

September 10, 2019

## Sical Logistics Limited (SLL): Ratings downgraded to [ICRA] D/D

### Summary of rating action

| Instrument*                            | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action                                  |
|----------------------------------------|-----------------------------------|----------------------------------|------------------------------------------------|
| Non-Convertible Debenture Programme    | 100.00                            | 100.00                           | [ICRA] D; downgraded from [ICRA]B+ (Negative)  |
| Long term – Cash Credit                | 300.00                            | 300.00                           | [ICRA] D; downgraded from [ICRA]B+ (Negative)  |
| Long term – Term Loans Outstanding     | 526.01                            | 526.01                           | [ICRA] D; downgraded from [ICRA]B+ (Negative)  |
| Long term – Unallocated                | 6.53                              | 6.53                             | [[ICRA] D; downgraded from [ICRA]B+ (Negative) |
| Short term Fund based facilities       | 29.50                             | 29.50                            | [ICRA]D; downgraded from [ICRA] A4             |
| Short term – Non-fund-based facilities | 383.00                            | 383.00                           | [ICRAD; downgraded from [ICRA] A4              |
| <b>Total</b>                           | <b>1345.04</b>                    | <b>1345.04</b>                   |                                                |

@ - Under rating watch with negative implications

### Material Event

Sical Logistics Limited (SLL) has delays in debt servicing 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 932.54 crore fund-based facilities of SLL 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. 412.50 crore fund-based/non-fund-based facilities 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 takes into account the delays in debt servicing of term loans by SLL. The delays have been 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.

The company's financial risk profile is characterised by weak capitalisation and coverage indicators, on account of significant debt levels and considerable interest costs. It is further impacted by SLL's weaker-than-expected operational

performance. ICRA had earlier taken note of the considerable capex requirements towards the mine development and operation (MDO) projects, over the near to medium term, for setting up the infrastructure and procurement of mining equipment, which would entail additional debt at the consolidated level. However, given the deterioration in liquidity profile, some of the above-mentioned capex may not materialise. Moreover, continued support in the form of equity commitments and corporate guarantees extended to its subsidiaries and related Group entities puts further stress on SLL's credit profile.

Sical Iron Ore Terminals Limited (SIOTL), a subsidiary of SLL, witnessed considerable delays in commencement of terminal operations for over close to seven years due to multiple reasons including ban on iron ore movement, delays in rebidding process for conversion into coal terminal and for receipt of environmental clearance. This led to considerable project cost overruns, leading to increased funding support from SLL over the years. However, the conversion work commenced in the last fiscal and is expected to achieve COD over the next 12 months. The project is primarily funded by Rs. 500.0-crore sanctioned facility (used for both capex and repayments of some old loans), repayable over a 20-year period. Even though, traction on the conversion project and replacement of older loans with longer duration loan are favourable for the consolidated entity, any delays in disbursement of loan instalments by lenders will have adverse impact on the overall liquidity profile and progress of the project. ICRA, also takes note of the significant revenue share payable (~52%) to Kamarajar Port, which can stress the debt servicing capability of SIOTL once it commences operations. Hence, speedy ramp up of cargo handled after COD will be a sensitivity factor.

## Key rating drivers

### Credit strengths

**Extensive track record and established presence in integrated logistics solutions** – Incorporated in 1955, the company has significant presence in South Indian ports like those at Kamarajar, Chennai, Tuticorin and Visakhapatnam for handling various port operations. SLL has established its presence in transportation, shipping and container rail operations. This enables it to be a multi-modal integrated logistics player.

### Credit challenges

**Weakened financial flexibility of the Coffee Day Group** – Following the takeover of SLL from its erstwhile promoters, the Coffee Day Group has been supporting its business through oversight and financial support. Till March 2019, CDEL infused ~Rs. 281 crore as unsecured loans to SLL (increased from Rs. 189.95 crore as on March 31, 2018), for meeting the various funding requirements of the businesses. However, given the unexpected demise of the Group's promoter and weakened financial flexibility with increased refinancing risks faced by the Coffee Day Group, following the aforementioned development and steep decline in share prices of Group entities, its ability to provide incremental support has become constrained.

