Gopalpur Ports Limited

February 14, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	1,431.92 (Reduced from 1,497.03)	CARE BBB; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Gopalpur Ports Limited (GPL) continues to derive strength from experienced promoter group i.e Shapoorji Pallonji (SP) group, favourable location of the port, tariff flexibility, reputed client base and potential to handle large capacity cargo ships. The rating also factors in the completion of the port expansion work with all the balance punch list work completed in FY23, well-rounded evacuation infrastructure with the presence of railways siding and adequate liquidity profile with creation of Debt Service Reserve Account (DSRA) for one quarter debt servicing.

The rating strength is, however, tempered by the cargo concentration, moderated operational and financial performance in FY22 (FY refers to period April 01 to March 31) and H1FY23 due to the stress in the global steel industry and a levy of temporary hikes in export duty on iron-ore and steel by Govt of India. However, the reversal in temporary hikes on export duty has resulted in a ramp up of cargo volumes from January 2023 which has supported the cashflows. Recent debt funded capex completion and lower volumes & cash accruals have resulted in weakening of debt coverage metrics during the current fiscal. However, CARE Ratings expect the coverage metrics to improve going forward with gradual ramp up of volumes. The rating also factors in competition from nearby ports and susceptibility of the cargo volumes to economic cycles and exposure to volatile weather conditions.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ramp up of cargo volumes and improvement in profitability with PBILDT margins exceeding 40% on consistent basis

Negative factors

- Inability to ramp up the cargo volumes leading to continued reliance on sponsor support.
- Significant elongation of receivable beyond 90 days

Analytical approach: Standalone

Key strengths

Experienced promoter group: GPL belongs to the SP group with Shapoorji Pallonji and Company Private Limited (SPCPL, rated CARE A-; Stable/CARE A2) holding stake in the company through its subsidiary SP Ports Maintenance Private Limited. SPCPL, the ultimate holding company of GPL benefits from the legacy of more than 155 years of operations in various businesses of the group. SPCPL is one of the leading construction companies of India and is holding-cum-operating and the flagship company of SP group.

The SP group is an extensive conglomerate with business interests in several sectors such as real estate, power, ports, roads, FPSOs, textiles etc. Most of SP groups' businesses are held by SPCPL as subsidiaries, JVs and associates. The SP Group is the largest private shareholder of Tata Sons P. Ltd (holding company of the Tata group) with 18.37% stake thereby providing financial flexibility to the various group companies.

The group has supported the project with capital creditors comprising group entity which is expected to be funded out of project cashflows gradually.

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

Port hinterland, tariff flexibility and ability to handle large ship sizes: The hinterland comprises of the states of Odisha, Jharkhand and Chhattisgarh, which are mineral rich belt and have high mining intensity. Majority of coal & iron ore mines are located in these regions. Traffic at Gopalpur port is majorly coking coal cargoes, thermal coal and iron-ore.

Gopalpur Port is located along the Bay of Bengal between the two busiest port on the East Coast of India, south of Paradip Port (distance of 270 kms) & north of Vizag Port (distance of 285 kms). The port is connected to the Golden Quadrilateral (NH-5) through NH-516 which is 6 km from the port. The port also has two railway sidings which are connected to the Howrah-Chennai Trunk Line accessible to both the east and south of India. GPL has been handling capsize and mini-capsize vessels at its Port.

Gopalpur Port is not a major port and hence do not have tariffs regularized by TAMP (Tariff Authority for Major Ports) and is free to charge competitive market rates. Further, tariff flexibility allows port to have flexibility in providing and pricing, additional value-added services.

Reputed clientele with medium term agreements: SP took up expansion project to increase the potential capacity to 20 MMTPA. The company achieved COD for expansion project in December 2021. However, GPL had already started using berths as and when built. Post development of infrastructure facilities at port and based on business connect of SP group, the port started receiving cargoes with various steel majors diverting their cargo to Gopalpur port. GPL mainly handles coastal cargo for limestone and overseas cargo for iron ore/coal. The clientele comprises of reputed names viz Jindal Steel & Power Ltd, JSW Minerals Ltd, JSW Steel Ltd, Dalmia Cement (Bharat) Ltd etc. In the current fiscal, GPL has signed a 3-year firm agreement with a PSU for a throughput of 1 MMTPA (5% of the total capacity of the port).

