



Press Release

Simar Port Private Limited (SPPL)

March 29, 2024

Ratings

Instrument / Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	1215.00	IVR BBB-/Negative (IVR Triple B Minus with Negative Outlook)	Assigned	Simple
Short Term Bank Facilities	100.00	IVR A3 (IVR A Three)	Assigned	Simple
Total	1315.00 (Rupees One thousand three hundred and fifteen crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Simar Port Private Limited (SPPL) derive strength from experienced promoter group, sub-concession agreement for LNG terminal with strong counterparty, proven track record of EPC contractor and provisional commercial operations date (PCOD) expected in April 2024. The rating strengths are, however, constrained by delays in execution of project in the past and susceptibility of cash flows to LNG terminal capacity utilization.

The Negative outlook on SPPL ratings reflects Infomerics' Negative outlook on its parent, Shapoorji Pallonji Infrastructure Capital Company Private Limited (SPICCPPL) and ultimate parent, Shapoorji Pallonji & Company Private Limited (SPCPL). SPPL needs support from SPICCPPL for the balance equity infusion so also may need support during its stabilization phase. SPICCPPL plans asset monetisation to meet its debt repayments, for equity infusion and debt support to its SPVs, if required. In light of timing uncertainty typical of the asset monetization program envisaged by it, SPICCPPL is also likely to be dependent on SPCPL.

Key Rating Sensitivities:

Upward Factors

- Timely completion of the project without any further delays and cost overruns.



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- Improvement in the credit profile of SPICCPPL and/or SPCPL.

Downward Factors

- Any delay in completion of project beyond the revised timelines.
- Deterioration in credit profile of SPICCPPL and/or SPCPL.

List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

Experienced promoter group

SPPL is part of the Shapoorji Pallonji (SP) Group, which is a globally diversified industrial conglomerate, with a leading presence across sectors such as Engineering & Construction, Infrastructure, Real Estate, Water, Energy. SPPL is a wholly owned subsidiary of Shapoorji Pallonji Infrastructure Capital Company Private Limited (rated IVR BBB-/Negative/IVR A3) which in turn is a wholly owned subsidiary of SPCPL (rated IVR BBB+/Negative/IVR A2), the flagship company of the SP Group. SPICCPPL acts as the infrastructure holding company of SP Group's infrastructure business. The SP Group's portfolio comprises projects across different verticals, such as transportation, energy, port and resources. SPICCPPL portfolio include road, power and port projects. The projects include one under construction HAM project, 120 MW of operational domestic solar power projects in Karnataka and Maharashtra, and an under-construction port in the state of Gujarat. SPICCPPL has monetized its stake in some of the key projects. The promoters are duly supported by a team of experienced professionals in the day-to-day operations.

Sub-concession agreement for LNG terminal with strong counterparty

HPCL LNG Ltd (HPLNG), a 100% subsidiary of Hindustan Petroleum Corporation Limited has developed 5 MMTPA LNG terminal along with LNG storage and regasification facilities under a sub-concession agreement from SPPL inside Chhara Port. HPLNG received construction completion certificate from Gujarat Maritime Board (GMB) in January 2024. Gujarat State Petronet Limited (GSPL) is connecting the terminal to the national grid by laying the required gas pipeline. Pipeline work is completed, and the testing is being carried out. HPLNG is expecting the commissioning cargo by the first week of April'2024. Part offtake from this terminal is guaranteed by HPCL. SPPL's earnings from the LNG terminal



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are correlated with the R-LNG offtake. Infomerics expects HPCL to meet its captive LNG requirements majorly though this terminal thus benefiting SPPL also.

Proven track record of EPC contractor

SPPL is developing necessary infrastructure facility of break water, dredging, marine tower, marine facilities and road connectivity etc. as required for the operation of the LNG terminal project. It has appointed SPICCPCL for the construction of breakwater, who has further subcontracted it to Afcons Infrastructure Limited (AIL). AIL has a proven track record of executing many complicated infrastructure projects, including marine works for R-LNG projects. There is a fixed price contract with SPICCPCL thus protecting against any movement in input prices to an extent during the construction period.

