

**Simar Port Private Limited** *Revised*
**Summary of rated instruments**

<b>Instrument*</b>	<b>Previous Rated Amount (Rs. crore)</b>	<b>Current Rated Amount (Rs. crore)</b>	<b>Rating Action</b>
Term Loan	-	2,872.00	[ICRA]BBB- (Stable); assigned
<b>Total</b>	<b>-</b>	<b>2,872.00</b>	

\*Instrument details are provided in Annexure-1

**Rating action**

ICRA has assigned a long-term rating of [ICRA]BBB- (pronounced ICRA triple B minus) to the Rs. 2,872.00 crore<sup>1</sup> term loan facility of Simar Port Private Limited (SPPL)<sup>2</sup>. The outlook on the long-term rating is 'Stable'.

**Rationale**

The rating takes into account the strong parentage of the company, being part of the Shapoorji Pallonji Group (SP Group); the group has a strong operational profile and well-established presence in construction, real estate and infrastructure business with demonstrated execution capabilities. SP Ports Private Limited (SPPPL), which is the major stakeholder (99.98%) of SPPL acts as a holding entity for the port projects undertaken under the aegis of SP Group and is a wholly-owned subsidiary of Shapoorji Pallonji Infrastructure Capital Company Private Limited (SPICCPPL; rated [ICRA]A (Stable)/[ICRA]A1). SPICCPPL is the infrastructure holding company of the SP Group having strong presence in roads, port, power and resource segment. The rating also factors in the contract for the construction of the breakwater awarded to Afcons Infrastructure Limited (AIL; rated [ICRA]AA (Stable)/[ICRA]A1+) that has an established track record of executing several complex infrastructure projects in the country as well as overseas. The contract has been awarded on a fixed-price basis thereby eliminating risks of any adverse movement in input prices during construction period. The rating also takes into account the tie-up of the project debt with favourable repayment terms under the 5/25 scheme. The rating further factors in the sub-concession arrangement for the 5 million metric tonne per annum (MMTPA) LNG terminal, which is being developed under a separate Special Purpose Vehicle (SPV) viz. HPCL Shapoorji Energy Private Limited, with Hindustan Petroleum Corporation Limited ([ICRA]AAA (Stable)) and SPPPL as JV partners for the same.

The rating is, however, constrained by the high execution risk associated with the overall project given its nascent stage of physical progress and the long construction period for the breakwater structure apart from the setting up of the bulk terminal. Furthermore, the market risk remains high with the project being located in the proximity of other well-established competing ports viz. Pipavav and Dahej. The company proposes to meet the requirements of cement manufacturing plants in its hinterland, though the competitiveness of its pricing terms along with the timely commissioning of road/rail connectivity at Chhara would remain critical to ensure ramp up of the bulk cargo post-commissioning. The rating also takes into account the return indicators for the project which are expected to remain modest, on account of significant capital cost as compared to other greenfield port projects. The company is undertaking the construction for the breakwater structure keeping in view the long-term master plan of setting up of additional terminals at Chhara and hence, the capital cost for this initial phase is comparatively higher.

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

**Outlook: Stable**

ICRA believes Simar Port Private Limited will continue to benefit from the strong parentage of its promoters and group companies. The outlook may be revised to 'Positive' if the project progress remains as per schedule within the budgeted costs and the visibility on the off-take from customers improves. The outlook may be revised to 'Negative' if there are any significant deviations from the proposed construction timelines and project cost.

**Key rating drivers****Credit strengths**

- **Strong parentage and well-recognised brand** - SPPL is a part of the SP Group, which has a strong operational profile and a well-established presence in construction, real estate and infrastructure businesses. SPICCP, which is a wholly-owned subsidiary of Shapoorji Pallonji and Company Private Limited ([ICRA]AA+ (Stable) / [ICRA]A1+), is the infrastructure holding company of the SP Group having strong presence in roads, port, power and resource segment. The port projects are operated under its wholly-owned subsidiary, SPPPL.
- **Fixed-price contract reduces the risk of cost overrun to some extent** – SPPL has appointed AIL as the contractor for construction of the breakwater. AIL has demonstrated track record of executing several complex infrastructure projects including marine works for R-LNG projects. Furthermore, the fixed-price contract entered into by the company with AIL protects the company from any adverse movement in input prices during construction period.
- **Debt funding in place along with elongated repayment schedule** - The project cost for the initial phase of setting up of the bulk terminal has been estimated at Rs. 3,590 crore, which is to be funded in a debt-equity ratio of 80:20. The company has tied-up the funding for the entire debt portion with an elongated repayment tenure of 19 years, post 3 years of construction and 2 years moratorium, in line with the 5/25 scheme.
- **Sub-concession for the LNG terminal** - Hindustan Petroleum Corporation Limited and SPPPL, are promoters of the SPV incorporated for setting up of a 5 MMTPA LNG terminal at Chhara Port. The promoters of the SPV will be guaranteeing part off-take from this terminal and SPPL in turn, benefits from this arrangement as its revenues from the LNG terminal would be linked to the R-LNG off-take.

