking a brownfield capex of around ₹1,031 crore, to be funded from JSWIL. Also, JSW Dharamtar has entered into a share purchase agreement for acquiring 50%+1 share of PNP Maritime Services Private Limited (PMSPL; rated 'CARE A- [Rating watch with positive implications]') at a purchase consideration of ₹270 crore, which is to be funded by internal accruals.

The ratings' strengths are, however, tempered by the limited hinterland prospects for third-party cargo and the large reliance on coastal and road transportation for evacuation at the Jaigarh port. The concentrated cargo-mix profile to iron-ore and coal along with the lower share from third-party cargo amid the competition faced from other ports located on the Western coast are other credit weaknesses. Furthermore, due to the large proportion of the group cargo, JSWIL is exposed to the inherent risk related to a decline in cargo handling rates through renegotiation of contract or bulk discount. However, there has not been any downward revision in the cargo handling rates of JSW Dharamtar and JSW Jaigarh in the past 10 years, as articulated by the management. Going forward, the significant downward revision in the cargo handling rates and its impact on profitability will be a key rating monitorable.

Furthermore, JSW Dharamtar is exposed to the inherent project execution risk for the underlying brownfield capex. Nevertheless, the above risk is offset to an extent with the successful track record in executing large port projects.

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

### Rating sensitivities: Factors likely to lead to rating actions

**Positive factors**

- Significant increase in third-party cargo throughput at its ports, resulting in reduced revenue concentration risk towards group companies and significant improvement in the cargo mix.

**Negative factors**

- Significant debt-funded project expansion or inability to ramp up the cargo volumes as envisaged, resulting in combined net external debt/PBILDT of more than 3x on a sustained basis.
- Deterioration in the business linkages and financial profile of the JSW group companies, impacting the cargo performance of JSW Dharamtar and JSW Jaigarh.
- Significant decline in the cargo handling rate, impacting profitability.

**Analytical approach:** Combined (JSW Dharamtar and JSW Jaigarh)

JSW Dharamtar and JSW Jaigarh are fully owned subsidiaries of JSWIL. Furthermore, JSW Dharamtar and JSW Jaigarh work as twin ports to meet the cargo handling requirements of the Dolvi plant of JSWSL, the flagship company of the JSW group. JSWSL imports materials at JSW Jaigarh and Mumbai anchorage for its raw material requirements. The cargo imported at JSW Jaigarh by JSWSL is transported to the Dharamtar port for requirements of the Dolvi plant.

**Outlook:** Stable

The stable outlook reflects CARE Ratings' expectation that JSW Dharamtar will continue to maintain its healthy operational performance in the medium term, marked by its strategic importance to the JSW group, coupled with low leverage.

### Detailed description of the key rating drivers

**Key strengths**

**Strategic importance of ports to JSW group companies**

Due to the proximity of the Dharamtar port to the Dolvi plant of JSWSL – the flagship entity of the group, and of Jaigarh port to the Ratnagiri plant of JSW Energy Limited (JSWEL), the ports have strategic importance to the JSW group.

JSW Dharamtar is located 22 km down from the mouth of the Amba river at Dharamtar, Mumbai, and serves as a captive port for JSWSL for the import of coal, coke and iron-ore, which are directly evacuated through a mechanised conveyor system connected to the premises of JSWSL's Dolvi manufacturing plant. However, Dharamtar port is a river jetty, and hence, cannot handle large vessels; so, most of the cargo at Dharamtar are transshipments from Jaigarh port, transported in smaller barges and mini-bulk carriers.

JSW Jaigarh is 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 the protected lee of Jaigarh head with a 512-m-long breakwater and the siltation levels are low owing to the geographical location of the port. The port has a draft of around 18-19 m and the maintenance dredging cost is envisaged to be low, resulting in lower operating costs for JSW Jaigarh. The port is adjacent to JSWEL's Ratnagiri power plant (1.2 GW) and the entire coal for the plant is imported through the port.

**Take or pay arrangement with JSW group companies**

JSW Dharamtar and JSW Jaigarh have entered into TPAs with JSWSL and JSWEL, providing assured revenue streams. The TPAs were around 46% of the cargo handled during FY23. While the TPAs are entered for minimal cargo, the overall actual cargo handled for JSWSL and JSWEL are higher, as the transportation of cargo through Dharamtar and Jaigarh ports result in cost savings for JSWSL and JSWEL.

