

September 10, 2019

Sical Iron Ore Terminals Limited: Ratings downgraded to [ICRA] D/D

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term: Term Loans	500.00	500.00	[ICRA]D; downgraded from [ICRA]B+(SO) (Negative)
Long term – Fund based	40.00	40.00	[ICRA]D; downgraded from [ICRA]B+(SO) (Negative)
Long term – Non fund based	60.00	60.00	[ICRA]D; downgraded from [ICRA]B+ (SO) (Negative)
Long term – Non-fund based (sub-limit)	(175.00)	(175.00)	[ICRA]D; downgraded from [ICRA]B+(SO) (Negative)
Short term – Non-fund based (sub-limit)	(175.00)	(175.00)	[ICRA]D; downgraded from [ICRA] A4 (SO)
Total	600.00	600.00	

*Instrument details are provided in Annexure-1

Material Event

Sical Logistics Limited (SLL) has delayed in making principal and interest payment on its term loans due for the month of August 2019. The company had sought for deferment of payment, which is yet to be received.

Impact of the Material Event

ICRA has downgraded the long-term rating assigned to Rs 600.00 crore fund-based/non-fund based facilities of SIOTL to [ICRA]D (pronounced as ICRA D) from [ICRA]B+ (Negative) (pronounced ICRA B plus) and also downgraded the short-term rating assigned to (Rs. 175.00) crore non-fund-based facilities(sub-limit) to [ICRA]D (pronounced as ICRA D) from [ICRA]A4 (pronounced ICRA A four). The rating action follows the delays in debt servicing of term loans within the due date.

Rationale

The rating downgrade follows the delay in debt servicing by the guarantor - Sical Logistics Limited¹(SLL/ the guarantor, rated at [ICRA]D/[ICRA]D). The ratings of SIOTL are based on an unconditional and irrevocable corporate guarantee provided by SLL for the Rs. 600.00-crore bank facilities of SIOTL 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, while SIOTL has is currently regular in debt servicing, the parent entity – SLL and some of the other group entities have delayed in debt servicing due to reduced financial flexibility and high refinancing requirements post demise of the group’s promoter – Mr. V G Siddhartha, leading to weakened liquidity profile of the group.

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

Key rating drivers

Credit challenges

Weakened financial flexibility and liquidity profile of the group – The delay in debt servicing by SLL and other group entities, was on account of weakened liquidity position post the unexpected demise of the group’s promoter – Mr. V. G. Siddhartha, due to reduced financial flexibility and enhanced refinancing risks, with some of the lenders to the group also delaying the disbursement of loan installments. ICRA notes that Sical group has high repayment obligations in the near to medium term and is expected to continue to face liquidity pressure and has requested the lenders for rescheduling of loan repayments, with inclusion of short term moratorium, which if agreed upon may provide some respite on the liquidity front. ICRA also notes that both SLL and parent Coffee Day group is looking at deleveraging by raising funds through asset sales, which may include the parent’s stake sale in SLL. The developments on this front will be key monitorable.

Liquidity position: Not Applicable

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

SIOTL was incorporated as a special purpose vehicle in September 2006 by the consortium of SLL and L&T Infrastructure Development Projects Limited (L&T IDPL). A concession agreement (CA) was signed between SIOTL and Kamarajar Port Limited (KPL, erstwhile Ennore Port Limited) on September 23, 2006, to implement an iron ore terminal at Ennore Port, Tamil Nadu on a build-operate-transfer (BOT) basis for a total period of 30 years (including the terminal construction period). The project was planned towards setting up an iron ore terminal of capacity 6 MMTPA in Phase I to reach 12 MMPTA in phase II. At present, SLL holds 63% in the JV, while MMTC Limited and L&T IDPL hold 26% and 11%, respectively.

Despite completion, the operations did not commence due to the Supreme Court’s ban on iron ore mining operations in Karnataka in 2011. Post this, SIOTL sought approval from the Ministry of Shipping for conversion into a coal handling terminal. Subsequently, SIOTL received the approval from the Ministry of Shipping. The company received the letter of award from KPL in July 2016 for conversion of terminal to handle coal with a capacity of 12 MTPA. The terminal received the final environmental clearance and at present, terminal conversion works are ongoing. The management started receiving the Rs. 500-crore project loan, which is to be used for refinancing the old debt and to fund the conversion capex.

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	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 FY2019			Date & Rating in FY2018			
				10-Sep 2019	19-Aug 2019	08-Aug 2019	30-Jul 2019	22-Feb 2019	07-Sep 2018	09-Nov 2017	07-Sep 2017	22-Aug 2017	
1	Term Loans	Long Term	500.00	500.00	[ICRA] D	[ICRA]B+ (SO) (Negative)	[ICRA]BB+ (SO) (Negative)	[ICRA]BBB+ (SO) @	[ICRA] BBB+ (SO) (Negative)	[ICRA] BBB+ (SO) (Stable)	[ICRA] BBB+ (SO) (Stable)	[ICRA] BBB+ (SO) (&)	[ICRA] BBB+ (SO) (Stable)
2	Fund based	Long Term	40.00	NA	[ICRA] D	[ICRA]B+ (SO) (Negative)	[ICRA]BB+ (SO) (Negative)	[ICRA]BBB+ (SO) @	[ICRA] BBB+ (SO) (Negative)	[ICRA] BBB+ (SO) (Stable)	[ICRA] BBB+ (SO) (Stable)	[ICRA] BBB+ (SO) (&)	[ICRA] BBB+ (SO) (Stable)
3	Non fund based	Long Term	60.00	NA	[ICRA] D	[ICRA]B+ (SO) (Negative)	[ICRA]BB+ (SO) (Negative)	[ICRA]BBB+ (SO) @	[ICRA] BBB+ (SO) (Negative)	[ICRA] BBB+ (SO) (Stable)	[ICRA] BBB+ (SO) (Stable)	[ICRA] BBB+ (SO) (&)	[ICRA] BBB+ (SO) (Stable)
4	Non fund based (sublimit)	Long Term	(175.00)	NA	[ICRA] D	[ICRA]B+ (SO) (Negative)	[ICRA]BB+ (SO) (Negative)	[ICRA]BBB+ (SO) @	[ICRA] BBB+ (SO) (Negative)	[ICRA] BBB+ (SO) (Stable)	[ICRA] BBB+ (SO) (Stable)	[ICRA] BBB+ (SO) (&)	[ICRA] BBB+ (SO) (Stable)
5	Non fund based (sublimit)	Short Term	(175.00)	NA	[ICRA] D	[ICRA]A4 (SO)	[ICRA]A4+ (SO)	[ICRA] A2 (SO) @	[ICRA] A2(SO)	[ICRA] A2(SO)	[ICRA] A2(SO)	[ICRA]A2 (SO) (&)	[ICRA] A2(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 No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loans	Sep-2016	11.00%	Jun- 2038	500.00	[ICRA]D
NA	Long term: Fund based	NA	NA	NA	40.00	[ICRA]D
NA	Long term: Non-fund based	NA	NA	NA	60.00	[ICRA]D
NA	Long term: Non-fund based*	NA	NA	NA	(175.00)	[ICRA]D
NA	Short term: Non-fund based*	NA	NA	NA	(175.00)	[ICRA]D

* Sub-limits

Source: SIOTL

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