February 05, 2025

HPCL LNG Limited: Ratings reaffirmed and outlook revised to Positive; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term: Fund based - Term loan	3,000.00	3,331.00	[ICRA]AA (Positive); reaffirmed & outlook revised to Positive from Stable and assigned for enhanced amount
Long term: Non-fund based limits#	(750.00)	(150.00)	[ICRA]AA (Positive); reaffirmed and outlook revised to Positive from Stable
Short term: Fund based – short-term loan	0.00	40.00	[ICRA]A1+; assigned
Short term: Non-Fund based – short-term loan	0.00	40.00	[ICRA]A1+; assigned
Short term: Forward cover	(10.00)	0.00	-
Total	**3,000.00**	**3,411.00**	

**Instrument details are provided in Annexure I*
 # sub-limit of fund based-term loan

Rationale

The revision in outlook on HPCL LNG Limited's (HPLNG) long-term rating to Positive from Stable reflects the commissioning of the terminal in January 2025 after receipt of the "commissioning" LNG cargo and successful testing and commissioning of the receipt, storage, regasification and dispatch facilities. ICRA expects the commercial operations to commence in the current month.

The ratings also factors in strong parentage of HPCL, which is a major refining and marketing player with an established brand name. HPLNG's strategic importance in the domestic energy sector and the captive requirement from the parent also positively impact the ratings. The company is supported by the parent for contracting loans from the banking system and remains a strategically important entity for the parent. Further, the capital cost of the project remains competitive among the recently commissioned and upcoming LNG terminals. The ratings also consider the completion of the first phase of gas pipeline connectivity which enables the terminal to operate at 40% dispatch capacity. Second phase of pipeline connectivity, to operate the terminal at 100% dispatch capacity is expected to be completed in current fiscal. The stabilization of the regassification operations without any major cost and time overruns remains a key monitorable. The company had taken extension of scheduled commencement of operations date (SCOD) from the lender to April 2025 from April 2024 owing to delays in completing the breakwater by Simar Ports Private Limited (SPPL).

While the mechanical completion of the project has been achieved, the company remains exposed to execution risks associated with ancillary facilities. Simar Ports Private Limited (SPPL) has completed ~ 1,200 metres of the total breakwater requirement of 1,950 metres for the LNG terminal. The remaining 750 metres of breakwater is expected to be completed by April 2026. Gujarat State Petronet Limited (GSPL) has completed the first phase of pipeline connectivity, which would enable offtake from the LNG terminal, though at a lower capacity. The balance pipeline is likely to be completed in the current fiscal after which HPCL LNG will operate the terminal at its rated capacity of 5 MMTPA. The timely completion of the ancillary facilities remains a key monitorable.

The ratings also factor in the competition from the existing players and upcoming LNG terminals on the west coast and competition from liquid fuels which could impact the offtake, depending on energy price parity.

Key rating drivers and their description

Credit strengths

Strong track record of promoter in crude oil refining segment - HPLNG was promoted equally by HPCL and the SP Group through SP Ports Private Limited (SPPPL). On March 30, 2021, HPCL acquired the SP Group's 50% stake in HPLNG, thereby making the company its wholly-owned subsidiary. HPCL is involved in the production and marketing of various petroleum products and operation of pipeline network. Besides, it is present in the exploration and production (E&P), city gas distribution and renewable energy businesses. HPCL has an established brand name with strategic importance in the domestic energy sector.

Parent support to borrowing programmes - HPLNG's borrowing programmes i.e. a term loan programme is backed by a promoter support agreement (PSA), furnished by HPCL. The PSA is legally enforceable, irrevocable, unconditional, covers the entire amount and tenor of the rated instrument and ensures that the entity will maintain a gross debt servicing coverage (GDSCR) of 1.0x at all times and the parent will also ensure servicing of the secured obligations (including interest and principal payment) in a timely manner. The company is supported by the parent for contracting loans from the banking system and remains a strategically important entity for the parent.

Capital cost remains competitive among upcoming LNG terminals - While several LNG terminals have been recently commissioned and are being set up in the country, HPLNG is well-placed in terms of the capital cost.

Credit challenges

Exposed to execution risks associated with ancillary facilities - The progress of the balance breakwater construction by Simar Ports Private Limited (SPPL) and pipeline connectivity by Gujarat State Petronet Limited (GSPL) has been slower-than-expected. The stabilisation of the operations without major cost and time overruns would remain a key monitorable.

SPPL has completed approximately 1,200 metres of the total breakwater requirement of 1,950 metres for the LNG terminal. The remaining 750 metres of breakwater is expected to be completed by April 2026.

GSPL is responsible for the execution of the 87-km pipeline to connect the terminal to the gas grid of GSPL at Jafrabad which will then connect the terminal to the national gas grid. However, there have been delays in completing the pipeline work. GSPL decided to complete the pipeline in two phases, so that the priority segment of ~45km up to Gundala is completed first to ensure early connectivity for the LNG terminal, though at a lower capacity. The balance pipeline from Gundala to Jafrabad is likely to be completed in the current fiscal. The timely completion of the ancillary facilities remains a key monitorable.

Competition from existing players and upcoming LNG terminals on west coast - The terminal at Chhara on the west coast faces strong competition from established players like Petronet LNG, Shell, GAIL, Dhamra etc. as well as from the upcoming terminals at Jaigarh and Jafrabad. The company would, however, benefit from the strong offtake support from its parent, which alleviates the market risks to some extent.