**Ramp-up in cargo volumes, healthy growth in revenue and profitability**

The Dharamtar and Jaigarh ports have shown robust growth in volumes handled owing to the completion of the expansion of the nearby Dolvi plant of JSWSL. The cargo volume at Jaigarh port has witnessed a growth of 44% during FY23 to 20.24 million metric tonne (MMT) as against 14.01 MMT during FY22, while the cargo volume of Dharamtar port has witnessed a growth of 40% during FY23 to 24.04 MMT during FY23 as against 17.21 MMT during FY22. The combined cargo volumes have witnessed a healthy growth of around 42% during FY23.

The combined total operating income (TOI) grew by around 36% to ₹1,647 crore during FY23 (FY22: ₹1,213 crore) along with an improvement in its PBILDT margin to 59.30% during FY23 as against 54.30% in FY22 on account of an increase in revenue without a correspondence increase in fixed cost. It also reported a healthy profit-after-tax (PAT) margin of 40.03% during FY23

(FY22: 23.16%) and strong gross cash accruals (GCA) of ₹828 crore (FY22: ₹603 crore). The combined return on capital employed (ROCE) also improved to 21.74% during FY23 as compared to 15.42% during FY22.

During H1FY24, the combined entity has handled cargo of 23.70 MMT while registering a TOI of ₹868 crore with a PBILDT margin of 62.77%. In the medium term, the ramp-up in the production volumes of JSWSL owing to the benefits of the completed capex augurs well for the cargo visibility prospects of JSW Dharamtar and JSW Jaigarh.

**Comfortable capital structure and low leverage**

The combined entity's capital structure has improved, marked by an overall gearing of 0.64x as on March 31, 2023, from 0.99x as on March 31, 2022, on account of minimal capex during FY23. the net debt/PBILDT has also improved from 2.53x in FY22 to 1.17x in FY23 and 0.73x in H1FY24. During October 2023, JSWIL has completed its IPO of ₹2,800 crore with one of the objects as the prepayment of debt in JSW Dharamtar and JSW Jaigarh and funding of the brownfield capex in JSW Jaigarh. With this, as on November 30, 2023, JSW Dharamtar and JSW Jaigarh have prepaid all their external term debt, thus providing financial flexibility.

Given the strong financial flexibility and healthy accumulated cash accruals, JSW Jaigarh is undertaking a brownfield capex to the tune of ₹1,031 crore, which will also be funded through the IPO proceeds of JSWIL. Also, JSW Dharamtar has signed a share purchase agreement for the acquisition of 50%+1 share of PMSPL from SP Port Maintenance Private Limited (a Shapoorji Pallonji group company) at a purchase consideration of ₹270 crore, which is to be funded by internal accruals. The entity is operating a bulk terminal at Dharamtar port.

**Experienced management and the JSW group's ability to execute large projects in diversified sectors**

JSWIL is a part of the Sajjan Jindal group and is led by an experienced and resourceful management team. JSWIL is committed to the development of infrastructure and operations for ports for the JSW group. It has successfully executed large infrastructure projects such as the commissioning of the port terminals at Mormugao port, setting up a greenfield port at Jaigarh, Ratnagiri, construction of an iron-ore and coal terminal at Paradip, along with the development of the Mangalore Container Terminal. The ratings derive comfort from the group's demonstrated ability to execute large infrastructure projects and the financial resourcefulness of the promoters.

**Key weaknesses**

**Competition from other ports and terminals and concentrated cargo mix**

JSW Dharamtar and JSW Jaigarh face competition from Mundra, Kandla, Hazira, Dighi, and Mumbai ports located on the Western coast. The cargo profile, on a combined basis, is largely concentrated in coal and iron-ore, constituting more than 85% of the cargo handled for FY23, exposing it to the inherent cyclicity of the steel industry and energy demand from thermal plants. This apart, the JSW group's cargo stood at more than 90% of the combined cargo of FY23, resulting in high dependence on the JSW group companies. This was on account of the Jaigarh port having a lower berth occupancy rate on a base of a large installed capacity coupled with the limited hinterland prospects for third-party cargo, along with the reliance on coastal and road transportation for cargo evacuation, which leads to higher reliance on the JSW group for cargo volumes. The large proportion of the group cargo also exposes the port companies to the inherent risks related to a decline in the cargo handling rates through the renegotiation of contracts or bulk discounts. Moreover, the share of third-party cargo is less likely to improve in the near term on account of the large capacity addition by JSWSL.

