December 31, 2020

Sical Logistics Limited (SLL): Ratings reaffirmed at [ICRA] D/D

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-Convertible Debenture Programme	100.00	100.00	[ICRA] D; Reaffirmed
Long term – Cash Credit	300.00	300.00	[ICRA] D; Reaffirmed
Long term – Term Loans Outstanding	526.01	526.01	[ICRA] D; Reaffirmed
Long term – Unallocated	6.53	6.53	[ICRA] D; Reaffirmed
Short term Fund based facilities	29.50	29.50	[ICRA] D; Reaffirmed
Short term – Non-fund-based facilities	383.00	383.00	[ICRA] D; Reaffirmed
Total	**1345.04**	**1345.04**	

Rationale

The rating reaffirmation considers the continued delays in debt servicing by Sical Logistics Limited (SLL) and its several subsidiaries and the classification of the account to Non-performing Asset (NPA) by certain lenders. SLL is a part of the Coffee Day group of companies. The financial flexibility of the Coffee Day group (including SLL and its subsidiaries) had significantly reduced post the demise of Coffee Day group's founder, (late) Mr. V G Siddhartha, which resulted in severe liquidity constraint. The financial performance of the consolidated SLL moderated in FY2020 and the current fiscal as unavailability of adequate working capital limits and suspension of loan disbursal by several lenders led to liquidity concerns. Further, the performance was impacted by disruptions due to Covid-19 pandemic in the current fiscal. High level of pledging of promoter holding (38.49% as on Sep 30, 2020) and significant reduction in share prices in last one year have also impacted its financial flexibility. ICRA, however, notes that the company had availed the moratorium relief from March-Aug 2020 as per the Covid-19 relief guidelines issued by the RBI.

ICRA notes that both SLL and parent Coffee Day group are looking at deleveraging by raising funds through asset sales, which may include the parent's stake sale in SLL. Further, SLL is also looking at fund raising from new investors, which may provide the needed working capital to start work on some of the projects. The deleveraging and fund-raising initiatives will be monitored and will be crucial for the improvement in liquidity and credit profile of the company, which has high repayment obligations over the next few years. ICRA also takes note of the corporate guarantees extended by SLL to its several subsidiaries.

ICRA also takes note of the continued delays in the project being executed by the subsidiary, Sical Iron Ore Terminal Private Limited (SIOTL), to which SLL has extended loans and investments of ~Rs. 934 crore (as on March 31, 2020) and has extended corporate guarantee to the loans. However, the project, which is ~80% complete, has been stalled due to pending release of funds by lenders. In case of inability to complete the project, the company may witness large write off, further weakening the credit profile.

Key rating drivers

Credit strengths

Extensive track record and established presence in integrated logistics solutions – Incorporated in 1955, the company has significant presence in South Indian ports such as those at Kamarajar, Chennai, Tuticorin and Visakhapatnam for handling various port operations. SLL has established its presence in transportation, shipping and container rail operations. This enables it to be a multi-modal integrated logistics player.

Credit challenges

Weakened financial flexibility of the Coffee Day Group – Following the takeover of SLL from its erstwhile promoters, the Coffee Day Group had been supporting its business through operational and financial support. However, post the unexpected demise of the Group's promoter, the credit and liquidity profile of the Group has significantly weakened as the promoter had given personal guarantees and pledged his shares to lenders. Further, as many shares of Coffee day entities (including SLL and its subsidiaries) were pledged with lenders, the sharp fall in share prices has weakened the financial flexibility of lenders. This has impacted the ability of the Group to refinance loans amidst large repayment obligations, leading to delays in debt servicing. Moreover, the financial performance eroded as the company was unable to raise adequate working capital funds.

Financial risk profile characterised by weak capitalisation and coverage indicators – In FY2020, SLL (consolidated) witnessed a sharp revenue decline (34%) and a significant contraction in margin, leading to losses of Rs. 109.4 crore (PY: profit of Rs. 24.0 crore). This was on account of liquidity issues faced by the company and its inability to mobilise adequate working capital funds. The performance further weakened in H1FY2021, with 60% revenue decline on YoY basis and losses of Rs. 48.0 crore due to the pandemic. The capital structure and coverage indicators remained subdued, with a gearing of 2.7 times as on March 31, 2020 and DSCR and interest coverage of 0.01 times and -0.4 times in FY2020, respectively.

