



Annual Report 2008-09



Container logistics has in recent years grown from the fringes into a mainline business for Sical.

India's leading provider of integrated solutions for offshore logistics and multimodal logistics for bulk and containerized cargo, Sical is the single window for businesses that seek a seamless supply chain across road, rail, port, and sea.

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# Key financials

(consolidated, in INR million)

Year to 31 March	2009	2008
Revenue	6828.24	7204.45
Operating profit before interest, depreciation, tax	985.37	907.12
Net profit	246.19	535.16
On 31 March	2009	2008
Equity share capital	395.40	395.40
Net worth	2662.54	3106.88
Gross fixed assets	8610.39	7468.61
Net fixed assets	8656.10	6733.52

In 2008-09, we moved nearly 570,000 TEUs of container cargo and 26 million tonnes of bulk cargo—more than any other third party logistics provider in South Asia.

# From the chair

**A**t first glance, it would seem that 2008-09 was a disappointing fiscal for Sical, with FY09 top-line and bottom-line were down from year-ago levels. The fall continued into the first quarter of FY10; that too has seen a drop in year-on-year performance.

Our financial results, however, should be seen against the dark backdrop of the current global slowdown.

Like it has been for enterprises the world over, the second half of fiscal 2008-09 onwards has been a tough, rough time for Indian businesses. For providers of logistics solutions, a direct play on global and domestic trade, the worst recession since World War 2 has been particularly painful.

## The macro factor

There may be no better measure of the reach and depth of the global economic slowdown than the fortunes of the shipping industry, which moves nearly 90% of global trade.

On 20 May 2008 the Baltic Dry Freight Index (BDI), which gauges the cost of shipping resources including iron ore, cement, grain, coal and fertilizer across the world, recorded 11,793 points, its highest level since its introduction in 1985. In less than 7 months, on 5 December 2008, the BDI was at 663 points, its lowest in 22 years, and down 94% from its all time high. The daily rental rate for the largest bulk carriers plunged from over USD 200,000 to less than USD 3,000 in early December, a staggering 99% reduction.

As of end-March 2009, 485 container ships totaling 1.42 million TEUs (twenty foot equivalent units) capacity idled, accounting for 11.3% of the global fleet, surging from 70 ships of 150,000 TEUs in late October 2008. In 2005, the average day rate for the biggest container ships was USD 38,500; as I write to you, that rate is down to about USD 6,000. For a while, freight rates for containers shipped between Asia and Europe fell to zero—for the first time since records began—underscoring the dramatic collapse in trade since the world economy buckled in October.

The World Trade Organisation (WTO) recently forecast that global trade in 2009 might drop by an average of 9%, the sharpest fall since World War 2.

Amid all this gloom, we refused to buckle under and kept our chins up. We ensured that revenue was only marginally down, and we actually increased our operating profit and margins.

To offset the expected drop in container logistics volumes, we focused on bulk logistics—this business involves mostly domestic volumes—in the later quarters of FY09, improving our operation efficiencies and getting our marketing to cross-sell our integrated logistics value proposition aggressively.

We consider the resultant improvement in our bulk logistics business as a major takeaway from FY09.

The business climate might have been extremely tough; it was also an opportunity for Sical to showcase its differentiated, optimized offering. The fact that we actually increased our margins shows that customers will pay, and pay well, if they see value.

Sical's confident show amid the all-pervading gloom has been helped in no small measure by key appointments at the top.

## Key appointments

In May 2009, two major appointments were made to Sical's board: Karthik Menon as Vice-Chairman and LR Sridhar as Managing Director.

The appointments signaled the board's commitment to bring in, at the ownership and management levels, strong performers with a track record of strategic, management, and operational success.

Karthik Menon, who joins the board in a non-executive and honorary capacity, has been, without doubt, the strategist and driving force behind Sical's successful business and organizational structuring, set in motion in 2005-06. Given his stellar record not only with Sical, but with the promoter group's various companies, the board sees Mr Menon in the role of a facilitator to enhance shareholder value.

LR Sridhar has a track record of consistent delivery that inspires confidence. In less than three years of joining us, he transformed the container logistics business (Sical Distriparks) from an underachieving division into one of Sical's most significant businesses. He was given charge of the bulk logistics business less than a year ago; his focused approach to operations and business development has resulted in profitability margins in that segment as well.

This annual report's cover is a tribute to Mr Sridhar and the contribution of container logistics—steered by Mr Sridhar—towards realizing our vision of being India's dominant solutions provider of integrated multi-modal logistics solutions for bulk and containerized cargo.