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

**Project execution risk for the underlying capex**

JSW Jaigarh is currently undertaking a brownfield expansion capex of approximately ₹1,031 over the next three years. The primary expansion is towards setting up of a liquified petroleum gas (LPG) terminal with a capacity of 2 million metric tonne per annum (MMTPA) at a cost of ₹868 crore. This elevates the inherent project execution risk. Furthermore, the balance capex is towards the purchase and installation of electric sub-station and dredger. However, the risk is partly mitigated by JSWIL's demonstrated ability to execute large infrastructure projects and the financial resourcefulness of the promoters. JSWIL has successfully executed large infrastructure projects such as commissioning of the port terminals at the Mormugao Port, setting up a green-field port at Jaigarh and recently construction of an Iron Ore and Coal terminal at Paradip along with development of Mangalore Container Terminal. Going forward, any significant cost or time overruns in the project will be a key credit monitorable.

**Liquidity:** Strong

JSW Dharamtar has also strong liquidity, marked by a free cash and bank balance of ₹58 crore as on March 31, 2023, besides unutilised working capital limits. Furthermore, with the prepayment of the entire external term debt post the IPO of JSWIL, there are no repayment obligations, except for the repayment of unsecured loans to JSWIL. As on September 30, 2023, JSW Dharamtar has a free cash and bank balance of ₹253 crore.

JSW Jaigarh has strong liquidity, marked by a free cash and bank balance of ₹722 crore as on March 31, 2023, besides unutilised working capital limits. Furthermore, with the prepayment of the entire external term debt post the IPO of JSWIL, there are no repayment obligations, except for the repayment of unsecured loans to JSWIL. As on September 30, 2023, JSW Jaigarh has a free cash and bank balance of ₹974 crore.

**Assumptions/Covenants:** Not applicable

**Environment, social, and governance (ESG) risks:** Not applicable

### Applicable criteria

Policy on default recognition
Consolidation
Factoring Linkages Parent Sub JV Group
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Short Term Instruments
Rating Outlook and Credit Watch
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 and port services |

JSW Dharamtar, a wholly owned subsidiary of JSWIL, was incorporated on September 24, 2012. It was set up as an 'all weather' port (draft of 1.5 m) in Dolvi, located in the Raigad district of Maharashtra, to act as a captive facility for catering to the raw material requirements of the 10-million tonne per annum (MTPA) Dolvi steel plant of JSWSL adjacent to the port. The port is located at the South-east of Mumbai Harbour in the Dharamtar Creek in the estuary of the Amba river, extending to about 12 nautical miles upstream of the river. The Dolvi steel plant of JSWSL currently brings its raw materials through Supramax vessels up to Mumbai, and from the high sea brings the cargo to the jetty through 2,000-3,500 tonne barges. The materials are then directly taken to the steel plant through about a 1.8-km-long conveyor from the port. JSW Dharamtar has a cargo handling capacity of 34 MMTPA.

| Brief Combined Financials of JSW Dharamtar and JSW Jaigarh (₹ crore) | March 31, 2022 (A) | March 31, 2023 (A) | H1FY2024 (UA) |
|---|---|---|---|
| Total operating income | 1,213 | 1,647 | 868 |
| PBILDT | 658 | 975 | 545 |
| PAT | 281 | 659 | 353 |
| Overall gearing (times) | 0.99 | 0.66 | 0.58 |
| Interest coverage (times) | 4.66 | 6.28 | 6.77 |

A: Audited; UA: Unaudited. Note: The above results are the latest financial results available.

| Brief Standalone Financials of JSW Dharamtar (₹ crore) | March 31, 2022 (A) | March 31, 2023 (A) | H1FY24 (UA) |
|---|---|---|---|
| Total operating income | 292 | 440 | 225 |
| PBILDT | 165 | 268 | 139 |
| PAT | 120 | 230 | 122 |
| Overall gearing (times) | 0.72 | 0.43 | 0.36 |
| Interest coverage (times) | 6.50 | 9.88 | 14.25 |

A: Audited; UA: Unaudited. Note: The above results are the latest financial results available.