Equity/advances and corporate guarantees extended to subsidiaries and related Group entities – SLL has extended sizeable corporate guarantees to its subsidiaries and related Group entities. SLL has also extended loans and investments in various subsidiaries, including SIOTL. Due to continued delays in SIOTL project, which is stuck due to pending release of funds by lenders, the company is also exposed to risk of potential large write offs that would further weaken the credit profile.

Liquidity position: Poor

SLL's liquidity profile is poor as reflected by delays in debt servicing. The company has repayment obligation of ~Rs. 534.98 crore on a consolidated basis and ~ Rs. 478.40 crore on a standalone basis in FY2021, against a backdrop of weak cash accruals. Due to the weakened financial flexibility, the company's ability to refinance the loans is also severely constrained.

Rating Sensitivities

Positive triggers – Regularisation of debt servicing on a sustained basis (more than three months), following improvement in liquidity profile of the group.

Negative triggers – Not applicable

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	[Corporate Credit Rating Methodology](#)
Parent/Group Support	Parent/Group Company: NA
Consolidation / Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of SLL. As on March 31, 2020, the company had 12 subsidiaries, two step-down subsidiaries and two JVs, which are listed in Annexure-2

About the company

Incorporated in 1955, SLL is involved in the business of mining, multi-modal logistics for bulk and containerised cargo port terminals, port handling, trucking and warehousing, ship agency, customhouse agency, offshore supply logistics and retail logistics. On a consolidated basis, SLL has investments in infrastructure including a port terminal, container freight stations, container rail and a dredger.

SLL was promoted by Mr. M. A. Chidambaram Chettiar to provide shipping and custom agency services apart from its core activity of trading. Over the years, SLL entered areas such as port handling, container terminal operations (through JV) and logistics. In 2005, SLL hived off its non-core activities and increased its focus on the logistics business. In the recent years, SLL entered mining by executing coal/overburden removal contracts for Coal India subsidiaries, which rapidly grew into one of the major revenue contributors of the company. Tanglin Retail Reality Developments (P) Limited (part of the Coffee Day Group) picked up 10% stake initially in November 2010 before raising the stake to 54.2%. The Coffee Day Group, at present, holds a total 38.49% shareholding in SLL through its Group entities namely Tanglin (32.82%) and GiriVidyuth (India) Ltd (4.99%). The Coffee Day Group has a diversified portfolio of companies, which have presence in owning and managing coffee plantations, coffee exports; and retailing of coffee, vending machines and cafes. It is also involved in leasing of commercial space, financial services, hospitality services and others.

Key financial indicators (audited)

Consolidated	FY2019	FY2020
Operating Income (Rs. crore)	1524.9	1,005.9
PAT (Rs. crore)	24.0	-109.4
OPBDIT/OI (%)	11.3%	-2.2%
Total Outside Liabilities/Tangible Networth (times)	2.5	3.1
Total Debt/OPBDIT (times)	9.8	-79.9
Interest Coverage (times)	2.7	-0.4

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

	Instrument	Current Rating (FY2021)				Rating History for the Past 3 Years								
		Type	Amount Rated	Amount Outstanding	Rating	FY2020				FY2019		FY2018		
					31-Dec-2020	10-Sep-2019	19-Aug-2019	08 Aug 2019	30-Jul 2019	14-Feb-2019	07-Sep-18	09-Nov-17	26-Sep-17	22-Aug-17
1	NCD	Long Term	100.00	100.00	[ICRA]D	[ICRA]D	[ICRA]B+ (Negative)	[ICRA]BB+ (Negative)	[ICRA]BBB+ @	[ICRA] BBB+ (Negative)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (&)	[ICRA]BBB+ (Stable)
2	Cash Credit	Long Term	300.00	300.00	[ICRA]D	[ICRA]D	[ICRA]B+ (Negative)	[ICRA]BB+ (Negative)	[ICRA]BBB+ @	[ICRA] BBB+ (Negative)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (&)	[ICRA]BBB+ (Stable)
3	Term Loans	Long Term	526.01	526.01	[ICRA]D	[ICRA]D	[ICRA]B+ (Negative)	[ICRA]BB+ (Negative)	[ICRA]BBB+ @	[ICRA] BBB+ (Negative)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (&)	[ICRA]BBB+ (Stable)
4	Long term Unallocated	Long Term	6.53	6.53	[ICRA]D	[ICRA]D	[ICRA]B+ (Negative)	[ICRA]BB+ (Negative)	[ICRA]BBB+ @	[ICRA] BBB+ (Negative)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (&)	[ICRA]BBB+ (Stable)
5	Bank Guarantee	Short Term	383.00	NA	[ICRA]D	[ICRA]D	[ICRA]A4	[ICRA]A4+	[ICRA]A2 @	[ICRA]A2	[ICRA]A2	[ICRA]A2	[ICRA]A2 (&)	[ICRA]A2
6	Fund based	Short Term	29.50	NA	[ICRA]D	[ICRA]D	[ICRA]A4	[ICRA]A4+	[ICRA]A2 @	[ICRA]A2	[ICRA]A2	[ICRA]A2	[ICRA]A2 (&)	[ICRA]A2

