

September 10, 2019

PNX Logistics Pvt. Ltd. (PNX): Ratings downgraded to [ICRA] D/D

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]D; downgraded from [ICRA]B+(SO) (Negative)
Term Loan 2	5.00	5.00	[ICRA]D; downgraded from [ICRA]B+(SO) (Negative)
Cash Credit	14.00	14.00	[ICRA]D; downgraded from [ICRA]B+(SO) (Negative)
WCDL*	(14.00)	(14.00)	[ICRA]D/[ICRA]D; downgraded from [ICRA]B+(SO)(Negative)/[ICRA]A4(SO)
Short term Loan*	(6.00)	(6.00)	[ICRA]D/[ICRA]D; downgraded from [ICRA]B+(SO)(Negative)/[ICRA]A4(SO)
Letter of Credit*	(2.00)	(2.00)	[ICRA]D/[ICRA]D; downgraded from [ICRA]B+(SO)(Negative)/[ICRA]A4(SO)
Bank Guarantee*	(2.00)	(2.00)	[ICRA]D/[ICRA]D; downgraded from [ICRA]B+(SO)(Negative)/[ICRA]A4(SO)
Total	33.00	33.00	

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

Material Event

PNX Logistics Pvt Ltd (PNX) 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 33.00 crore fund-based facilities of PNX to [ICRA]D (pronounced as ICRA D) from [ICRA]B+ (Negative) (pronounced ICRA B plus) and also downgraded the long-term/short-term rating assigned to Rs. 24.00 crore fund-based/non-fund-based facilities (sub-limits) 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 PNX. 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.

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: Poor

The company’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	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:

Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Current Rating (FY2020)				Chronology of Rating History for the past 3 years		
				Date & Rating				Date & Rating in		
				10-Sep-2019	19-Aug-2019	08-Aug-2019	30-Jul-2019	FY19	07-Sep-2018	FY18
1	Term Loan 1	14.00	14.00	[ICRA]D	[ICRA] B+ (SO) (Negative)	[ICRA] BB+ (SO) (Negative)	[ICRA] BBB+ (SO) @	[ICRA] BBB+ (SO) @	[ICRA]BBB+ (SO)(Negative)	[ICRA]BBB+ (SO)(Stable)
2	Term Loan 2	5.00	5.00	[ICRA]D	[ICRA] B+ (SO) (Negative)	[ICRA] BB+ (SO) (Negative)	[ICRA] BBB+ (SO) @	[ICRA] BBB+ (SO) @	[ICRA]BBB+ (SO)(Negative)	[ICRA]BBB+ (SO)(Stable)
3	Cash Credit	14.00	NA	[ICRA]D	[ICRA] B+ (SO) (Negative)	[ICRA] BB+ (SO) (Negative)	[ICRA]BBB+ (SO) @	[ICRA]BBB+ (SO) @	[ICRA]BBB+ (SO)(Negative)	[ICRA]BBB+ (SO)(Stable)
4	WCDL*	(14.00)	NA	[ICRA]D/ [ICRA]D	[ICRA] B+ (SO) (Negative) / [ICRA]A4 (SO)	[ICRA] BB+ (SO) (Negative) / [ICRA]A4+ (SO)	[ICRA] BBB+ (SO) @ / [ICRA] A2 (SO) @	[ICRA] BBB+ (SO) @ / [ICRA] A2 (SO) @	[ICRA]BBB+ (SO)(Negative) / [ICRA]A2(SO)	[ICRA]BBB+ (SO)(Stable) / [ICRA]A2 (SO)
5	Short term Loan*	(6.00)	NA	[ICRA]D/ [ICRA]D	[ICRA] B+ (SO) (Negative) / [ICRA]A4 (SO)	[ICRA] BB+ (SO) (Negative) / [ICRA]A4+ (SO)	[ICRA] BBB+ (SO) @ / [ICRA] A2 (SO) @	[ICRA] BBB+ (SO) @ / [ICRA] A2 (SO) @	[ICRA]BBB+ (SO)(Negative) / [ICRA]A2(SO)	[ICRA]BBB+ (SO)(Stable) / [ICRA]A2 (SO)
6	Letter of Credit*	(2.00)	NA	[ICRA]D/ [ICRA]D	[ICRA] B+ (SO)	[ICRA] BB+ (SO)	[ICRA] BBB+	[ICRA] BBB+	[ICRA]BBB+ (SO)(Negative)	[ICRA]BBB+ (SO)(Stable) / [ICRA]A2(SO)

		Short Term				(Negative) / [ICRA]A4 (SO)	(Negative) / [ICRA]A4+ (SO)	(SO) @ / [ICRA] A2 (SO) @	(SO) @ / [ICRA] A2 (SO) @	/ [ICRA]A2(SO)	
7	Bank Guarantee*	Long Term/ Short Term	(2.00)	NA	[ICRA]D/ [ICRA]D	[ICRA] B+ (SO)	[ICRA] BB+ (SO)	[ICRA] BBB+ (SO) @ / [ICRA] A2 (SO) @	[ICRA] BBB+ (SO) @ / [ICRA] A2 (SO) @	[ICRA]BBB+ (SO)(Negative) / [ICRA]A2(SO)	[ICRA]BBB+ (SO)(Stable)/[ICRA]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	Current Rating and Outlook
					Rated (Rs. crore)	
NA	Term Loan 1	Oct-17	11.50%	Oct-22	14.00	[ICRA]D
NA	Term Loan 2	Oct-17	11.50%	Oct-22	5.00	[ICRA]D
NA	Cash Credit	Oct-17	NA	NA	14.00	[ICRA]D
NA	WCDL*	Oct-17	NA	NA	(14.00)	[ICRA]D/[ICRA]D
NA	Short term Loan*	Oct-17	11.50%	NA	(6.00)	[ICRA]D/[ICRA]D
NA	Letter of Credit*	Oct-17	NA	NA	(2.00)	[ICRA]D/[ICRA]D
NA	Bank Guarantee*	Oct-17	NA	NA	(2.00)	[ICRA]D/[ICRA]D

* Sub-limits

Source: PNX

Annexure-2: List of entities considered for consolidated analysis

Not Applicable

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