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of the 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 - LT-Term loan | | - | - | March 31, 2027 | 0.00 | Withdrawn |
| Fund-based - ST-Bank overdraft | | - | - | - | 10.00 | CARE A1+ |
| Fund-based/Non-fund-based-LT/ST | | - | - | - | 10.00 | CARE AA; Stable / CARE A1+ |
| Non-fund-based - LT/ ST-BG/LC | | - | - | - | 5.00 | 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 | Fund-based - LT-Term loan | LT | - | - | - | 1)CARE AA; Stable (20-Sep-22) | 1)CARE AA-; Stable (02-Sep-21) | 1)CARE A+; Stable (06-Jan-21)<br><br>2)CARE A+ (CW with Developing Implications) (17-Nov-20) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 2 | Non-fund-based - LT/ ST-BG/LC | LT/ST* | 5.00 | CARE AA; Stable / CARE A1+ | - | 1)CARE A1+ (20-Sep-22) | 1)CARE A1+ (02-Sep-21) | 1)CARE A1+ (06-Jan-21)<br><br>2)CARE A1+ (CW with Developing Implications) (17-Nov-20) |
| 3 | Fund-based - LT-Subordinated bank loan | LT | - | - | - | - | - | 1)Withdrawn (06-Jan-21)<br><br>2)CARE A (CW with Developing Implications) (17-Nov-20) |
| 4 | Non-fund-based - LT-BG/LC | LT | - | - | - | - | - | 1)Withdrawn (06-Jan-21)<br><br>2)CARE A+ (CW with Developing Implications) (17-Nov-20) |
| 5 | Fund-based - ST-Bank overdraft | ST | 10.00 | CARE A1+ | - | 1)CARE A1+ (20-Sep-22) | 1)CARE A1+ (02-Sep-21) | 1)CARE A1+ (06-Jan-21)<br><br>2)CARE A1+ (CW with Developing Implications) (17-Nov-20) |
| 6 | Fund-based/Non-fund-based-LT/ST | LT/ST* | 10.00 | CARE AA; Stable / CARE A1+ | | | | |

*Long term/Short term.

**Annexure-3: Detailed explanation of the 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 - LT-Term loan | Simple |
| 2 | Fund-based - ST-Bank overdraft | 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 |

**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** |
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**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.

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The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

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

# Ennore Coal Terminal Private Limited

December 19, 2023

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long-term/short-term bank facilities | 98.00 | CARE A+; Stable/CARE A1+ | Revised from CARE A; Stable/CARE A1 |
| Long-term/short-term bank facilities@ | - | - | Withdrawn |

Details of instruments/facilities in Annexure-1.

@The rating assigned to the bank facilities of ₹15 crore earlier are now withdrawn, as the said facilities have been surrendered and there is no outstanding amount towards such facilities.

| Unsupported rating[2] | Withdrawn [Withdrawn] |
|---|---|

Note: Unsupported rating does not factor in the explicit credit enhancement.

## Rationale and key rating drivers

The revision in the rating assigned to the bank facilities of Ennore Coal Terminal Private Limited (ECTPL) factors in the increased cargo volumes, resulting in growing scale of operations with healthy profitability during FY23 (FY refers to the period from April 1 to March 31) and H1FY24 (H1 refers to the period from April 1 to September 30) along with a comfortable capital structure, with no external debt as on March 31, 2023.

The rating further derives strength from the strategic importance of Ennore port for the JSW group companies coupled with the firm take or pay agreement providing assured revenue and cargo visibility. Furthermore, the rating continues to derive strength form the established infrastructure facility with a high level of automation and multi-modal connectivity and strong parentage of JSW Infrastructure Limited (JSWIL; rated 'CARE AA+; CARE A1+').

However, the rating strengths are tempered owing to regulatory risk in the form of high revenue share payable to the port, the risk associated with handling a single cargo, i.e., coal, which exposes it to the inherent cyclicity of the steel industry, and the energy demand from thermal plants along with the competition faced from other ports and terminals located on Eastern coast.

## Rating sensitivities: Factors likely to lead to rating actions

**Positive factors**

- Expansion in Profit before interest, lease, depreciation and taxes (PBILDT) due to significant scale up of operations.

**Negative factors**

- Low level of cargo throughput, with capacity utilisation below 70% on a sustained basis.
- Any new significant debt-funded project expansion, impacting the capital structure and debt protection indicators.