**Credit weaknesses**

- **Exposed to high execution risk given the initial stages of the project** – The construction work for the project is expected to commence in January 2018 and the Commercial Operation Date (COD) is targeted by October 2020. Moreover, the long construction period for the 2.5 km breakwater structure (which forms about 37% of the project cost) apart from the setting up of the bulk terminal, possess high execution risk. The company has concluded acquisition for majority of the land area (~88%) allocated for the project, though timely acquisition of the remaining land would remain important.
- **High market risk given strong competition from neighbouring ports** – The port at Chhara being located in the proximity of other established ports viz. Pipavav and Dahej faces strong competitive pressures in terms of cargo off-take and hence, is exposed to market risks. The port would largely be catering to the cement manufacturers in its targeted hinterland and would provide cost advantage to certain cement units over other ports due to its closer proximity. Nonetheless, the company is in process of entering into any long-term arrangement for off-take of bulk cargo. Furthermore, ramp up of bulk cargo will be contingent on timely commissioning of road/rail connectivity improvement projects at Chhara. The pricing terms proposed by the company along with its competitiveness would remain important for the overall profitability of the project.

- **Return indicators to remain modest on account of significant capital cost** – The company is undertaking the construction for the breakwater structure keeping in view the long-term goal of setting up of additional terminals at Chhara. Hence, the capital cost for this initial phase is significantly higher as compared to other greenfield port projects. As a result, the return indicators for the project are expected to remain modest in the initial years.

**Analytical approach:** For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

**Links to applicable criteria:**

[Corporate Credit Rating Methodology](#)

[Rating Methodology for Ports](#)

**About the company:**

In May 2007, Gujarat Maritime Board (GMB) invited bids for development of a multi user, multi-purpose all weather greenfield port on a Build, Own, Operate and Transfer (BOOT) basis in Gujarat. A consortium led by Shapoorji Pallonji and Company Private Limited, along with Afcons Infrastructure Limited and Forbes and Company Limited (all the three companies are part of SP Group) was selected through a competitive bidding process for development of a port at Chhara, Gujarat. Simar Port Private Limited (SPPL) was subsequently incorporated on July 17, 2008, as a separate SPV by the SP consortium for the development of the port. On January 29, 2015, a concession agreement was executed between the company and GMB for development of the Chhara Port. As on March 31, 2017, SP Ports Private Limited (SPPPL), a wholly-owned subsidiary of Shapoorji Pallonji Infrastructure Capital Company Private Limited holds 99.98% equity shares of the company, while balance 0.02% stake is held by Afcons Infrastructure Limited and Forbes and Company Limited equally.

SPPL proposes to develop 10 berths which includes 4 bulk cargo berths, 3 container berths, 2 LNG berths and 1 liquid bulk cargo berth in multiple phases. As per present development plan, the company envisages development of two terminals (i.e. 15 MMTPA bulk terminal and 5 MMTPA LNG terminal) along with common infrastructure and back-up areas at Chhara, Gujarat. The estimated COD for the bulk terminal is October 2020. The project cost is estimated at Rs. 3,590 crore, which would be funded in debt to equity mix of 4:1. SPPPL has also entered into a 50:50 JV with Hindustan Petroleum Corporation Limited to set up a 5 MMTPA land-based LNG storage and regasification terminal at the Chhara Port through a sub-concession (to be executed) with the company.

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

**Any other information:** None

**Rating history for last three years:  
Table:**

S. No.	Instrument	Current Rating (FY2018)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
					Dec 2017			
1	Term Loan	Long Term	2,872.00	2,680.00	[ICRA] BBB-(Stable)			

**Complexity level of the rated instrument:**

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

**Annexure-1**  
**Instrument Details**

<b>ISIN No</b>	<b>Instrument</b>	<b>Date of Issuance / Sanction</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Amount Rated (Rs. crore)</b>	<b>Current Rating and Outlook</b>
-	Term Loan	Oct 2016	-	Oct 2041	2,872.00	[ICRA]BBB- (Stable)

Source: Simar Port Private Limited

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About ICRA Limited:

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