Competition from liquid fuels could impact offtake, depending on energy price parity - The domestic demand for R-LNG remains exposed to competition from liquid fuels and consumers may switch depending on the price parity.

Liquidity position: Adequate

The liquidity position is expected to remain adequate, given the sanctioned term loans to meet the incremental capex requirements. The cash flows from the project are expected to be supported by the captive consumption of the parent and the comfortable moratorium period on the debt repayment.

Rating sensitivities

Positive factors – Stabilization of operations post commercial operations date (COD) may lead to improvement in ratings.

Negative factors – - Downward pressure on HPLNG's ratings could arise if (i) the credit profile of HPCL weakens, or (ii) the linkage between HPCL and HPLNG weakens or (iii) any significant deterioration in HPCL LNG's financial risk profile

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	HPLNG shares a common name with HPCL {[ICRA]AAA (Stable)/[ICRA]A1+} and is strategically an important project for the group, which in ICRA's opinion, would persuade HPCL to provide financial support to the entity, should the need arise
Consolidation/Standalone	The rating is based on the standalone financial profile of the company

About the company

HPCL LNG Limited (erstwhile HPCL Shapoorji Energy Private Limited), incorporated in October 2013, is a wholly-owned subsidiary of Hindustan Petroleum Corporation Limited (HPCL). The entity was initially incorporated as a JV between HPCL and SP Ports Private Limited (SPPPL), a Shapoorji Pallonji Group company which exited the JV in March 2021 by selling its stake to HPCL. The SPV was incorporated with the purpose of setting up a 5-million-metric-tonne-per-annum (MMTPA) land-based LNG storage and regasification terminal with all the associated facilities as well as the subsequent supply of re-gasified LNG to the gas grid. The total capital cost of the project has been estimated at Rs. 4,792 crore (increased from Rs.4,293 crore due to delay in in commencement of operations), which is expected to be funded in a debt to equity mix of 70:30. The LNG terminal will be within the boundary of an all-weather multi-purpose greenfield port being developed at Chhara under Simar Port Private Limited {[ICRA]B+(Stable) Issuer not cooperating}, an SPV under SPPPL. The LNG project will have provisions to expand the capacity up to 10 MMTPA in the future; the utilities, flare header and unloading lines are being designed for handling higher capacity.

Key financial indicators (audited)

Parent

HPCL Consolidated	FY2023	FY2024	*H1FY2025
Operating income	440,709	433,857	213,865
PAT	- 9,472	14,207	781
OPBDIT/OI	-1.2%	5.8%	2.24%
PAT/OI	-2.1%	3.3%	0.36%
Total outside liabilities/Tangible net worth (times)	4.0	2.9	3.1
Total debt/OPBDIT (times)	- 12.9	2.49	7.14
Interest coverage (times)	- 2.4	9.85	2.86

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation*

Company: Not applicable as company is in project stage

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)					Chronology of rating history for the past 3 years					
	FY2025					FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	Feb 05, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Long term-term loan-fund based	Long Term	3331.00	[ICRA]AA (Positive)	30-APR-2024	[ICRA]AA (Stable)	-	-	27-MAY-2022	[ICRA]AA+ (CE) (Stable)	08-APR-2021	[ICRA]A+ (Stable)
				-	-	-	-	25-JAN-2023	[ICRA]AA (Stable)	07-JUN-2021	[ICRA]A+ (Stable)
				-	-	-	-	-	-	22-NOV-2021	Provisional [ICRA]AA+ (CE) (Stable)
Short term-forward cover-interchangeable	Short Term	0.00	-	30-APR-2024	[ICRA]A1+	-	-	27-MAY-2022	[ICRA]A1+ (CE)	22-NOV-2021	Provisional [ICRA]A1+ (CE)
				-	-	-	-	25-JAN-2023	[ICRA]A1+	-	-
Short term-short term loan-fund based	Short Term	40.00	[ICRA]A1+	-	-	-	-	-	-	-	-
Long term-others-interchangeable	Long Term	150.00	[ICRA]AA (Positive)	30-APR-2024	[ICRA]AA (Stable)	-	-	27-MAY-2022	[ICRA]AA+ (CE) (Stable)	-	-
				-	-	-	-	25-JAN-2023	[ICRA]AA (Stable)	-	-
Short term-others-non fund based	Short Term	40.00	[ICRA]A1+	-	-	-	-	-	-	-	-

Short term- Fund based	Short Term	-	-	-	-	-	-	27-MAY-2022	[ICRA]A1+ (CE)	07-JUN-2021	Provisional [ICRA]A1+ (CE)
		-	-	-	-	-	-	25-JAN-2023	[ICRA]A1+ (CE); Withdrawn	22-NOV-2021	[ICRA]A1+ (CE)

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund-based – Term loan	Simple
Long-term non-fund based	Simple
Short term: Fund based – short-term loan	Simple
Short term: Non-Fund based – short-term loan	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Long term: Fund based- Term loan**	January 2022	1 year MCLR + 0.05%	March 2037	3,331.00	[ICRA]AA (Positive)
NA	**Long term: Non-fund based limits#**	NA	NA	NA	(150.00)	[ICRA]AA (Positive)
NA	**Short term: Fund based – short-term loan**	NA	NA	NA	40.00	[ICRA]A1+
NA	**Short term: Non-Fund based – short-term loan**	NA	NA	NA	40.00	[ICRA]A1+

Source: Company, #sub-limit of fund-based term loan

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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