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE075B07027	NCD	27-Jun-2016	11%	25-Jun-2021	100.00	[ICRA]D
NA	Term Loan 1	Mar-2014	11.55%	Oct-2022	167.43	[ICRA]D
NA	Term Loan 2	Jun-2017	10.00%	Jun-2025	11.60	[ICRA]D
NA	Term Loan 3	Feb-2016	10.40%	Mar-2022	48.85	[ICRA]D
NA	Term Loan 4	Jun-2017	10.00%	Jun-2025	84.38	[ICRA]D
NA	Term Loan 5	Mar-2017	9.52%	Jul-2023	40.36	[ICRA]D
NA	Term Loan 6	Mar-2017	9.72%	Feb-2022	18.95	[ICRA]D
NA	Term Loan 7	Jun-2017	10.00%	Jun-2025	91.49	[ICRA]D
NA	Term Loan 8	Jun-2017	10.00%	Jun-2025	62.95	[ICRA]D
NA	Cash Credit	NA	NA	NA	300.00	[ICRA]D
NA	Unallocated	NA	NA	NA	6.53	[ICRA]D
NA	Non fund based	NA	NA	NA	383.00	[ICRA]D
NA	Short Term Loan 1	Aug-2017	12.00%	Aug-2018	24.50	[ICRA]D
NA	Short Term Loan 2	Sep-2017	9.72%	Sep-2018	5.00	[ICRA]D

Source: Sical Logistics Limited

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Sical Connect Limited [erstwhile known as Norsea Offshore India Limited]	100.00%	Full consolidation
Sical Supply Chain Solution Limited (erstwhile known as Sical Adams Offshore Limited)	100.00%	Full consolidation
Sical Mining Limited	100.00%	Full consolidation
Sical Iron Ore Terminals (Mangalore) Limited	100.00%	Full consolidation
Bergen Offshore Logistics Pte Limited	100.00%	Full consolidation
Sical Saumya Mining Limited	65.00%	Full consolidation
Sical Iron Ore Terminals Limited	63.00%	Full consolidation
PATCHEMS Pvt Ltd	84.00%	Full consolidation
Sical Logixpress Private Limited (erstwhile known as PNX Logistics Private Limited)	60.00%	Full consolidation
Develecto Mining Limited	51.00%	Full consolidation
Sical Infra Assets Limited	53.60%	Full consolidation
Sical Multimodal and Rail Transport Limited	53.60%	Full consolidation
Sical Bangalore Logistics Park Limited	100.00%	Full consolidation
Sical washeries	100.00%	Full consolidation
PSA Sical Terminals Limited	37.50%	Equity method
Sical Sattva Rail Terminals Private Limited	50.00%	Equity method

ANALYST CONTACTS

K. Ravichandran
+91 44 4596 4301
ravichandran@icraindia.com

Sai Krishna
+91 44 4596 4304
sai.krishna@icraindia.com

Krithi Gugan K
+91 44 45964340
krithi.gugan@icraindia.com

Satish Kumar S
+91 44 45964312
satish.s@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

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For more information, visit www.icra.in

ICRA Limited

Corporate Office
Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002
Tel: +91 124 4545300
Email: info@icraindia.com
Website: www.icra.in

Registered Office
1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001
Tel: +91 11 23357940-50

Branches

Mumbai	+ (91 22) 24331046/53/62/74/86/87
Chennai	+ (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
Kolkata	+ (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,
Bangalore	+ (91 80) 2559 7401/4049
Ahmedabad	+ (91 79) 2658 4924/5049/2008
Hyderabad	+ (91 40) 2373 5061/7251
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