## Analytical approach

Standalone, factoring in linkages with the parent, i.e., JSWIL.

## Outlook: Stable

The stable outlook reflects that ECTPL will be able to maintain its stable operational performance, marked by its strategic importance to the JSW group, coupled with comfortable financial flexibility.

## Detailed description of the key rating drivers

### Key strengths

**Assured revenue and cargo visibility**

ECTPL, located at Ennore, is in proximity to Chennai and the industrial area of Gummidipoondi, which houses various steel production and independent power generation units. It is about equidistant from the Salem plant of JSW Steel Limited (JSWSL; rated 'CARE AA; Stable/CARE A1+'), the flagship company of the JSW group, and from the Nandyal plant of JSW Cement Limited. With proximity to the group's steel and cement plants, ECTPL enjoys strategic importance to the JSW group.

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

2 As stipulated vide SEBI circular no SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019. As per this circular, the suffix 'CE' (Credit Enhancement) is assigned to the ratings with explicit external credit enhancement, against the earlier used suffix 'SO' (Structured Obligation).

The major cargo of ECTPL is also attributed to thermal power plants in its vicinity. JSWSL has entered into a take or pay agreement with ECTPL for a minimum cargo throughput of 4.0 million metric tonne per annum (MMTPA) for a period of 15 years until November 2035. This minimum cargo throughput accounts for 50% of its total installed capacity as on March 31, 2023.

**Established infrastructure facility with high level of automation and multi-modal connectivity**
ECTPL has a berth at the Kamarajar port, capable of handling 150,000 dead weight tonnage (DWT). It has two ship unloaders, both of which are automated. All these activities are monitored and digitally controlled. ECTPL is benefitted from the ready infrastructure of a major port trust for the cargo evacuation, ably supported by the dredging and coordinating requirements fulfilled by the port authorities. Furthermore, CARE Ratings Limited (CARE Ratings) expects the fully mechanised operations at the terminal to enhance the company's cargo handling efficiency levels.

The terminal is well connected by roads through NH-4, NH-5, NH-45 and by rail, siding with the nearest railway station at Athipattu, situated at approximately 8 km from the terminal.

**Ramping up of cargo volumes leading to scale up of operations**
During FY23, ECTPL handled cargo volumes of 8.70 million metric tonne (MMT) as against 8.03 MMT during FY22, depicting a growth of 8%. It reported a total operating income (TOI) of ₹321 crore during FY23 as against ₹263 crore during FY22, witnessing a growth of 22% on account of the ramping-up of volumes and increase in stevedoring rates. The PBILDT margin also increased from 13.02% in FY22 to 16.22% in FY23. Furthermore, during H1FY24, ECTPL achieved cargo volumes of 4.5 MMT and reported a TOI of ₹178 crore with a PBILDT margin of 22%. Moreover, as articulated by the management, the current capacity of 8 MMTPA has been increased to 9.6 MMTPA, thereby enhancing the incremental cargo visibility going forward.

**Low Leverage**
The leverage position of ECTPL improved during FY23, marked by its net debt/PBILDT improving to 0.52x as on March 31, 2023, as against 2.27x as on March 31, 2021. During FY22, JSWIL raised US$ 400 million bonds and extended the same via inter-corporate deposits (ICDs) to its operating subsidiaries, including ECTPL, to prepay the bank term debt. Accordingly, ECTPL has received ICDs from JSWIL during FY22 and repaid its entire term loan, with no outstanding external debt currently.

**JSW group's ability to execute large projects in diversified sectors**
ECTPL is a subsidiary of JSWIL, which is a part of the Sajjan Jindal group and is led by an experienced and resourceful management. JSWIL is committed to the development of infrastructure and operations for ports for the JSW group. It has successfully executed large infrastructure projects such as commissioning of the port terminals at Mormugao Port, setting up a greenfield port at Jaigarh, Ratnagiri, construction of an iron-ore and coal terminal at Paradip, along with development of Mangalore Container Terminal. The ratings derive comfort from the group's demonstrated ability to execute large infrastructure projects and the financial resourcefulness of the promoter.

**Key weaknesses**
**Relatively high revenue share payable to the port**
As per the concession agreement (CA), ECTPL is required to pay a maximum of a revenue share of 52.524% of the gross revenue earned in a given year or a minimum guaranteed amount prescribed for each year in the agreement throughout the tenure of the license (30 years).