**Financial risk profile characterised by weak capitalisation and coverage indicators** – In FY2019, SLL (consolidated) witnessed a healthy revenue growth, driven by increased revenues from the mining segment. However, it witnessed moderation in its profit margin on account of lower-than-expected margin from the mining project and high bid preparation expenses. The company continued to register subdued profit margin in Q1 FY2020. The capital structure and coverage indicators remained subdued with a gearing of 2.1 times as on March 31, 2019 and DSCR and interest coverage of 0.5 times and 2.5 times in FY2019, respectively. Moreover, significant scheduled annual debt repayments in the range of Rs. 250 – Rs. 300 crore per annum over the next three fiscals, amid limited cash accruals, might entail refinancing risks for the company.

**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. Moreover, the company’s continued support in the form of equity commitments and advances towards its subsidiaries is a credit concern.

### Liquidity position: Poor

SLL’s liquidity profile is poor as reflected by delays in debt servicing

### Rating Sensitivities

Positive triggers – Regularisation of debt servicing on a sustained basis (more than three months), following improvement in liquidity profile of the group.

Negative triggers – Not applicable

### Analytical approach

| Analytical Approach             | Comments                                                                                                                                                                                                             |
|---------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Applicable Rating Methodologies | <a href="#">Corporate Credit Rating Methodology</a>                                                                                                                                                                  |
| Parent/Group Support            | Parent/Group Company: Coffee Day Group<br>The ratings factor in implicit support from Coffee Day Group                                                                                                               |
| Consolidation / Standalone      | For arriving at the ratings, ICRA has considered the consolidated financials of SLL. As on March 31, 2019, the company had 11 subsidiaries, three step-down subsidiaries and two JVs, which are listed in Annexure-2 |

### About the company

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                 | 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

| Chronology of Rating History for the Past 3 Years |                       |                          |                                |             |                |                     |                      |              |                         |                     |                         |                |  |
|---------------------------------------------------|-----------------------|--------------------------|--------------------------------|-------------|----------------|---------------------|----------------------|--------------|-------------------------|---------------------|-------------------------|----------------|--|
|                                                   |                       | Current Rating (FY2020)  |                                |             | Date & Rating  |                     |                      |              | Date & Rating in FY2019 |                     | Date & Rating in FY2018 |                |  |
| Instrument                                        | Type                  | Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) | 10-Sep 2019 | 19-August 2019 | 08-August 2019      | 30-July 2019         | 14-Feb 2019  | 07-Sep 2018             | 09-Nov 2017         | 26-Sep 2017             |                |  |
| 1                                                 | NCD                   | Long Term                | 100.00                         | 100.00      | [ICRA]D        | [ICRA]B+ (Negative) | [ICRA]BB+ (Negative) | [ICRA]BBB+ @ | [ICRA]BBB+ (Negative)   | [ICRA]BBB+ (Stable) | [ICRA]BBB+ (Stable)     | [ICRA]BBB+ (&) |  |
| 2                                                 | Cash Credit           | Long Term                | 300.00                         | 300.00      | [ICRA]D        | [ICRA]B+ (Negative) | [ICRA]BB+ (Negative) | [ICRA]BBB+ @ | [ICRA]BBB+ (Negative)   | [ICRA]BBB+ (Stable) | [ICRA]BBB+ (Stable)     | [ICRA]BBB+ (&) |  |
| 3                                                 | Term Loans            | Long Term                | 526.01                         | 526.01      | [ICRA]D        | [ICRA]B+ (Negative) | [ICRA]BB+ (Negative) | [ICRA]BBB+ @ | [ICRA]BBB+ (Negative)   | [ICRA]BBB+ (Stable) | [ICRA]BBB+ (Stable)     | [ICRA]BBB+ (&) |  |
| 4                                                 | Long term Unallocated | Long Term                | 6.53                           | 6.53        | [ICRA]D        | [ICRA]B+ (Negative) | [ICRA]BB+ (Negative) | [ICRA]BBB+ @ | [ICRA]BBB+ (Negative)   | [ICRA]BBB+ (Stable) | [ICRA]BBB+ (Stable)     | [ICRA]BBB+ (&) |  |
| 5                                                 | Bank Guarantee        | Short Term               | 383.00                         | NA          | [ICRA]D        | [ICRA]A4            | [ICRA]A4+            | [ICRA]A2 @   | [ICRA]A2                | [ICRA]A2            | [ICRA]A2                | [ICRA]A2(&)    |  |
| 6                                                 | Fund based            | Short Term               | 29.50                          | NA          | [ICRA]D        | [ICRA]A4            | [ICRA]A4+            | [ICRA]A2 @   | [ICRA]A2                | [ICRA]A2            |                         |                |  |

