

August 19, 2019

PNX Logistics Pvt Ltd (PNX): Ratings downgraded to [ICRA] B+ (SO) (Negative)/A4 (SO) from [ICRA] BB+ (SO) (Negative)/ [ICRA] A4+ (SO)

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. Crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loan 1	14.00	14.00	[ICRA]B+(SO)(Negative); downgraded from [ICRA]BB+ (SO) (Negative)
Term Loan 2	5.00	5.00	[ICRA]B+(SO)(Negative); downgraded from [ICRA]BB+ (SO) (Negative)
Cash Credit	14.00	14.00	[ICRA]B+(SO)(Negative); downgraded from [ICRA]BB+ (SO) (Negative)
WCDL*	(14.00)	(14.00)	[ICRA]B+(SO)(Negative)/[ICRA]A4(SO); downgraded from [ICRA] BB+ (SO) (Negative)[ICRA] A4+ (SO)
Short term Loan*	(6.00)	(6.00)	[ICRA]B+(SO)(Negative)/[ICRA]A4(SO); downgraded from [ICRA] BB+ (SO) (Negative)[ICRA] A4+ (SO)
Letter of Credit*	(2.00)	(2.00)	[ICRA]B+(SO)(Negative)/[ICRA]A4(SO); downgraded from [ICRA] BB+ (SO) (Negative)[ICRA] A4+ (SO)
Bank Guarantee*	(2.00)	(2.00)	[ICRA]B+(SO)(Negative)/[ICRA]A4(SO); downgraded from [ICRA] BB+ (SO) (Negative)[ICRA] A4+ (SO)
Total	33.00	33.00	

*Instrument details are provided in Annexure-1; Sub-limits

Rationale

The ratings are principally based on an unconditional and irrevocable corporate guarantee provided by Sical Logistics Limited¹ (SLL/ the guarantor, rated at [ICRA] B+(Negative)/[ICRA]A4)) for the Rs. 33.00 crore bank facilities of PNX Logistics Pvt Ltd (PNX) and an undertaking from the guarantor 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, ICRA notes that, SLL has not honoured the guarantor support undertaking provided to one of its subsidiaries - Norseia Offshore India Pvt Ltd, where the guarantee was not invoked by the lender, due to weak liquidity position at the Group level. The rating revision reflects the revision in rating of the guarantor due to weakening of credit profile.

Outlook: Negative

The outlook may be revised if there is a change in the outlook of the corporate guarantee provider, SLL.

¹ Rating Rationale of Sical Logistics Limited is available on ICRA's website www.icra.in

Key rating drivers

Credit challenges

Weak liquidity position at the Group level – The Sical Group remains exposed to refinancing risks, given considerable scheduled debt repayments and capex requirements in relation to the expected cash accruals. Further, the weakening of operating cash flows puts additional pressure on its liquidity position. While drawdown of longer tenure project loan for the SIOTL project was expected to help the liquidity profile of the consolidated entity, any delays in disbursement of loan by the lenders due to uncertainties arising from the demise of promoter and ongoing investigations will lead to increased liquidity pressure. Further delays in disbursement or stoppage of funding by the lender for the SIOTL project will lead to significant deterioration in liquidity profile of SLL (consolidated).

Liquidity position (Guarantor)

SLL remains exposed to refinancing risks, given considerable scheduled debt repayments and capex requirements in relation to the expected cash accruals. Further, the weakening of operating cash flows puts additional pressure on its liquidity position. While drawdown of longer tenure project loan for the SIOTL project was expected to help the liquidity profile of the consolidated entity, any delays in disbursement of loan by the lenders due to uncertainties arising from the demise of promoter and ongoing investigations will lead to increased liquidity pressure. Further delays in disbursement or stoppage of funding by the lender for the SIOTL project will lead to significant deterioration in liquidity profile of SLL (consolidated). Further, the weakened financial flexibility of the Coffee Day Group also has adverse impact on SLL's liquidity profile as the Group's ability to provide support in the form of unsecured loans in case of need is constrained by the recent developments.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Approach for rating debt instruments backed by third-party explicit support
Parent/Group Support	Parent/Group Company: SLL The assigned ratings are based on corporate guarantee extended by SLL
Consolidation / Standalone	The ratings are based on corporate guarantee extended by SLL. For arriving at the ratings of SLL, ICRA has considered the consolidated financials of Sical Logistics Limited.

About the company:

PNX Logistics Private Limited (PNX) traces its origins to a courier company which started as a proprietary firm in January 2000 with an objective to provide courier/document services. Incorporated in January 2007, PNX eventually became a private limited company in 2012. PNX subsequently exited the courier business and currently offers express cargo services pan-India catering to customers majorly in textile, automobile and pharmaceutical industries. PNX owns a mix of LCV, MCV and HCV vehicles and additionally operates vehicles under lease. The company has a team of 400+ employees working out of various offices across India. Sical Logistics Ltd acquired 60% stake in PNX in July 2017. The remaining 40% stake is currently held by the founder Mr. Ananthashesha Naganna Hanagal.