**Competition faced from other ports on the Eastern coast and concentrated cargo mix**
ECTPL faces competition from the other multi-cargo terminals at Chennai Port, Kattupalli Port, Krishnapatnam Port, Gangavarm Port, and Karaikal Port on the Eastern coast, apart from other terminals located on the same port. Moreover, its cargo profile is also concentrated to coal, with major clients from the thermal power and steel industry, exposing it to the demand prospects of the power sector, the inherent cyclicity of the steel industry, and the vagaries of domestic coal availability.

**Liquidity**: Strong
The liquidity is marked by healthy accruals against no external debt repayment obligations and a free cash and bank balance to the tune of ₹103 crore as on March 31, 2023, and ₹119 crore as on September 30, 2023. Furthermore, ECTPL only has long-term debt from group companies, which do not have any stipulated repayment schedule.

**Assumptions/Covenants:** Not applicable

**Environment, social, and governance (ESG) risks:** Not applicable

## Applicable criteria

Policy on default recognition
Factoring Linkages Parent Sub JV Group
Financial Ratios – Non financial Sector
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 and port services |

ECTPL (erstwhile Chettinad International Coal Terminal Private Limited) was established on March 10, 2006, by a consortium of South India Corpn Private Limited (SICPL), Navayuga Engineering Company Limited (NECL), and Portia Management Services Limited (PMSL) for the purpose of setting up a common user coal terminal at Kamarajar Port Limited on a build-operate-transfer (BOT) basis. The company was acquired by JSWIL and has become part of the JSW group since November 13, 2020. The terminal commenced commercial operations in September 2010 with fully automated equipment, conveyor systems, storage yards, and evacuation systems with a capacity to handle 8 MMTPA of coal. However, as articulated by the management, the current capacity has been augmented to 9.6 MMTPA.

| Brief Financials (₹ crore) | March 31, 2022 (A) | March 31, 2023 (A) | H1FY24 (UA) |
|---|---|---|---|
| Total operating income | 263 | 321 | 178 |
| PBILDT | 34 | 52 | 39 |
| PAT | 15 | 27 | 29 |
| Overall gearing (times) | 1.93 | 1.23 | NA |
| Interest coverage (times) | 2.27 | 3.81 | 6.14 |

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

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of the 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 - LT/ ST-Working capital limits | | - | - | - | 0.00 | Withdrawn |
| Non-fund-based - LT/ ST-Bank guarantee | | - | - | - | 98.00 | CARE A+; Stable/CARE A1+ |
| Unsupported rating-Unsupported Rating (LT/ST) | | - | - | - | 0.00 | Withdrawn |

**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-Bank guarantee | LT/ST* | 98.00 | CARE A+; Stable / CARE A1+ | - | 1)CARE A; Stable / CARE A1 (20-Sep-22) | 1)CARE A; Stable / CARE A1 (25-Aug-21) | 1)CARE A; Stable / CARE A1 (06-Jan-21)<br><br>2)CARE A- / CARE A2+ (CW with Developing Implications) (13-Nov-20) |
| 2 | Term loan-Long term | LT | - | - | - | - | 1)Withdrawn (25-Aug-21) | 1)CARE A+ (CE); Stable (06-Jan-21)<br><br>2)CARE A- (CW with Developing Implications) (13-Nov-20) |
| 3 | Fund-based - LT/ ST-Working capital limits | LT/ST* | - | - | - | 1)CARE AA (CE); Stable / CARE A1+ (CE) (20-Sep-22) | 1)CARE AA- (CE); Stable / CARE A1+ (CE) (25-Aug-21) | 1)CARE A+ (CE); Stable / CARE A1+ (CE) (06-Jan-21)<br><br>2)CARE A- / CARE A2+ (CW with Developing Implications) (13-Nov-20) |
| 4 | Unsupported rating-Unsupported rating (LT/ST) | LT/ST* | - | - | - | 1)CARE A / CARE A1 | - | - |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | (20-Sep-22) | | |

*Long term/Short term.

**Annexure-3: Detailed explanation of the 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 - LT/ ST-Working capital limits | Simple |
| 2 | Non-fund-based - LT/ ST-Bank guarantee | Simple |
| 3 | Unsupported rating-Unsupported rating (LT/ST) | Simple |

**Annexure-5: Lender details**

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

**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.

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