## 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](http://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       | Mar-2014                    | 11.55%      | Oct-2022      | 167.43                   | [ICRA]D                    |
| NA      | Term Loan 2       | Jun-2017                    | 10.00%      | Jun-2025      | 11.60                    | [ICRA]D                    |
| NA      | Term Loan 3       | Feb-2016                    | 10.40%      | Mar-2022      | 48.85                    | [ICRA]D                    |
| NA      | Term Loan 4       | Jun-2017                    | 10.00%      | Jun-2025      | 84.38                    | [ICRA]D                    |
| NA      | Term Loan 5       | Mar-2017                    | 9.52%       | Jul-2023      | 40.36                    | [ICRA]D                    |
| NA      | Term Loan 6       | Mar-2017                    | 9.72%       | Feb-2022      | 18.95                    | [ICRA]D                    |
| NA      | Term Loan 7       | Jun-2017                    | 10.00%      | Jun-2025      | 91.49                    | [ICRA]D                    |
| NA      | Term Loan 8       | Jun-2017                    | 10.00%      | Jun-2025      | 62.95                    | [ICRA]D                    |
| NA      | Cash Credit       | NA                          | NA          | NA            | 300.00                   | [ICRA]D                    |
| NA      | Unallocated       | NA                          | NA          | NA            | 6.53                     | [ICRA]D                    |
| NA      | Non fund based    | NA                          | NA          | NA            | 383.00                   | [ICRA]D                    |
| NA      | Short Term Loan 1 | Aug-2017                    | 12.00%      | Aug-2018      | 24.50                    | [ICRA]D                    |
| NA      | Short Term Loan 2 | Sep-2017                    | 9.72%       | Sep-2018      | 5.00                     | [ICRA]D                    |

Source: Sical Logistics Limited

## Annexure-2: List of entities considered for consolidated analysis

| Company Name                                 | Ownership | Consolidation Approach |
|----------------------------------------------|-----------|------------------------|
| Norsea Offshore India Limited                | 100.00%   | Full consolidation     |
| Sical Adams Offshore Limited                 | 100.00%   | Full consolidation     |
| Sical Mining Limited                         | 100.00%   | Full consolidation     |
| Sical Iron Ore Terminals (Mangalore) Limited | 100.00%   | Full consolidation     |
| Bergen Offshore Logistics Pte Limited        | 100.00%   | Full consolidation     |
| SicalSaumya Mining Limited                   | 65.00%    | Full consolidation     |
| Sical Iron Ore Terminals Limited             | 63.00%    | Full consolidation     |
| PATCHEMS Pvt Ltd                             | 68.00%    | Full consolidation     |
| PNX Logistics Pvt Ltd                        | 60.00%    | Full consolidation     |
| Develecto Mining Limited                     | 51.00%    | Full consolidation     |
| Sical Infra Assets Limited                   | 53.60%    | Full consolidation     |
| Sical Multimodal and Rail Transport Limited  | 100.00%   | Full consolidation     |
| Sical Bangalore Logistics Park Limited       | 100.00%   | Full consolidation     |
| Norsea Global Offshore Pte Ltd               | 100.00%   | Full consolidation     |
| PSA Sical Terminals Limited                  | 37.50%    | Equity method          |
| Sical Sattva Rail Terminals Private Limited  | 50.00%    | Equity method          |

## ANALYST CONTACTS

**K. Ravichandran**

+91 44 4596 4301  
[ravichandran@icraindia.com](mailto:ravichandran@icraindia.com)

**Sai Krishna**

+91 44 4596 4304  
[sai.krishna@icraindia.com](mailto:sai.krishna@icraindia.com)

**Krithi Gugan K**

+91 44 45964340  
[krithi.gugan@icraindia.com](mailto:krithi.gugan@icraindia.com)

## RELATIONSHIP CONTACT

**Jayanta Chatterjee**

+91 80 4332 6401  
[jayantac@icraindia.com](mailto:jayantac@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

### Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto: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](http://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](mailto:info@icraindia.com)

Website: [www.icra.in](http://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](http://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