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 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%. 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		Date & Rating in			
				Aug 2019	Aug 2019	FY19		FY18	
				Aug 2019	Aug 2019	Jul 2019	Feb 2019	Sep 2018	Dec 2017
1	Term Loan 1	14.00	14.00	[ICRA] B+ (SO) (Negative)	[ICRA] BB+ (SO) (Negative)	[ICRA] BBB+ (SO) @	[ICRA]BBB+ (SO)(Negative)	[ICRA]BBB+ (SO)(Stable)	[ICRA]BBB+ (SO)(Stable)
2	Term Loan 2	5.00	5.00	[ICRA] B+ (SO) (Negative)	[ICRA] BB+ (SO) (Negative)	[ICRA] BBB+ (SO) @	[ICRA]BBB+ (SO)(Negative)	[ICRA]BBB+ (SO)(Stable)	[ICRA]BBB+ (SO)(Stable)
3	Cash Credit	14.00	NA	[ICRA] B+ (SO) (Negative)	[ICRA] BB+ (SO) (Negative)	[ICRA]BBB+ (SO) @	[ICRA]BBB+ (SO)(Negative)	[ICRA]BBB+ (SO)(Stable)	[ICRA]BBB+ (SO)(Stable)
4	WCDL*	(14.00)	NA	[ICRA] B+ (SO) (Negative) /[ICRA]A4 (SO)	[ICRA] BB+ (SO) (Negative) /[ICRA]A4+ (SO)	[ICRA] BBB+ (SO) @/ [ICRA] A2 (SO) @	[ICRA]BBB+ (SO)(Negative) /[ICRA]A2(SO)	[ICRA]BBB+ (SO)(Stable)/ [ICRA]A2 (SO)	[ICRA]BBB+ (SO)(Stable)/[I CRA]A2(SO)
5	Short term Loan*	(6.00)	NA	[ICRA] B+ (SO) (Negative) /[ICRA]A4 (SO)	[ICRA] BB+ (SO) (Negative) /[ICRA]A4+ (SO)	[ICRA] BBB+ (SO) @/ [ICRA] A2 (SO) @	[ICRA]BBB+ (SO)(Negative) /[ICRA]A2(SO)	[ICRA]BBB+ (SO)(Stable)/ [ICRA]A2 (SO)	[ICRA]BBB+ (SO)(Stable)/[I CRA]A2(SO)
6	Letter of Credit*	(2.00)	NA	[ICRA] B+ (SO) (Negative) /[ICRA]A4 (SO)	[ICRA] BB+ (SO) (Negative) /[ICRA]A4+ (SO)	[ICRA] BBB+ (SO) @/ [ICRA] A2 (SO) @	[ICRA]BBB+ (SO)(Negative) /[ICRA]A2(SO)	[ICRA]BBB+ (SO)(Stable)/ [ICRA]A2(SO)	[ICRA]BBB+ (SO)(Stable)/[I CRA]A2(SO)
7	Bank Guarantee*	(2.00)	NA	[ICRA] B+ (SO) (Negative) /[ICRA]A4 (SO)	[ICRA] BB+ (SO) (Negative) /[ICRA]A4+ (SO)	[ICRA] BBB+ (SO) @/ [ICRA] A2 (SO) @	[ICRA]BBB+ (SO)(Negative) /[ICRA]A2(SO)	[ICRA]BBB+ (SO)(Stable)/ [ICRA]A2(SO)	[ICRA]BBB+ (SO)(Stable)/[I CRA]A2(SO)

*Sub-limits

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 1	Oct-17	11.50%	Oct-22	14.00	[ICRA]B+(SO)(Negative)
NA	Term Loan 2	Oct-17	11.50%	Oct-22	5.00	[ICRA]B+(SO)(Negative)
NA	Cash Credit	Oct-17	NA	NA	14.00	[ICRA]B+(SO)(Negative)
NA	WCDL*	Oct-17	NA	NA	(14.00)	[ICRA]B+(SO)(Negative)/ICRA]A4(SO)
NA	Short term Loan*	Oct-17	11.50%	NA	(6.00)	[ICRA]B+(SO)(Negative)/ICRA]A4(SO)
NA	Letter of Credit*	Oct-17	NA	NA	(2.00)	[ICRA]B+(SO)(Negative)/ICRA]A4(SO)
NA	Bank Guarantee*	Oct-17	NA	NA	(2.00)	[ICRA]B+(SO)(Negative)/ICRA]A4(SO)

* Sub-limits

Source: PNX

Annexure-2: List of entities considered for consolidated analysis

Not Applicable

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