Gopalpur Ports Limited

December 02, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	1,289.55^ (Reduced from 1,327.95)	CARE AA; Stable	Upgraded from CARE BBB and removed from Rating Watch with Positive Implications; Stable outlook assigned

Details of instruments/facilities in Annexure-1.

^Term loan of ₹443.70 crore and ₹413.30 crore from Canara Bank and Yes Bank respectively has been fully prepaid. However, 'No Due Certificate' is awaited from the bank.

Rationale and key rating drivers

Rating of Gopalpur Ports Limited (GPL) is revised to CARE AA; Stable and simultaneously removed from 'credit watch with positive implications' following change in ownership from Shapoorji Pallonji (SP) group to Adani Ports and Special Economic Zone Limited (APSEZ: rated CARE AAA; Stable/ CARE A1+) and subsequent prepayment of 64% of external debt supported by funds infusion from APSEZ, significantly boosting GPL's overall credit profile. There are no major debt raising plans envisaged at GPL in the medium term.

The rating revision factors strong parentage of APSEZ, the largest port developer and operator in India with operations across 10 ports (including GPL) and three terminals handling ~27% of seaborne cargo of India. APSEZ has an established track record of successfully turning around port assets including Dhamra port post-acquisition through a combination of logistics solutions offering, partnering with prominent shipping lines, and enhancing operating efficiency. Furthermore, large fleet of rakes and logistical equipment of APSEZ is expected to uplift GPL's operational efficiency and address evacuation challenges. Prepayment of external debt of ~₹800 crore has also strengthened GPL's debt coverage indicators.

The rating continues to be underpinned by favourable port location, tariff flexibility, favourable industry outlook of the ports and strong liquidity profile with creation of a debt service reserve account (DSRA) for one quarter of the debt servicing.

However, rating strengths are tempered by cargo and client concentration risks besides evacuation challenges reflected from operational performance of H1FY25 (refers to April 01 to September 30). However, strong parentage and APSEZ's demonstrated track record of turning around an acquired asset's performance augur well for GPL in the medium term. The rating continues to factor in competition from nearby ports, cargo volumes susceptible to varying economic cycles and exposure to volatile weather conditions.

CARE Ratings Limited (CARE Ratings) had earlier issued a credit update on APSEZ following Indictment and civil complaint filed by the United States Department of Justice (DoJ) and United States Securities and Exchange Commission (SEC) respectively against Gautam Adani, Sagar Adani and Vneet Jaain. Subsequently, stating there is no jurisdiction against the defendants, these allegations have been refuted by Adani group. CARE Ratings understand that matter is sub-judice, and therefore will continue to closely monitor events unfolding in the near term and assess the impact on the business and financial performance of all group entities, including GPL. Impact on fundraising capabilities -both equity and debt; consequent leverage levels, government or regulatory action, progress on under implementation capex and debt covenants of APSEZ borrowings pursuant to these developments will also be closely monitored. In view of the strong financial, business and management linkages, CARE Ratings has applied parent notch up framework to arrive GPL's credit rating and hence deterioration in APSEZ's credit profile impairing its ability and intent to support GPL is a key rating sensitivity.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ramping up of cargo volumes above 70%, while improvement in profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins and cargo concentration on a sustained basis.

Negative factors

- Deterioration in credit profile of the sponsor i.e. APSEZ.
- Dilution in shareholding by APSEZ below 51% and weakening support philosophy towards GPL

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

- Significant increase in debt levels leading to deterioration in debt coverage indicators marked by debt service coverage ratio (DSCR) falling below 2x on a sustained basis.

Analytical approach: Standalone, factoring financial and operational linkages with the parent, APSEZ.

Outlook: Stable

The stable outlook reflects CARE Ratings' expectations of ramp up of cargo volumes post-acquisition by APSEZ leading to improvement in operational performance and lower leverage.

Detailed description of key rating drivers:

Key strengths

Strong parentage of APSEZ

On March 25, 2024, APSEZ entered a definitive agreement to acquire 95% stake of Gopalpur Ports from existing shareholders, ~56% stake from SP Port Maintenance Private Limited and ~39% stake from Orissa Stevedores Limited. The transaction was completed on October 11, 2024, and GPL is now a subsidiary of APSEZ.