## We remain confident

We are beginning to see some modest signs of stability coming back to the global and domestic economic order.

The global container industry is showing signs of improving in the second quarter of this year after more than nine months of a sharp downward trend, recent reports suggest.

While container volumes continue to be a source of worry, the various Indian ports are reporting good volumes for bulk cargo.

Our core bulk logistics business is for coal and iron ore with a mix of cement, fertilizer, and liquid bulk. Coal handling continues uninterrupted as electricity from power plants is an essential commodity in today's urbanized environment. Iron ore has seen a slowdown as well as huge price dips with the Chinese imports on hold. Cement is slow, in keeping with the slowdown in realty, but fertilizer movement might be stable this year.

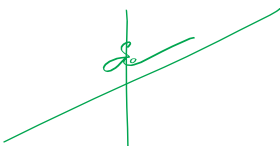
Sical Multimodal and Rail Transport Ltd, our container rail services company, is now operating from nine locations across India. Currently, four rakes are operating on the north-south corridor and east-central corridor. We plan to increase it to about six rakes, dependent on load factors.

None of our plans is on hold; we have focused investments into lower gestation cycles for quick payback even if at lower margins. Cash flow management is a key focus.

Annually, we move nearly 570,000 standard cargo containers and 26 million tonnes of bulk cargo, more than any other third-party logistics provider in South Asia.

As our infrastructure assets come into play over the next few fiscals, Sical's mission of becoming an end-to-end supply chain enabler will start taking shape.

With your encouragement and support, we look forward to strong value-led growth for all our stakeholders: investors, customers, business partners, bankers, and, indeed, Indian industry as a whole.



ASHWIN MUTHIAH  
Chairman

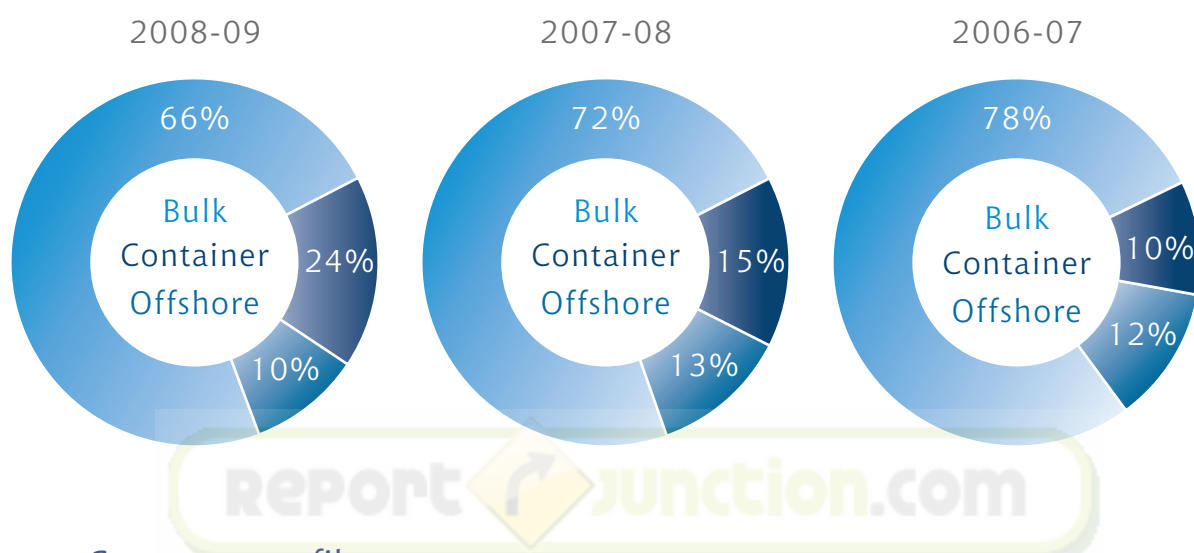


# Comment on consolidated financials

(in INR million)