Stable industry outlook: The cargo volumes handled at the Indian ports in FY22 had witnessed a growth of ~6% owing to rebounding of global economy, increased demand as well as easing of supply chain disruptions post pandemic. With strong growth potential, favourable investment climate and SOPs provided by governments have witnessed increased participation from domestic and foreign private players to enter the Indian ports sector. Along with development of ports and terminals, the private sector has also extensively participated in port logistics services. However, at the same time, the constraints facing the global maritime industry viz. shortage of shipping container, bottlenecks at ports, and elevated freight rates are expected to prevail and normalize gradually.

Key weaknesses

Moderation in operational and financial performance in FY22 and H1FY23: During FY22 and H1FY23, the capacity utilization at Gopalpur Port has moderated due to stresses in the global steel industry and a temporary levy of export duty on iron-ore and steel by the Govt of India in H1FY23 impacting the cargo volumes. With the reversal of the imposition of export duty in November 2022, the iron-ore cargo volumes at the port has ramped up and the port is expected to witness a growth in overall cargo traffic from FY24 onwards.

The financial performance has also been impacted with lower volumes resulting in revenue degrowth by 7.28% in FY22 and gross cash accrual almost half of FY21 level. Subdued volumes in current fiscal along with commencement of interest (vs capitalized till December 2021) is also expected to weaken the performance for fiscal FY23 with improvement expected from FY24 onwards.

Cargo concentration: The major cargo handled by the company has been iron ore which constitutes 52-67% of overall cargo volume handled during FY20-21. The cargo concentration has thereby impacted the volumes handled during FY22-9MFY23 with increased export duty on iron ore. Besides cargo concentration, the revenue derived from clients is also concentrated with almost 30% of revenue from a single client during FY22 and H1FY23. Although, the company has signed a 3-year firm agreement with a Public Sector Undertaking in FY23, this contributes to a miniscule portion of the total capacity handled by the port.

With completion of large debt funded capex, any significant volatility in the business operation might severely impact the coverage and liquidity position. Hence, diversification of cargo and clientele would be important from growth perspective.

Leveraged capital structure: The company undertook debt funded capacity expansion which was completed in December 2021. Hence leverage has been on higher side due to increased debt with overall gearing ratio at 2.94x as on March 31, 2022.

Further, with moderation in performance during the current fiscal, the leverage and debt coverage metrics are expected to weaken with debt/EBITDA expected to be above 9x in FY23. Ability to ramp up the cargo volumes and cash accruals to support the coverage metrics would be key rating sensitivity.

High competition from nearby ports and susceptibility of cargo volumes to economic cycles: GPL faces competition from the other ports nearby like Paradip, Vishakhapatnam, Haldia, etc. all having a longer operational track record compared to GPL. Further, the performance of the port is also linked to cargo traffic, which consequently depends on the health of the economy. Any slowdown in the economy is likely to result in subdued volume growth.

Exposure to volatile weather conditions: Being located on the eastern coast of India, Gopalpur port is exposed to the volatile weather conditions like heavy monsoon and possibility of cyclones. The monsoon and cyclones impact the operations of the port and the prolonged monsoon during FY20 resulted in a delay in the development activities of the port. The port is an all-weather port and it has been designed in such a way so as to withstand disruption from cyclones. Further, in case of cyclone, operations are generally suspended for 2-3 days but this suspension is common at all nearby ports so it does not lead to substantial revenue loss. During monsoon, cargo like limestone cannot be handled, however, some cargo like coal can still be handled.