Belonging to the Adani group, APSEZ is the largest port operator in India. As on November 30, 2024, it operates 13 operational ports and terminals in India, including the Mundra Port on the Western coast, which is India's largest port in terms of cargo handling. Other operational ports include Dahej, Tuna, Hazira, Goa, Karikal, Ennore, Krishnapatnam, Katupalli, Gangavaram, Dhamra, Dighi, and Gopalpur. It completed its first overseas port acquisition of Haifa Port, Israel in FY23.

APSEZ has a favourable track record of facilitating operational turnaround for acquired ports otherwise struggling with operational inefficiencies and evacuation issues into prime operating ports, as can be seen at the Dhamra Port. CARE Ratings expects a strong business uplift at GPL following its acquisition by APSEZ, which owns a large fleet of rakes.

Significant improvement in financial profile post-acquisition by APSEZ and strong debt coverage indicators

As on FY24-end, GPL had an outstanding total debt of ₹ 1,438 crore with ~87% held in the form of external term debt. Post-acquisition, APSEZ infused ₹1,225 crore in form of optionally convertible debentures in Q3FY25, which has been utilised to prepay GPL's external debts worth ₹795 crore and towards other liabilities. With lower quantum of residual debt, overall gearing is expected to improve from 3.43x at the end of FY24 to below unity by FY25 end. Net Debt to PBILDT that stood at 8.08x in FY24 end is expected to reduce at ~3x by end of FY25. Consequently, DSCR is expected to be strong in the range of 2.5-3x in the medium term supported by low leverage and estimated ramp up in cargo volumes.

Favourable hinterland, tariff flexibility, and ability to handle large ship sizes

The hinterland comprises Odisha, Jharkhand, and Chhattisgarh, which are mineral-rich belts and have high mining intensity. Majority coal and iron-ore mines are in these regions. The traffic at Gopalpur Port is mainly for iron-ore and limestone.

Gopalpur Port is along the Bay of Bengal between two of the busiest ports on India's east coast, south of Paradip Port (distance of 270 km) and north of Vizag Port (distance of 285 km). The port is connected to the Golden Quadrilateral (NH-5) through NH-516, which is 6 km from the port. Gopalpur Port also has two railway sidings, which are connected to the Howrah-Chennai Trunk Line, accessible to both, 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 its tariffs are not regularised by the Tariff Authority for Major Ports (TAMP) allowing it to independently charge competitive rates. This also equips the port with flexibility to provide and price additional value-added services.

Reputed clientele

The company achieved commercial operations date (COD) for the expansion project with cargo handling capacity of 20 million metric tonne per annum (MMTPA) in December 2021. GPL mainly handles coastal cargo for limestone and overseas cargo for iron-ore and coal. Clientele comprises reputed names including JSW Steel, Jindal Steel & Power Limited, Steel Authority of India Limited, Rungta Sons Private Limited, and National Steel Company, among others.

In FY23, GPL also signed a three-year firm agreement with a public-sector undertaking (PSU) for a throughput of 1 MMTPA (5% of the total capacity of the port). GPL has also signed a long-term agreement with Smartchem Technologies for setting up an ammonia nitrate plant at Gopalpur. These facilities are expected to operationalise by FY26, which shall start contributing to GPL's overall revenue profile.

Favourable industry outlook supporting steady business prospects

Overall cargo throughput at Indian ports is at its all-time peak at 1539 MMT for financial year ended March 31, 2024, representing ~7% growth over FY23. India's coastal cargo witnessed significant growth of 17% and 18% in FY22 and FY23, respectively, in comparison to export-import (EXIM) cargo and grows at 7% in FY24. Coal and iron ore comprised ~70% of the India Coastal cargo. CARE Ratings expects increase in share of coastal cargo of coal to 42% in FY26 from 34% in FY23, which augurs well for GPL. The company plans to transport coastal coal cargo to Karnataka, Goa and Gujarat.

