SP Imperial Star Private Limited

March 28, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Non Convertible Bonds	1,117.00	CARE BBB; Negative	Revised from CARE BBB+; Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in the rating assigned to the Non-Convertible Bonds (NCBs) of SP Imperial Star Private Limited (SPIS) is on account of the elevated refinancing risk associated with the NCB repayment emanated by way of extension in existing bond repayment terms by two months to May 30, 2023 from March 23, 2023. CARE Ratings notes that the aforesaid amendment has been approved by all the existing investors before the scheduled due date on the behest/request of SPIS. Earlier, the NCB payouts were to be met out of asset monetization plans, which in contrast to CARE Ratings expectations, have not fructified within the timelines. Under the revised business plan, the promoter Shapoorji Pallonji group is exploring an alternate fund-raising mechanism to meet the debt obligations at the extended date. However, in the absence of operating revenues at standalone level, the likelihood of the aforesaid transaction materializing in a time bound manner is critical for SPIS and any deviations from the same are potential downside risk. In view of above the outlook on the rating has also been revised to negative. The outlook may be revised to stable on fructification of fund raising/refinancing plans ahead of the timelines.

The rating continues to derive strength from the ownership by the Shapoorji Pallonji group and satisfactory operations of the underlying port assets of SPIS at Dharamtar Port (held under PNP Maritime Services), and Gopalpur Port. The rating also notes the support by way of pledge of shares provided by Cyrus Investment P. Ltd. (one of the promoter holding company) which holds stake in Tata Sons Private Ltd.

The rating strengths are however tempered by continued lack of revenue visibility at SPIS level by virtue of it being a holding company, lack of long-term revenue visibility at the ports with absence of long-term offtake agreements and thereby the susceptibility of the revenue to volatile business operations, competition from the nearby ports and susceptibility of cargo volumes to macroeconomic developments and volatile weather conditions.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Long term agreement of the port assets with prominent entities thereby offering superior long-term/sustained revenue visibility
- Improvement in throughput on a consolidated basis above 80% on sustained basis at both Ports
- Ability to refinance/repay the NCBs ahead of timelines envisaged

Negative factors

- Weakening of business operations and financial position of the underlying assets
- Non-adherence of terms stipulated in the financing documents
- Inordinate delay in groups' fund raising efforts from envisaged level

Analytical approach: Consolidated. The analysis of the debt instrument factors in the strength of the underlying investments and the group's ability to improve the operations of the underlying assets. The assessment also largely factors in the strength of the company by virtue of its wholly owned by SP Group. List of entities consolidated is mentioned in Annexure-6.

Outlook: Negative

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

Key strengths

Experienced promoter group: SPIS 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, SPIS controls two port assets – Gopalpur Ports Limited (GPL) and PNP Maritime Services Private Limited (PNP). SPCPL, the holding company of SPIS 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.

Support from promoter entities:

The NCBs have a put option over the equity shares of SPIS and SP Ports Maintenance Private Limited (SPPMPL) on Cyrus Investments Private Limited (CIPL) such that CIPL shall purchase the option shares (being equity shares of SPISPL and SPPMPL) from the investor and the consideration shall be utilized towards the bond repayments. However, as per the put option agreement, the payment under the agreement shall be facilitated only after occurrence of Non-Payment Event Of Default. The put option is secured by pledge over 1.685% shares of Tata Sons P. Ltd. owned by CIPL.

Favourable locations of the ports and tariff flexibility: The Dharamtar port is in close proximity to Mumbai and Nhava Sheva ports and is connected to the state highway and NH-17. The port is also adjacent to Mumbai–Goa–Konkan railway line.

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.

As both Dharamtar and Gopalpur Ports are not major ports, they do not have tariffs regularized by TAMP (Tariff Authority for Major Ports) and are free to charge competitive market rates.

Satisfactory operational performance during FY22:

At Dharamtar Port, the total throughput handled in FY22 stood at 3.91 MMT (PY: 3.51 MMT). The traffic at the port witnessed an improvement in FY22 post slow-down in FY21 which was due to Covid induced lockdowns and extended monsoon. During H1FY23, the total throughput handled has improved compared to last year.

During FY22, the capacity utilization at Gopalpur Port has been moderated due to external stress in the steel industry and a temporary levy of export duty on iron-ore and steel by the Govt of India impacting the cargo volumes. With the reversal of the imposition of export duty, GPL is expected to witness a growth in iron-ore traffic from FY24 onwards.

Key weaknesses

Increased refinancing risk: The financing agreement stipulated bullet repayment on March 23, 2023 to be met out of proceeds from Liquidity Event (IPO/PE/Strategic Sale) or Refinance of the NCBs. The company was earlier evaluating options of asset monetization for said repayment which has got delayed in contrast to CARE Ratings expectations. Meanwhile, the group has also planned fund raising at promoter level entities and hence in the interim period has sought extension of repayment by two months to May 2023. While the requisite approvals from all the investors is in place ahead of the due date, it has resulted in heightened refinancing risk given short tenure of extension. Ability of SPIS to undertake refinancing in a time bound manner and/or receipt of support from group constitutes key rating monitorable.