Liquidity: Adequate

The liquidity position is adequate with expectation of sufficient cash accrual generation during Q4FY23 given the ramp up of cargo volumes since January 2023 and repayment of entire principal debt obligation for FY23. Liquidity is also supported by free cash balance of Rs.11 crore as on October 31, 2022 and unutilized working capital lines of Rs.35 crore. Further, as per stipulated sanction terms for creation of DSRA, the company has been maintaining one quarter interest and principal instalment to the tune of Rs.55.49 crore in the form of fixed deposits as on October 31, 2022.

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
Ports Project
Policy on Withdrawal of Ratings

About the company

Gopalpur Ports Limited (GPL) is owned by Shapoorji Pallonji group through SP Port Maintenance Pvt. Ltd. (SP Ports), a wholly-owned subsidiary of SP Imperial Star Pvt. Ltd. Gopalpur Port is a deep-sea port located on the East Coast of India. The concession for the port was signed in September 2006 and is valid for 30 years and extendable by another 20 years, based on mutual consent between the Government of Odisha and Concessionaire. As per concession agreement, GPL has revenue sharing of 7.5% of total revenue with Govt of Orissa.

The port was commissioned in March 2013 but became non-operational after being hit by severe cyclone (Phailin) in October 2013. Post reconstruction works, the port subsequently became operational in December 2015. SP group acquired major shareholding in the port in 2017 and undertook development/expansion of the port infrastructure for developing the port from a fair-weather port to an all-weather port and also increased the cargo handling capacity to 20 MMTPA. The project included construction of 3 berths with mobile cranes facility and material handling systems, breakwaters, roads, railway sidings, power sub-station and other EPC works. The expansion work has been completed with a project attaining COD as on December 15, 2021.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23 (Prov)
Total operating income	446.17	411.80	NA
PBILDT	206.69	125.00	NA
PAT	92.23	12.22	NA
Overall gearing (times)	2.88	2.94	NA
Interest coverage (times)	4.02	1.91	NA

A: Audited; NA: Not 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-Cash Credit		-	-	-	15.00	CARE BBB; Stable
Fund-based - LT-Term Loan		-	-	12-10-2032	1381.92	CARE BBB; Stable
Non-fund-based - LT-Bank Guarantee		-	-	-	35.00	CARE BBB; Stable

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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	1381.92	CARE BBB; Stable	-	1)CARE BBB; Stable (08-Feb-22)	1)CARE BBB; Stable (17-Feb-21) 2)CARE BBB (CE) (CW with Negative Implications) (14-Oct-20)	1)CARE A- (CE) (CW with Developing Implications) (17-Dec-19) 2)CARE A+ (SO) (CW

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	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	Date(s) and Rating(s) assigned in 2019-2020
								with Developing Implications) (10-Jun-19) 3)CARE AA- (SO) (CW with Developing Implications) (05-Apr-19)
2	Non-fund-based - LT-Bank Guarantee	LT	35.00	CARE BBB; Stable	-	1)CARE BBB; Stable (08-Feb-22)	1)CARE BBB; Stable (17-Feb-21) 2)CARE BBB (CE) (CW with Negative Implications) (14-Oct-20)	1)CARE A- (CE) (CW with Developing Implications) (17-Dec-19) 2)CARE A+ (SO) (CW with Developing Implications) (10-Jun-19) 3)CARE AA- (SO) (CW with Developing Implications) (05-Apr-19)
3	Fund-based - LT-Cash Credit	LT	15.00	CARE BBB; Stable	-	1)CARE BBB; Stable (08-Feb-22)	1)CARE BBB; Stable (17-Feb-21) 2)CARE BBB (CE) (CW with Negative Implications) (14-Oct-20)	1)CARE A- (CE) (CW with Developing Implications) (17-Dec-19) 2)CARE A+ (SO) (CW with Developing Implications) (10-Jun-19) 3)CARE AA- (SO) (CW

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	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	Date(s) and Rating(s) assigned in 2019-2020
								with Developing Implications) (05-Apr-19)
4	Un Supported Rating-Un Supported Rating (Long Term)	LT	-	-	-	-	1)Withdrawn (17-Feb-21) 2)CARE BBB- (14-Oct-20)	1)CARE BBB (17-Dec-19)

*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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT-Bank Guarantee	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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About us:

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