

August 22, 2017

Sical Logistics Limited

Summary of rated instruments

Instrument*	Rated Amount (Rs. crore)	Rating Action
Long-term: Cash Credit	250.0 (enhanced from 212.50)	[ICRA]BBB+ (Stable); reaffirmed
Long-term: Term Loans Outstanding	313.0 (revised from 376.89)	[ICRA]BBB+ (Stable); reaffirmed
Long-term: Proposed Facilities	55.08 (enhanced from 15.74)	[ICRA]BBB+ (Stable); reaffirmed
Long-term: Non-Convertible Debenture	100.00	[ICRA]BBB+ (Stable); reaffirmed
Short-term: Non-fund Based Facilities	243.00 (enhanced from 182.50)	[ICRA]A2; reaffirmed
Total	961.08	

*Instrument details are provided in Annexure-1

Rating action

ICRA has reaffirmed the rating to the Rs.618.08 crore (enhanced from Rs. 605.13 crore) long-term bank facilities of Sical Logistics Limited ('SLL' / 'the company') at [ICRA]BBB+ (pronounced as ICRA triple B plus)¹. ICRA also has reaffirmed the rating of [ICRA]BBB+ on the Rs. 100.0 crore Non-Convertible Debenture (NCD) issuance of SLL. The outlook on the long-term rating is Stable. ICRA has also reaffirmed the rating to the Rs. 243.0 crore (enhanced from Rs. 182.50 crore) non-fund based bank facilities of SLL at [ICRA]A2 (pronounced ICRA A two).

Rationale

The reaffirmation of the ratings reflects the continued financial support from the promoters (Coffee Day Group) and a tangible improvement in the standalone credit profile of the company owing to the increasing contribution from some high margin business divisions, the overall increase in the debt maturity following refinancing of Sical Iron Ore Terminals Limited (SIOTL) borrowings with longer tenor debt, as well as the company's continued efforts to refinance other borrowings in favour of longer tenure loans.

The Coffee Day Group (of which, Coffee Day Enterprises Limited, or CDEL, is the holding company) acquired majority stake in SLL in FY 2012. Till FY2017, the promoter has infused Rs. 170 crore of unsecured loans towards various debt repayment and capital expenditure requirements. The financial flexibility of the Group remains high with sizeable accumulated reserves, strong investment portfolio and healthy liquidity.

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

The ratings also take into consideration the recent receipt of Environmental Clearance for Sical Iron Ore Terminal Limited's (SIOTL)² Ennore terminal. Following this, SIOTL is expected to commence conversion works (entailing further capex) to handle coal in the 12 MTPA terminal shortly. The management has also refinanced the SIOTL debt with a longer duration debt (Rs. 500 crore sanction for repayment of old debt and for conversion capex; repayable over a 20-year period), which has substantially brought down the near term debt service commitments of the SLL Group. Even though risks remain with respect to 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 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. Moreover, the ratings also consider the sustainable improvement in profitability due to change in revenue mix due to increasing revenues from highly profitable business segments like mining and integrated logistics.

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. SIOTL has been a non-starter for close to six years. Although the operational performance of the container rail business of Sical Multimodal and Rail Terminal Limited (SMART) has seen stagnation in revenues in the recent past, the container freight station division has been posting healthy profits year-on-year and is expected to support the debt service commitments of the subsidiary². On the standalone front, higher revenues flowing in from mining and integrated logistics has helped the company post substantial growth in revenues; moreover, the margins have also improved following improved contribution from mining and integrated logistics divisions. Nevertheless, due to higher capital expenditure for the mining segment—SLL has procured most of the requisite machinery for the contracts—the standalone debt level of the company has increased.

The company has significant loan repayment obligations and capex requirements (for SIOTL, 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 the Ennore terminal at budgeted capex levels without cost or time over-runs; and the sustainable execution of the large NLC / mining contracts at targeted profitability levels would be the key rating sensitivities, going forward.

Key rating drivers

Credit strengths

- **Established player in the Integrated logistics solutions business with presence in areas of port handling, transportation and shipping services, especially in southern India** – Incorporated in 1955, the company has significant presence in southern ports like those at Kamarajar, Chennai, Tuticorin and Visakhapatnam for handling various port operations. The company also has established its presence in transportation, shipping and container rail operations. This enables it to be a multi-modal integrated logistics player.

Sustainable improvement in profitability due to relatively high margin mining/integrated logistics activities – The company has registered sustainable improvement in profitability margins due to increased revenue contribution from more profitable segments like mining and integrated logistics. ICRA expects these business segments to drive profitability, going forward.

² 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.

- **Tangible support from the promoter, Coffee Day Group** - Following the takeover of SLL from its erstwhile promoters, the Coffee Day Group has been supporting the business through oversight and financial support. Till date, Coffee Day Enterprises Limited has infused Rs. 170 crore as unsecured loans to SLL, for meeting the various funding requirements of the businesses. SLL has also been able to refinance the borrowings at favourable rates. SLL expects similar support from its promoter as and when the need arises, given the comfortable liquidity position enjoyed by the Group.