Key weaknesses

Moderate operational metrics

Cargo volumes have improved in FY24, as the company handled 11.44 MMT of cargo against, 7.43 MMT in FY23 indicating a healthy growth of 50% y-o-y and reported capacity utilisation of 57% in FY24. In H1FY25, cargo volumes declined to 3.74 MMT against 5.38 MMT in H1FY24, registering a decline of 30%. This is attributed to the transitional phase arising from change in management, and evacuation issues faced by GPL. It is expected that GPL shall avail rakes from APSEZ to resolve evacuation issues and increase berth occupancy rate.

Increased cargo handling in FY24 translated into improved revenues at ₹504 crore for FY24 against ₹373 crore at a growth of 35% on y-o-y basis. PBILDT margins also expanded by 471 bps to 33.25% in FY24 due to benefits derived from economies of scale. However, despite lower cargo throughput in H1FY25 translating into lower revenue of ₹164 crore against ₹241 crore in H1FY24, PBILDT margins remained steady at 33.70%. Going forward, cargo volumes are expected to ramp up due to synergic benefits from logistics fleet of APSEZ and better operating efficiency.

Cargo concentration tilting towards dry bulk

Iron-ore constitutes 50-60% of the overall cargo volume handled by the company in FY24-H1FY25. Cargo concentration had impacted volumes handled in FY22 and FY23, with increased export duty on iron-ore. However, it picked up post reversal of export duty imposed. APSEZ plans to simultaneously increase coastal volumes of coal to partially reduce cargo concentration risk.

Competition from nearby ports and cargo volumes susceptible to economic cycles

GPL faces competition from other ports nearby, such as Paradip and Vizag, among others, all having a longer operational track record compared to GPL. The port's performance is also linked to cargo traffic, which consequently depends on the economy's health. Slowdown in the economy is likely to result in subdued volume growth.

Liquidity: Strong

The company had DSRA of ₹62.54 crore as on March 31, 2024, as stipulated by the sanctioned terms and is equivalent to one quarter interest and principal instalment. Following debt prepayment aggregating ₹795 crore from the fund infusion by APSEZ, liquidity profile has substantially improved. Besides DSRA, the company had free cash and bank balance of ₹85 crore and ₹60 crore as on March 31, 2024, and September 30, 2024, respectively.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Port & Port services
Financial Ratios – Non financial Sector
Infrastructure Sector Ratings
Notching by Factoring Linkages in Ratings

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Transport infrastructure	Port & port services

GPL is a subsidiary of APSEZ. Gopalpur Port is a deep-sea port on the east coast of India. 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 the concessionaire. According to the concession agreement (CA), GPL has revenue sharing of 7.5% of the total revenue with the Government of Odisha.

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

In FY24, APSEZ signed a definitive agreement to acquire 95% stake of Gopalpur Ports from existing shareholders, ~56% stake from SP Port Maintenance Private Limited and ~39% stake from Orissa Stevedores Limited. The transaction was completed in October 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	372.56	503.74	164.22
PBILDT	106.31	167.50	55.35
PAT	-69.96	-54.96	-70
Overall gearing (times)	3.26	3.43	NA
Interest coverage (times)	0.75	0.95	0.60

A: Audited UA: Unaudited, NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	10.00	CARE AA; Stable
Fund-based - LT-Term Loan		-	-	20-10-2032	1244.55	CARE AA; Stable
Non-fund-based - LT-Bank Guarantee		-	-	-	35.00	CARE AA; Stable

Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	1244.55	CARE AA; Stable	1)CARE BBB (RWP) (04-Apr-24)	1)CARE BBB; Positive (06-Dec-23)	1)CARE BBB; Stable (14-Feb-23)	1)CARE BBB; Stable (08-Feb-22)
2	Non-fund-based - LT-Bank Guarantee	LT	35.00	CARE AA; Stable	1)CARE BBB (RWP) (04-Apr-24)	1)CARE BBB; Positive (06-Dec-23)	1)CARE BBB; Stable (14-Feb-23)	1)CARE BBB; Stable (08-Feb-22)
3	Fund-based - LT-Cash Credit	LT	10.00	CARE AA; Stable	1)CARE BBB (RWP) (04-Apr-24)	1)CARE BBB; Positive (06-Dec-23)	1)CARE BBB; Stable (14-Feb-23)	1)CARE BBB; Stable (08-Feb-22)

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of 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 lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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