

August 19, 2019

Norsea Offshore India Limited: Ratings downgraded to [ICRA]D from [ICRA]BB+ (SO) (Negative)

Summary of rated action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loan	24.00	24.00	[ICRA] D; downgraded from [ICRA]BB+ (SO) (Negative)
Total	24.00	24.00	

*Instrument details are provided in Annexure-1

Rationale

The rating downgrade takes into account the recent delay in repayment of principal installment. The delay was on account of further weakening of liquidity position of the Sical Group due to delays in disbursement of loan installments by some lenders, post the unexpected demise of the group's promoter – Mr. V. G. Siddhartha, indicating weakened financial flexibility and enhanced refinancing risks faced by the group. The loan availed by Norsesea Offshore India Limited was backed by corporate guarantee from Sical Logistics Limited and an undertaking to ensure that the debt obligations are serviced on or prior to the due date, irrespective of the invocation of the guarantee by the beneficiary. However, while the guarantee has not been invoked by the lender, SLL did not honour the undertaking due to weak liquidity position at the group level.

Outlook: Not Applicable

Key rating drivers

Credit Challenges

Weakened financial flexibility and liquidity profile of the group – The rated bank facilities of Norsesea are backed by an unconditional and irrevocable guarantee provided by SLL for its due payment and an undertaking provided by the guarantor that it would ensure that the related debt obligations are serviced on or prior to the due date, irrespective of the invocation of the guarantee by the beneficiary. However, the guarantor did not service the debt since the guarantee was not invoked by lender, despite the undertaking. The delay in debt servicing by Norsesea was on account of liquidity pressure at the group level, arising from delays in disbursement of loan (under another group entity – Sical Iron Ore Terminal Limited) by one of the lenders, post the unexpected demise of SLL's promoter – Mr. V. G. Siddhartha, indicating weakened financial flexibility and enhanced refinancing risks faced by the group. ICRA notes that the consolidated entity has high repayment obligations and any further liquidity stress caused by delays in disbursement of sanctioned facilities will have adverse impact on the debt servicing capability of the Sical group.

Liquidity Position:

Not Applicable

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology ICRA's policy on default recognition
Parent/Group Support	Parent/Group Company: SLL
Consolidation / Standalone	For arriving at the ratings of SLL, ICRA has considered the consolidated financials of SLL.

About the company:

Norsea Offshore India Limited (Norsea) is a step-down subsidiary of Sical Logistics Limited and is engaged in the business of dredging. The company owns a dredger (total gross block of Rs 136 crore as on 31st March 2018) which it leases to its parent, Sical, for the execution of dredging contracts across ports in India. Additionally, Norsea also started handling retail logistics business recently.

Guarantor Profile:

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 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. 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 55.18% shareholding in SLL through its Group entities namely Tanglin (50.19%) 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 Sical Group	FY2018	FY2019
Operating Income (Rs. crore)	1194.2	1524.9
PAT (Rs. crore)	30.4	24.0
OPBDIT/OI (%)	14.4%	11.3%
RoCE (%)	8.5%	7.5%
Total Debt/TNW (times)	2.1	2.1
Total Debt/OPBDIT (times)	8.8	9.8
Interest coverage (times)	2.8	2.7

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

		Current Rating (FY2020)			Chronology of Rating History for the Past 3 Years					
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2020		Date & Rating in FY2019			Date & Rating in FY2018	
				Aug 2019	Aug 2019	Jul 2019	Feb 2019	Sep 2018	Nov 2017	
1	Term Loan	24.00	24.00	[ICRA] D	[ICRA] BB+ (SO) (Negative)	[ICRA] BBB+ (SO) @	[ICRA] BBB+ (SO) (Negative)	[ICRA] BBB+ (SO) (Stable)	[ICRA] BBB+ (SO) (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 Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	Jul-2012	10.70%	Jul-2019	24.00	[ICRA]D Source: Norsesea Offshore India Limited

Annexure-2: List of entities considered for consolidated analysis

Not Applicable

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

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:

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

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

Pune + (91 20) 2556 0194/ 6606 9999

© Copyright, 2019 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