

November 04, 2014

CARE ASSIGNS 'CARE A (SO)' RATING TO THE BANK FACILITIES OF DIGHI OIL STORAGE PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities*	86.53	CARE A (SO) [Single A (Structured Obligation)]	Assigned

*Backed by unconditional and irrevocable Letter of Comfort from IMC Limited

Rating Rationale

The rating is primarily based on credit enhancement in the form of unconditional and irrevocable Letter of Comfort from IMC Limited (IMC, rated 'CARE A+', 'CARE A1+', CARE A+(Is)).

The ratings assigned to the bank facilities of IMC Limited (IMC) continue to factor in the established track record and experience of the promoters in the third-party bulk liquid storage business, healthy financial risk profile of IMC with stable cash accruals, comfortable capital structure, strong liquidity position with significant liquid investments as on March 31, 2014 and sustained improvement in the financial and operational performance of one of the JVs of IMC, Ennore Tank Terminals Private Limited (ETTPL). The ratings also take into account IMC's diversified revenue streams across ports, products and clients.

The ratings continue to be constrained by IMC's significant exposure to subsidiaries, further investments proposed in them and the risks associated with those ventures. The ratings further continue to be constrained by the fragmented and intensely competitive nature of the industry with captive capacity of the petro players limiting the business opportunities for IMC.

The ability of the company to improve its market position in the liquid storage business, capture the prospective growth in the coastal traffic of petro products and performance of the subsidiaries would be key rating sensitivities. Any increase in the exposure to the subsidiaries beyond the envisaged levels will also be a key rating sensitivity.

Background

Dighi Oil Storage Private Limited (DOSPL), incorporated in May 2011 is a wholly owned subsidiary of Chennai-based IMC Limited. The company was incorporated for the purpose of building and operating common user bulk liquid tank terminal in Dighi Port in Maharashtra. DOSPL has signed sub-lease agreement with Dighi Port Limited (DPL) in November 2012 for developing and operating the storage tanks inside Dighi Port for a period of 40 years commencing February 2012 (including construction period of 12 months).

The project envisages construction of 35 liquid storage tanks with a total capacity of 1.04 lakh Kilo Liters (KL) for storage of liquid cargo such as crude oil, petroleum products, chemicals, vegetable oils and biofuels. The project involves a total capital outlay of Rs.125.48 crore to be funded by term debt of Rs.86.53 crore and the balance through equity.

Project progress

DOSPL has commenced construction of tanks in June 2014. The foundation work is under progress and the company expects to complete 6 tanks of 20,000 KL by November 2014. The project is expected to be completed by May 2015. As on

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

August 28, 2014 total cost incurred on the project is Rs.26 crore funded by equity of Rs.14 crore and balance through debt.

About the Guarantor (IMC)

IMC was originally incorporated as Indian Molasses Company Limited in 1935 as a subsidiary of UK-based United Molasses Company, primarily to import and export molasses. Later the name was changed to IMC Limited. In 1950, the company diversified into third-party storage services by setting up a network of tank terminals at various Indian ports. IMC group has a tank capacity of over one million KL. IMC is the country's largest common-user bulk liquid storage services company handling liquids including petroleum-oil-lubricants (POL), chemicals, petro-chemicals and vegetable oils in most major ports of India. IMC also trades in agro-commodities and petroleum products including furnace oil and chemicals.

For the year ended FY14 (refers to the period April 1 to March 31), the company earned a PAT of Rs.27 crore on a total income of Rs.151 crore. During Q1FY15 as per provisional financials, the company earned a PAT of Rs.12 crore on a total income of Rs.44 crore.

Analyst Contact

Name: Narrmatha P

Tel: 044-2849 7812

Email: narrmatha.p@careratings.com

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

CONTACT

Head Office Mumbai

Mr. D.R. Dogra

Managing Director
 Mobile: +91-98204 16002
 E-mail: dr.dogra@carerating.com

Mr. Rajesh Mokashi

Dy. Managing Director
 Mobile: +91-98204 16001
 E-mail: rajesh.mokashi@careratings.com

Ms. Meenal Sikchi

Vice President - Bank Loan & Instrument Rating
 Mobile: +91-9819009839
 E-mail: meenal.sikchi@carerating.com

Mr. Ankur Sachdeva

Vice President - Bank Loan & Financial Services
 Mobile: +91-9819698985
 E-mail: ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

Other Office:

503, Kaledonia, Sahar Road, Near Andheri Railway Station, Andheri (E), Mumbai - 400 069
 Tel: +91-22-6144 3456 | Fax: +91-22-6144 3556

AHMEDABAD
Mr. Mehul Pandya

32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015
 Cell: +91-98242 56265
 Tel: +91-79-4026 5656
 E-mail: mehul.pandya@careratings.com

JAIPUR
Mr. Rahul Jain

304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.
 Cell: +91 – 93149 21496
 Tel: +91-141-402 0213 / 14
 E-mail: rahul.jain@careratings.com

BENGALURU
Mr. Dinesh Sharma

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.
 Cell: +91-99000 41975
 Tel: +91-80-4115 0445, 4165 4529
 E-mail: dinesh.sharma@careratings.com

KOLKATA
Ms. Priti Agarwal

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.
 Cell: +91-98319 67110
 Tel: +91-33- 4018 1600
 E-mail: priti.agarwal@careratings.com

CHANDIGARH
Mr. Sajan Goyal

2nd Floor, S.C.O. 196-197, Sector 34-A,
 Chandigarh - 160 022.
 Cell: +91 99888 05650
 Tel: +91-172-5171 100 / 09
 Email: sajan.goyal@careratings.com

NEW DELHI
Ms. Swati Agrawal

13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.
 Cell: +91-98117 45677
 Tel: +91-11-4533 3200
 E-mail: swati.agrawal@careratings.com

CHENNAI
Mr. V Pradeep Kumar

Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.
 Cell: +91 98407 54521
 Tel: +91-44-2849 7812 / 0811
 Email: pradeep.kumar@careratings.com

PUNE
Mr. Rahul Patni

9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.
 Cell: +91-78754 33355
 Tel: +91-20- 4000 9000
 E-mail: rahul.patni@careratings.com

HYDERABAD
Mr. Saikat Roy

401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.
 Tel: +91-40-4010 2030
 E-mail: saikat.roy@careratings.com

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