

July 23, 2010

CARE ASSIGNS 'CARE BBB-' AND 'PR3' RATINGS TO THE BANK FACILITIES OF ESSAR BULK TERMINAL (SALAYA) LTD.

Ratings Assigned

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	604.60 cr	'CARE BBB-' (Triple B Minus)	Assigned
Short-term Bank Facilities	302.30 cr (Sub Limit of Term Loan)	'PR3' (PR Three)	Assigned
Total Facilities	604.60		

Rating Rationale

The ratings derive strength from the strong promoter group, long-term revenue visibility through captive cargo from other Essar Group companies, fixed-price project contracts limiting the risk of cost escalations, substantial capital infusion by the promoters (about 50% of the total equity/preference capital), financial tie-up and prior experience of the promoter in setting up a similar facility. The ratings are, however, constrained due to pending partial land acquisition and concession agreement, delay in the commencement of project and project implementation risk.

The ability of EBTSL to complete the project without time and cost overrun is the key rating sensitivity.

Company Profile

Essar Bulk Terminal (Salaya) Ltd (EBTSL), a part of the Essar group, was incorporated to set up a dry bulk port facility to cater to the cargo handling requirements of other Essar Group companies viz., Essar Power Gujarat Ltd, Vadinar Power Corporation Ltd (both for import of thermal coal) and Essar Oil Ltd (export of petroleum coke). The total cost of the project is Rs.863.71 crore which is being funded in a debt-equity ratio of 2.33x. Besides, EBTSL has achieved the financial closure for the project. As on May 20, 2010, the company has incurred capital expenditure of Rs.207.25 crore which was financed through promoters' contribution of Rs.130.08 crore and balance through debt.

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CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

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¹ "Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications".

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