Year to 31 March	2009	2008	Change	
Operating income	6745.47	7116.26	-5%	Volume decrease due to global economic downturn resulting in less operating income.
Other income	82.77	88.20	-6%	Mainly because economic slowdown resulted in lower share from joint ventures.
Expenditure	5842.87	6297.33	-7%	Corresponding effect of above economic slowdown and owing to proportionate fall in operating volumes.
Interest	159.34	203.26	-22%	Higher interest earnings being set off against interest paid.
Depreciation	360.68	277.54	+30%	Increased depreciation due to amortisation of licence.
Profit before tax	465.34	426.32	+9%	Reduction in cost of services and low interest payout.
Provision for tax	62.77	-8.83		Current year's deferred tax liability over the deferred tax asset in the previous year.
Exceptional items	-125.21	107.25	-217%	Foreign exchange fluctuation and expenses relating to relocation of dredger.
PAT	246.19	535.16	-54%	Increase in exceptional expenditure and provision for tax.
Equity share capital	395.40	395.40	-	
Fixed assets - gross block	8610.39	7468.61	+15%	Increase in asset base.
Fixed assets - additions	790.65	3894.89	-80%	Lower investment in fixed assets.
Investments	1036.86	1734.87	-40%	Redemption of certain investments.
Stock-in-trade	32.46	74.17	-56%	Hiving off non-logistics businesses.
Debtors	1915.66	2194.09	-13%	Aggressive collection of outstandings.
Cash and bank balances	1829.03	1982.14	-8%	Reduction in deposits with nationalised banks and reduction in deposit of margin money with the banks.
Loans and advances	2961.49	2819.22	+5%	Increase in TDS collectable and balance pending with government departments' receivables.

## Logistics revenue mix



## Customer profile

	2008-09	2007-08	2006-07
Percentage of revenue from top customer	36%	24%	21%
Percentage of revenue from top 5 customers	57%	45%	44%
Percentage of revenue from top 10 customers	68%	58%	51%
No. of customers that account for more than 10% of total revenue	1	2	2
No. of customers that account for over INR 10 mn revenue	52	47	49
No. of customers that account for over INR 50 mn revenue	13	20	11
No. of customers that account for over INR 100 mn revenue	9	12	7

(stand-alone, in INR million)

Year to 31 March	2009	2008	2007	2006	2005	2004
Sales and other income	4796.15	5709.61	9979.70	9692.20	12215.07	10906.07
Profit before interest, depreciation and tax	417.67	422.84	487.99	1189.95	938.74	857.13
Interest	169.37	132.14	175.50	265.34	435.69	635.97
Depreciation	119.27	123.03	138.29	137.82	128.11	162.05
Tax	(6.57)	(40.20)	42.21	135.84	34.98	(37.49)
Exceptional items	80.97	154.83	194.09	Nil	Nil	Nil
Net profit	54.63	362.58	326.16	536.86	311.34	93.74
Transfer to:						
Capital Redemption Reserve	Nil	Nil	Nil	240.00	Nil	14.50
Net worth	1961.18	270.82	3215.45	3144.64	2077.75	1768.32

# Quick information

Name of company	Sical Logistics Limited
Incorporation	May 1955
Initial public offering	1981
Primary business	Integrated solutions for offshore logistics and multi-modal logistics for bulk and containerized cargo.
Total revenue (consolidated)	INR 6.82 billion
Net profit (consolidated)	INR 246.19 million
Shares issued (as on 31 March 2009)	39.52 million

## Board

### ASHWIN C MUTHIAH, Chairman

Ashwin Chidambaram Muthiah heads the global operations of one of India's most eminent business families, the MA Chidambaram Group – now into its third generation with Mr Muthiah. The Group's business interests include integrated logistics, engineering services, fertilizers, petrochemicals, trading and shipping and offshore services with presence in South Asia, South East Asia and West Asia. Mr Muthiah is an MBA from Philadelphia University, US, and a BCom from Loyola College, University of Madras, India.

### KARTHIK MENON, Vice Chairman

Currently CEO with Singapore-based global sourcing and procurements company Wilson International, Karthik Menon has helped several companies in formulating and implementing business and finance strategy; evaluating asset performance for resource allocation and exits; and optimizing human capital. Mr Menon is a Master in Management Studies from Mumbai University, India, and BCom from Bharathidasan University, Tiruchirapalli, India.

### DHANANJAY N MUNGALE, Independent Director

Advisor to select corporate groups and companies in India and Europe, and on the board of various public and private Indian corporations, Dhananjay N Mungale has wide experience in international finance, capital markets, and merchant banking. A chartered accountant and law graduate, Mr Mungale has worked in various capacities with Bank of America, London & India, Colour Chem, and DSP Financial Consultants.

### HR SRINIVASAN, Independent Director

An international authority on logistics and supply chains with a long, illustrious career, HR Srinivasan has been Executive Director of India's Shriram Group; South Asia MD for Sembcorp Logistics, Singapore; and MD of Temasek Capital, the investment wing of the Singapore government. An active member of the Confederation of Indian Industry, Mr Srinivasan is a key member of the CII National Committee on Logistics and an advisory board member of the CII Institute of Logistics. Mr Srinivasan is a graduate in mathematics, an MA in Public Administration, and an MBA.



