Sical Logistics Limited

Instrument	Amount	Rating Action
	In Rs Crore	June 2016
Long term: Non Convertible Debentures	100.00	[ICRA]BBB+ (Stable); assigned
Long term: Cash Credit	212.50	[ICRA]BBB+ (Stable); reaffirmed
Long term: Term Loans outstanding	178.89	[ICRA]BBB+ (Stable); reaffirmed
Long term: Proposed Facilities	15.74	[ICRA]BBB+ (Stable); reaffirmed
Short term: Non fund based facilities	182.50	[ICRA]A2; reaffirmed

ICRA has reaffirmed the rating to the Rs 407.13 crore long term bank facilities of Sical Logistics Limited ('SLL'/the Company) at [ICRA]BBB+ (pronounced as ICRA triple B plus)[1]. The outlook on the rating is Stable. ICRA has also reaffirmed the rating to the Rs 182.5 crore non fund based bank facilities of SLL at [ICRA]A2 (pronounced ICRA A two). ICRA has also assigned the rating of [ICRA]BBB+ to the Rs 100.0 crore[2] proposed Non Convertible Debenture (NCD) issuance of SLL.

ICRA also has an outstanding rating of [ICRA]BBB+ on the Rs 100.0 crore Non Convertible Debenture (NCD) issuance of SLL.

The reaffirmation of the ratings reflects the continued financial support from the promoters (Coffee Day Group) and ICRA's expectation of an improvement in the standalone credit profile of the Company owing to the increasing contribution from some high margin business divisions. Following the acquisition of a majority stake in FY 2012, the Coffee Day Group (of which, Coffee Day Enterprises Limited (CDEL) is the Holding Company) has been actively reorganising the various activities of Sical and its subsidiaries and has provided financial support for refinance at lower rates. Till FY 2016 the promoter infused Rs 170 crore of unsecured loans towards various debt repayment and capital expenditure requirements. The funding support from the Group has largely followed from the successful IPO of CDEL which has resulted in lower debt and healthy liquidity at the Group level.

The ratings also take into consideration the recent receipt of Kamarajar Port Limited's Letter of Award for the handling of coal imports in Sical Iron Ore Terminal Limited's (SIOTL)[3] Ennore terminal. Following this, SIOTL is expected to commence conversion works (entailing further capex) to handle coal in the 12 MTPA terminal shortly. Even though risks remain with respect to the SIOTL's profitable operations, especially considering the high revenue share payable to the port, there is now clear visibility of revenues from the terminal in contrast to the impasse witnessed since 2011. The management also proposes to refinance the SIOTL debt with longer duration market borrowings which would substantially bring down the near term debt service commitments of SLL group.

The ratings also consider the company's established presence as an integrated logistics player in segments like port handling, trucking, warehousing and role as shipping and custom agency. The ratings factor in the commencement of the new contracts entered into with various clients; the key ones being the contract from NLC Tamilnadu Power Limited for integrated movement of coal from Paradip to Tuticorin, and the surface mining contract from Mahanadi Coalfields Limited (MCL). These contracts are expected to yield annual revenues upwards of ~Rs 500 crore (higher than the current standalone revenues of SLL) and the company expects robust profitability from these new segments based on the experience till date. The ratings further consider the steady revenues from the long term agreement towards coal handling with Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO).

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1 For complete rating scale and definitions, please refer to ICRA's website www.icra.in / other ICRA Rating publications

2 100 lakh = 1 crore = 10 million

3 Rating Rationales of other Group entities, namely Sical Iron ore Terminals Limited and Sical Multimodal and Rail Terminal Limited, are available on ICRA's website www.icra.in

The ratings, however, are constrained by the moderate financial profile of the company, with limited accruals and large financial support extended to its group entities (in the form of equity and corporate guarantees) over the last few years in various projects; with the return on some of the key projects being lower than envisaged. As discussed earlier, Sical Iron Ore Terminals Limited has been a non-starter for over five years. Although the operational performance of the container rail business of Sical Multimodal and Rail Terminal Limited (SMART) saw a decline in volumes in FY 2016, the container freight station division has been posting healthy profits year on year and is expected to support the debt service commitments of the subsidiary[4]. On the standalone front, the loss of Coal Berth 2 TANGEDCO volumes in Ennore Port, Chennai port cargo and the lack of any major orders for the dredger have resulted in revenue stagnation; nevertheless, the margins have improved following improved contribution from the nascent surface mining and integrated logistics divisions. The company has significant loan repayment obligations and capex requirements (for SIOTL, surface mining and container rail segments) in the medium term; ICRA expects the support from the parent company to continue if the standalone cash flows are inadequate to meet the same.

The conversion of Ennore terminal at budgeted capex levels without cost or time overruns; refinancing of SIOTL debt with longer tenor borrowings; and, the execution of the large NLC/MCL contracts at targeted profitability levels would be the key rating sensitivities going forward.

Company Profile

Incorporated in 1955, Sical Logistics (formerly South India Corporation (Agencies) Limited) is into the business of multi-modal logistics for bulk and containerized cargo port terminals, port handling, trucking and warehousing, surface mining, ship agency, container freight stations (CFSs), customhouse agency and offshore supply logistics. On a standalone basis, SLL operates under three divisions (Bulk, Container and offshore), while the consolidated books reflect investments, mainly in infrastructure, made through subsidiaries over the last few years.

SLL was promoted by Mr. M.A. Chidambaram Chettiar to provide ship and custom agency services apart from the core activity of trading. Over the years, SLL entered into port handling, container terminal operations (through JV) and logistics. In 2005, SLL hived-off non-core activities and increased its focus on logistics business. 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%. Currently, Tanglin is the major shareholder in the company with 52.8% stake. Coffee Day Group has a diversified portfolio of companies which have presence in owning and managing coffee plantations, coffee exports, retailing of coffee, vending machines and cafes.

For FY 2016 SLL, on a standalone basis, reported Profit after Tax (PAT) of Rs 18.5 crore on an operating income of Rs 591.1 crore. SLL, on a consolidated basis, reported a PAT of Rs 14.2 crore on an operating income of Rs 835.2 crore in FY 2016.

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[4] Rating Rationales of other Group entities, namely Sical Iron ore Terminals Limited and Sical Multimodal and Rail Terminal Limited, are available on ICRA's website www.icra.in

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