

August 19, 2019

Sical Saumya Mining Limited (SSML): 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	41.83	41.83	[ICRA]B+ (SO) (Negative); downgraded from [ICRA]BB+ (SO) (Negative)
Short term: Fund based facilities	25.00	25.00	[ICRA]A4(SO); downgraded from [ICRA] A4+ (SO)
Total	66.83	66.83	

*Instrument details are provided in Annexure-1

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. 66.83 crore bank facilities of Sical Saumya Mining Limited (SSML) 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 - Norse 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.

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).

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

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:

Sical Saumya Mining Limited (SSML) is a subsidiary of Sical Logistics Limited (SLL) and is engaged in the business of overburden extraction and transportation. The company was formed as a JV with Saumya Mining Limited (SML) for the purpose of securing overburden removal contracts in association with the coal removal contracts that Sical is undertaking in Mahanadi Coalfields Limited (MCL). Currently the company is executing two contracts – the operations are handled by SLL through a subcontract.

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:

Instrument	Type	Current Rating (FY2020)		Chronology of Rating History for the Past 3 Years							
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating		Date & Rating in FY2019			Date & Rating in FY2018		
				Aug 2019	Aug 2019	Jul 2019	Feb 2019	Sep 2018	Nov 2017	Sep 2017	Aug 2017
1	Term Loan	41.83	41.83	[ICRA] B+ (SO) (Negative)	[ICRA] BB+ (SO) (Negative)	[ICRA]] BBB+ (SO) (Negative) @	[ICRA]] BBB+ (SO) (Negative)	[ICRA]] BBB+ (SO) (Stable)	[ICRA]] BBB+(S) O (Stable)	[ICRA]] BBB+ (SO) (&)	[ICRA]] BBB+ (SO) (Stable)
2	Fund based facilities	25.00	25.00	[ICRA] A4 (SO)	[ICRA]A 4+ (SO)	[ICRA]]A2 (SO) @	[ICRA]A 2 (SO)	[ICRA]A 2 (SO)	-	-	-

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	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	Dec-2015	11.70%	Jul-2021	41.83	[ICRA]B+(SO)(Negative)
NA	Short term fund based	NA	NA	NA	25.00	[ICRA]A4(SO)

Source: SSML

Annexure-2: List of entities considered for consolidated analysis

Not Applicable

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