Listing

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National Stock Exchange of India

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#### Bankers

Allahabad Bank | Axis Bank  
Bank of India  
Centurion Bank  
HDFC | HDFC Bank  
IDFC | Indian Bank  
Federal Bank  
State Bank of India  
Vijaya Bank | Yes Bank

#### Auditors

CNGSN & Associates  
Chartered Accountants  
20 Raja Street T Nagar  
Chennai 600017

#### Company secretary

V Radhakrishnan

#### LUIS MIRANDA, Nominee Director – IDFC PE

Currently President & Chief Executive Officer of IDFC Private Equity, India's largest private equity fund focused on infrastructure, Luis Miranda has extensive experience in dealing with early stage companies and private equity investing. Before setting up IDFC Private Equity in 2002, Mr Miranda was a partner at ChrysCapital, and had worked with HDFC Bank, HSBC Markets, Citibank, KPMG, and PriceWaterhouse. Mr Miranda is an MBA from the University of Chicago and a member of the Institute of Chartered Accountants of India.

#### MANO VIKRANT SINGH, Independent Director

Widely experienced in corporate finance and in the capital and currency markets, Mano Vikrant Singh has served with American Securities Corporation, Cargill, and ITC, Mr Singh is an MSc in Biochemistry from Punjab University, India, and an MA from the City University of New York.

#### SANJIV RALPH NORONHA, Independent Director

A specialist in banking and automotive manufacturing, Sanjiv Ralph Noronha is currently Managing Director and Founder of SEAI International, Singapore. Before founding SEAI in September 2007, he was Group Managing Director for Chemoil Energy, Singapore. Mr Noronha is a BE (Mechanical Engineering) from Shivaji University, India, and an MBM from the Asian Institute of Management, Philippines.

#### VINOD P GIRI, Nominee Director – IDFC PE

An infrastructure finance specialist with skills in project finance, company valuation, feasibility studies/appraisals, Vinod Giri has been involved with most of IDFC PE's logistics/transportation infrastructure deals. Before IDFC PE, Mr Giri was with the Small Industries Development Bank of India and the advisory division of Credit Analysis and Research Ltd (CARE). Mr Giri is a BE (Mechanical Engineering) from Bombay University and an MBA from NMIMS, Mumbai.

#### LR SRIDHAR, Managing Director

A veteran of the logistics industry, LR Sridhar has, over the course of nearly 35 years, worked with reputed companies such as TNT, Skypak, Overnite Express, Sembcorp Logistics, Lee-Muir. Mr Sridhar has been with Sical since 2006, when he took over the container logistics business and turned it around from an underachieving division to become a mainline, profitable business for Sical. Mr Sridhar is a BCom from Osmania University, India.

# Business snapshot

## Services

### Bulk logistics

Managing the movement, at port and in land, of dry and liquid bulk cargo.

Port services include stevedoring, shipping agency and custom house agency at the major Indian ports.

Inland operations include trucking and a network of covered warehouses across India.

INR million	FY09	FY08	YoY change
Revenue			
Port	2928.2	3254.2	-10%
Inland	1459.3	1688.7	-14%
Operating profit			
Port	260.1	378.4	-31%
Inland	26.3	20.8	+26%
Capital employed			
Port	1145	1256.3	-9%
Inland	98.9	207.6	-52%

### Container logistics

To manage shipping containers as they are moved in and between container terminals, container freight stations and inland container depots.

PSA Sical Ltd manages the container terminal at Tuticorin; Sical Distriparks Ltd, a subsidiary, owns and operates a 55 acre container freight station at Chennai.

INR million	FY09	FY08	YoY change
Revenue	1608.7	1018.5	+58%
Operating profit	221.9	212.6	+4%
Capital employed	2951.2	1367.1	+116%

### Offshore logistics

Port dredging and servicing offshore drills and rigs of oil and energy exploration companies.

The latest generation MK2 class PSV, *Sical Torino*, services deepwater rigs in the North Sea.

The Germanischer Lloyds-classified low draught cutter suction dredger, *Sical Portofino*, is deployed in Saudi Arabia.

INR million	FY09	FY08	YoY change
Revenue	633.4	855.4	-26%
Operating profit	133.6	87.9	+52%
Capital employed	3021.9	2466.8	+23%