March 11, 2014

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF SICAL LOGISTICS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	413.42 (enhanced from 256.96)	CARE BBB- (Triple B Minus)	Reaffirmed
Short-term Bank Facilities	25.00	CARE A3 (A Three)	Assigned
Long/Short-term Bank Facilities	150.00 (enhanced from 100)	CARE BBB-/CARE A3 (Triple B Minus/A Three)	Reaffirmed
Total Facilities	**588.42**		

Rating Rationale

The ratings continue to factor in the established track record of Sical Logistics Limited (Sical) in the logistics sector for over five decades, integrated nature of logistics operations of the consolidated entity, stable revenue from its long-term service contract with major client, securing of major contract with NLC Tamilnadu Power Limited (NTPL), limited competition in stevedoring operations and demonstrated support of the current promoter, namely, the 'Coffee Day' group.

However, the ratings continue to be constrained by the significant exposure of Sical to its subsidiary companies of which the exposure to Sical Iron Ore Terminal Limited (SIOT) is largest and whose debt repayments are being supported by Sical as the project is yet to operationalize and the high competition in the trucking segment.

The extent of exposure to subsidiaries/group companies and return on investments thereof, continued support from the promoter group along with the ability of the company to sustain profitability margins while scaling up its operations would be the key rating sensitivities.

Background

Sical was promoted by Mr M A Chidambaram Chettiar in May 1955 under the name 'South India Corporation (Agencies) Private Limited' at Chennai. Sical is currently engaged in port handling, trucking, freight forwarding, Shipping Agency Services (SAS) and Customs House Agency (CHA). During FY11 (refers to the period April 01 to March 31), Bangalore-based Tanglin Retail Reality Developments (P) Limited (Tanglin), a part of the 'Coffee Day' group acquired stake in the company and as on March 31, 2013, Tanglin held 52.83% stake in Sical.

Tanglin is a wholly owned subsidiary of Tanglin Developments Limited (TDL) which in turn is a wholly owned subsidiary of Coffee Day Resorts Private Limited (CDRPL). CDRPL was promoted by Mr VG Siddhartha and is the holding company of the Coffee Day group. CDRPL is primarily into the business of managing hotels and resorts.

During FY13, the company reported a PAT of Rs.11.7 crore on a total operating income of Rs.513 crore. As per the provisional results for 9MFY14, the company reported a PAT of Rs.7.1 crore on a total operating income of Rs.433.2 crore.

[1] *Complete definition of the ratings assigned is available at www.careratings.com and in other CARE publications.*

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