Lack of revenue visibility at SPIS: SPIS being a holding company does not have predictable operating revenues. The ability of port assets to generate incremental cash over and above its own requirement would be essential for SPIS to repay facility as valuation of any equity stake would be primarily dependent on the cash generation.

At a consolidated level, SPIS has been reporting losses due to high interest cost, despite the underlying assets being profit generating entities.

Absence of long term through-put agreements: PNP has an order book of 6 MMTPA as on September 30, 2022 (6.2 MMTPA as on August 31, 2021), which provides medium term revenue visibility. The contracts entered are for a period of 1-2 years or based on seasonality and are extended annually. Moreover, GPL has entered into firm agreement with a Public Sector Undertaking albeit this contributes to a minor portion of total capacity handled by the port. Therefore, this renders the business susceptible to fluctuation in demand from various business entities operating in the hinterland. With completion of large debt funded capex, any significant volatility in the business operation might severely impact the coverage and liquidity position. The existing operations are based on short-term agreements (usually less than a year). Hence, tie-up of firm long-term agreement with prominent entities offering sustained revenue visibility is a key rating sensitivity.

High competition from nearby ports and susceptibility of cargo volumes to economic cycles: PNP operates a small port of relatively lower capacity and faces strong competition from the nearby developed ports on the Western Coast. GPL too 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 ports is 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.

Liquidity: Adequate

The subsidiaries have adequate liquidity with sufficient generation of cash accruals vis-à-vis repayment obligation of their debt obligations. At SPIS standalone level, promoter entities have been providing support by way of fund infusion for servicing semi-annual coupon payments.

Applicable criteria

Policy on default recognition
Consolidation
Factoring Linkages Parent Sub JV Group
Financial Ratios – Non financial Sector
Investment Holding Companies
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Ports Project
Policy on Withdrawal of Ratings

About the company and industry

Industry Classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Financial Services	Financial Services	Finance	Holding Company

SP Imperial Star Private Limited (SPIS) belongs to the SP group with 40% shareholding with Shapoorji Pallonji and Company Private Limited (SPCPL) and balance with ESP Diabolical Private Limited (company owned by promoters of SP group). SPIS in turn wholly holds SP Ports Maintenance Private Limited (SP Ports) which is the holding company of port SPVs. SP Ports was formed in

March 2016 for the purpose of running two port project assets namely, Dharamtar Port (held under PNP Maritime Services), and Gopalpur Port.

Brief Financials (₹ crore) – Consolidated	March 31, 2021 (A)	March 31, 2022 (A)
Total operating income	619.95	611.39
PBILDT	241.06	196.94
PAT	-121.33	-212.41
Overall gearing (times)	-3.56	-3.12
Interest coverage (times)	0.88	0.61

A: Audited; NA – Not available; Note: the above financials are the latest financials 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
Non-Convertible Bonds	INE121X07031*	23-Mar-2020	-	30-May-2023	1117.00	CARE BBB; Negative

* The existing ISINs shall be extinguished and new ISINs shall be issued post execution of amended Debenture Trust Deed

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	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (09-Apr-20)	1)CARE A-; Stable (17-Dec-19) 2)CARE A; Stable (05-Apr-19)
2	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (09-Apr-20)	1)CARE A+ (CE) (CW with Developing Implications) (17-Dec-19)

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
								2)CARE AA- (SO) (CW with Developing Implications) (10-Jun-19) 3)CARE AA (SO) (CW with Developing Implications) (05-Apr-19)
3	Bonds-Non Convertible Bonds	LT	1117.00	CARE BBB; Negative	1)CARE BBB+; Stable (03-Feb-23)	1)CARE BBB+; Stable (08-Feb-22)	1)CARE BBB+; Stable (17-Feb-21)	1)CARE A-; Stable (26-Mar-20) 2)Provisional CARE A-; Stable (17-Mar-20) 3)Provisional CARE A-; Stable (28-Feb-20)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities - NA

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Bonds-Non Convertible Bonds	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of entities consolidated for SP Imperial Star Private Limited

Name of companies	% of holding
SP Port Maintenance Private Limited	100%
Subsidiaries of SP Port Maintenance Private Limited	
Gopalpur Ports Limited	56.00%
PNP Maritime Services Private Limited	50.01%

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.

Contact us

Media Contact	Analytical Contacts
Name: Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Name: Saikat Roy Senior Dirctor/Director **CARE Ratings Limited** Phone: +91-22-67543404 E-mail: saikat.roy@careedge.in	Name: Maulesh Desai Director **CARE Ratings Limited** Phone: +91-79-40265605 E-mail: Maulesh.desai@careedge.in Name: Puja Jalan Associate Director **CARE Ratings Limited** Phone: +91 - 40 – 69000500 E-mail: puja.jalan@careedge.in Name: Reshma Mayya Analyst **CARE Ratings Limited** E-mail: reshma.mayya@careedge.in

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.

For the detailed Rationale Report and subscription information,
please visit www.careedge.in