Provisional commercial operations expected in April 2024

As on March 20, 2024 the company has achieved the physical progress of 75.80% excluding the dredging work. For construction of breakwater of 1950 meters, the overall progress of 73% has been achieved. The LNG terminal is ready to commence the operations by bringing in the commission cargo in the first week of April'2024, that will be considered as Provisional Commercial Operation Date (PCOD) for SPPL also. Simar Port shall commence the operation upon receipt of necessary approval by GMB as per the concession agreement. The pipeline connectivity for the HPCL LNG terminal with the gas grid network of GSPL has been achieved and testing is underway.

B. Key Rating Weaknesses

Delays in execution of project

As per the initial project implementation schedule, the project was scheduled to be commissioned on October 31, 2020. However, due to various reasons affecting the project such as unavailability of access road for site, environment clearance, COVID etc. the SCOD was revised to October 31, 2023. In August 2022, the company had descoped the project and the descoped project is now proposed to be commissioned on July 1, 2024. However, if the SCOD stretches beyond October 2024, the company will not meet the requirements to be classified as a 'standard' account under the Reserve Bank of India's (RBI) regulations. The



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physical progress achieved as on March 20,2024 is 75.80%. The total amount spent as on first week of March'2024 is Rs.1376.01 crores by way of equity contribution of Rs.495.54 crores and debt draw down of Rs.880.47 crores. The balance equity contribution of Rs.147 crores will be funded by the promoters through funds being raised at the group level.

Susceptibility of cash flows to LNG terminal capacity utilization

After the descopeing of the bulk terminal, the focus of the project is on completing the breakwater (reduced length to 1,950 meters) and the associated infrastructure only for the LNG terminal. This makes SPPL dependent on the LNG terminal capacity's utilization, which again is exposed to the vagaries of the LNG market.

Analytical Approach: Standalone approach with parent support.

Applicable Criteria:

[Policy on default recognition](#)

[Criteria of assigning Rating Outlook](#)

[Rating Methodology – Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria on Parent Support](#)

Liquidity: Stretched

The port is currently under construction and till first week of March'2024 the promoters have infused Rs. 495.54 crore out of the total equity commitment of Rs. 642 crores, being 77% of the total equity commitment. The balance equity of Rs.147 crore will be infused in FY25. Further the company has drawn down debt of Rs.880.47 crore till first week of March'2024 against a sanction of Rs. 1215.00 crores. The company is dependent on SPICCPPL for the equity infusion which in turn is dependent on the SP Group for investments or timely divestment proceeds of its assets. After the final COD is achieved in FY25, the repayment of loan will start from FY27 giving buffer of two years. However, till the port operations stabilizes SPPL may require support from its parent, SPICCPPL.



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About the company

In May 2007, the Gujarat Maritime Board (GMB) invited bids for the development of a multiuser, 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, was selected through a competitive bidding process to develop the port at Chhara, Gujarat. Simar Port Private Limited 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 the development of the Chhara Port. SPICPL holds 99.99% stake in SPPL with the balance stake being held by Afcons Infrastructure Limited and Forbes & Company Limited equally.

As per the descoped project, in phase 1 of the Chhara Port development, the Company will develop necessary infrastructure facility for operation of LNG terminal (developed by HPCL LNG Ltd) including backup land areas, 1950-meter breakwater and other common infrastructure such as approach channel, internal and external roads will be developed.

The facility will be developed over 313.25 acres of land which includes 174.98 acres of the land to be used for development of infrastructure facilities by the Company and 138.27 acres to be used by HPCL LNG Ltd for development of their 5 MTPA LNG Terminal. The total descoped project cost is 1856.84 crores.

Financials (Standalone):

	(Rs. crore)	
For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	15.04	15.21
EBITDA	12.62	13.02
PAT	9.06	9.92
Total Debt	693.30	765.29
Tangible Net worth	681.04	918.91
Ratios		
EBITDA Margin (%)	83.90	85.63
PAT Margin (%)	59.85	62.83
Overall Gearing Ratio (x)	1.02	0.83

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None



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Any other information: Nil

Rating History for last three years:

Sr N o.	Name of Instrument/ Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Bank Facilities- Fund Based- Term Loan	Long Term	1215.00	IVR BBB- / Negative	-	-	-
2.	Bank Facilities- Non-Fund Based- Bank Guarantee	Short Term	100.00	IVR A3	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Long Term Bank Facilities-Fund Based- Term Loan	-	-	June 2045	1215.00	IVR BBB -/ Negative
Short Term Bank Facilities-Non-Fund Based-Bank Guarantee	-	-	-	100.00	IVR A3

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-SimarPort-mar24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.