

July 11, 2012 - Mumbai

Facilities	Rating
Issuer Rating	'SMERA AAA' (IR)

SMERA has assigned a rating of '**SMERA AAA', (IR)** – read as **SMERA Triple A (Issuer Rating)**, to Mumbai Port Trust (MbPT). The rating reflects MbPT's strong market position, continued support from Government of India (GoI), and its strategic location; however the rating is affected by competition and high employee cost.

MbPT, a 139 year old institution, is one of the oldest and largest ports in India (fourth largest in terms of traffic) with 56 million tonnes of cargo traffic in FY 2011-12. MbPT's ability to cater to a wide range of cargo adds to its market position and the port specializes in handling the recurring petroleum, oil, & lubricants (POL) traffic (59 per cent of overall traffic for MbPT in FY 2011-12). The port also draws strength from the support it receives from Government of India, as it falls under the purview of Major Port Trust Act 1963. MbPT also benefits from its strategic location (located in Mumbai). Situated midway along the west coast of India, MbPT benefits from a natural deep-water harbour of 400 sq. km and is well connected to the hinterland with access to multiple modes of transport. Also, bulk of the inward cargo is consumed within Mumbai, thus assuring the port of inbound traffic.

MbPT benefits from a healthy financial profile supported by a healthy net worth (Rs.5558 crore) and zero debt on its books as on 31st March, 2012. Also, MbPT has had a debt free profile for most of its operating history.

However due to increasing competition from other ports in the country, growth in cargo traffic for MbPT has been stagnant over the last five years (CAGR of 6 per cent from 2008-2012). MbPT also has a large employee base (16,500 employees and 35,000 pensioners), with average employee age of 52 years. Consequently the employee costs are high, thus constraining profitability. The employee costs are expected to reduce in the next few years due to tenure related and voluntary retirement. However, high employee cost will continue to constrain MbPT's financial profile over the medium term.

MbPT is increasing its capacity and adding to its product suite to counter competition. A new offshore berth with a capacity of 1 million TEU's (twenty-foot equivalent units) is expected to be operational by the end of FY 2012-13.

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About Mumbai Port Trust

MbPT was formed in the year 1873. It caters to a wide range of cargo types like break bulk, project cargo, POL, coal, chemicals, automobile, cement and fertilizers. In volume terms, MbPT handles around 12 per cent of the total sea-borne trade handled by all major ports of the country. It has three wet docks Indira Dock, Victoria Dock and Prince Dock. The port has several open wharves and basins for serving cargo and tourist vessels. These wharves and basins have a total quay length of 12.5 thousand meters and are equipped with ample cargo-handling and storage facilities.

For 2011-12 (provisional), MbPT reported profit after tax (PAT) of Rs.53 crore on an operating income of Rs.1023 crore, against a PAT of Rs. 160 crore on an operating income of Rs.955 crore for the previous year. Net worth as on 31st March 2012 (provisional) stood at Rs.5558 crore with nil gearing.

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