Credit weaknesses

- **SIOTL's terminal continues to remain idle resulting in substantial debt servicing burden at the Group level** – SLL has been infusing funds into SIOTL to service the debt obligations pending the commissioning of terminal. The conversion works are expected to commence shortly as the terminal has received the environmental clearance recently. However, the project returns would be contingent upon the operational performance of the terminal in the face of high competition among private terminals and the large revenue share payable to the Kamarajar Port.
- **Significant capex proposed for the standalone operations and subsidiaries; debt-funding of the same is likely to adversely impact the capital structure** - Mining necessitates sizeable capital expenditure for procurement of machinery. SLL has already incurred substantial capex in FY2017 and also expects to incur significant capital expenditure—for standalone operations, especially mining, as well as for subsidiaries—in the current fiscal too. Debt-funded capital expenditure is expected to further impact the capital structure. However, increasing cash accruals are expected to moderate the impact to a certain extent.
- **Financial support in the form of 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. Though moderated in FY2017, the corporate guarantees extended to subsidiaries and related group entities still remain sizeable. Moreover the company's continued support in the form of equity commitments and advances towards its subsidiaries is a credit concern.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

About the company:

Incorporated in 1955, Sical Logistics (formerly South India Corporation (Agencies) Limited) is involved in the business of multi-modal logistics for bulk and containerised cargo port terminals, port handling, trucking and warehousing, 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 shipping and custom agency services apart from its core activity of trading. Over the years, SLL began entering areas like 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. Tanglin Retail Realty 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 who have a presence in owning and managing coffee plantations, coffee exports, and retailing of coffee, vending machines and cafes.

For FY2017, on a standalone basis, SLL reported Profit after Tax (PAT) of Rs. 45.5 crore on an operating income (OI) of Rs. 739.6 crore. On a consolidated basis, SLL reported a PAT of Rs. 39.3 crore on an OI of Rs. 922.0 crore in FY2017.

Key Financial Indicators (Audited)

Consolidated	FY2016	FY2017
Operating Income (Rs. crore)	777.4	922.0
PAT (Rs. crore)	18.4	39.3
OPBDIT/ OI (%)	13.1%	16.2%
RoCE (%)	7.6%	9.7%
Total Debt/ TNW+MI (times)	1.81	2.09
Total Debt/ OPBDIT (times)	11.49	9.55
Interest coverage (times)	1.80	2.55
NWC/ OI (%)	35.3%	40.2%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress);
NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:

Table:

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years			
		Type	Rated amount (Rs. crore)	Month-year & Rating	Month- year & Rating in FY2017	Month- year & Rating in FY2016	Month- year & Rating in FY2014	
				August 2017	December 2016	August 2015	February 2014	
1	Cash Credit	Long Term	250.0	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA] BBB+ (Stable)	[ICRA]BBB- (Stable)	
2	Term Loans	Long Term	313.0	[ICRA]BBB+ (Stable)	[ICRA] BBB+ (Stable)	[ICRA] BBB+ (Stable)	[ICRA] BBB- (Stable)	
3	Unallocated	Long Term	55.08	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB- (Stable)	
4	Bank Guarantee	Short Term	243.0	[ICRA]A2	[ICRA] A2	[ICRA]A2	[ICRA]A3	
5	Non - Convertible Debenture	Long Term	100.0	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB- (Stable)	

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	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Cash Credit	-	-	-	250.0	[ICRA]BBB+ (Stable)
-	Term Loans	-	-	Feb 2022	19.0	[ICRA]BBB+ (Stable)
-	Term Loans	-	-	Dec 2019	53.0	[ICRA]BBB+ (Stable)
-	Term Loans	-	-	Feb 2022	67.0	[ICRA]BBB+ (Stable)
-	Term Loans	-	-	Jan 2022	72.0	[ICRA]BBB+ (Stable)
-	Term Loans	-	-	July 2023	55.0	[ICRA]BBB+ (Stable)
-	Term Loans	-	-	Mar 2020	47.0	[ICRA]BBB+ (Stable)
-	Unallocated	-	-	-	55.08	[ICRA]BBB+ (Stable)
-	Bank Guarantee	-	-	-	243.0	[ICRA]A2
INE075B07027	Non-Convertible Debenture	June 2016	11.0%	June 2021	100.0	[ICRA]BBB+ (Stable)

Source: Sical Logistics Limited

Contact Details

Analyst Contacts

K Ravichandran

+91 44 4596 4301

ravichandran@icraindia.com

Vuda Anurag Naveen Theja

+91 44 4297 4335

vuda.theja@icraindia.com

Raghunath T

+91 44 4596 4304

raghunath.t@icraindia.com

Relationship Contact

Jayanta Chatterjee

+91 80 4332 6401

jayantac@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

© Copyright, 2017, ICRA Limited. All Rights Reserved

Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500