

**Sical Logistics Ltd**

South India House  
73 Armenian Street  
Chennai 600 001 India  
Phone : 91.44.66157016 Fax : 91.44.66157017



Ref.:SICAL:SD:2020

25<sup>th</sup> November, 2020

National Stock Exchange of India Limited  
Exchange Plaza, 5<sup>th</sup> Floor  
Plot No.C/1, G Block  
Bandra-Kurla Complex  
Bandra [East]  
Mumbai :: 400 051

BSE Limited  
Department of Corporate Services  
Floor 25, P.J. Towers  
Dalal Street  
Mumbai :: 400 001

Dear Sirs,

Sub : Statement of Impact on audit qualifications

Ref : Reg 33 of the SEBI [Listing Obligations and Disclosure Requirements] Regulations, 2015

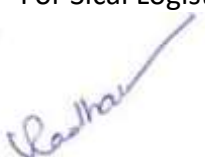
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Pursuant to Regulation 33 of the SEBI [Listing Obligations and Disclosure Requirements] Regulations, 2015, kindly find attached the Annexure detailing the Impact of Audit Qualifications on the Standalone and Consolidated audited financial statements of the Company for the year ended 31<sup>st</sup> March, 2020 as approved by the Board of Directors at their meeting held on 13<sup>th</sup> November, 2020.

This may kindly be taken on record.

Thanking you,

Yours faithfully,  
For Sical Logistics Limited

  
V. Radhakrishnan  
Company Secretary

Encl : As stated

## ANNEXURE I

### Statement on Impact of Audit Qualifications for the Financial Year ended March 31, 2020 on the Standalone Audited Financial results

[See Regulation 33 / 52 of the SEBI (LODR) (Amendment) Regulations, 2016]

#### I.

Sl.No.	Particulars	Audited Figures (as reported before adjusting for qualifications) Rs. In lakhs	Adjusted Figures (audited figures after adjusting for qualifications) Rs. In lakhs
1	Turnover / Total income	85663	85663
2	Total Expenditure	96684	96684
3	Net Profit/[Loss]	[8446]	[8446]
4	Earnings Per Share	[14.43]	[14.43]
5	Total Assets	191909	191909
6	Total Liabilities	140116	140116
7	Net worth	51793	51793
8	Any other financial item[s] as felt appropriate by the management	Nil	Nil

#### II. Audit Qualification (each audit qualification separately):

##### a. Details of Audit Qualification:

##### **Investment /Advances to Sical Iron Ore Terminals Limited (SIOT)**

The Company has an investment amounting to Rs 82.90 crores and has an outstanding Loan amounting to Rs 851.07 crores due from Sical Iron Ore Terminals Limited (SIOT) one of the subsidiaries of the Company.

Independent Auditors of SIOT have reported that due to acute liquidity crunch coupled with delay in completing the project along with other matters indicates that a material uncertainty exists that may cast significant doubt on SIOT's ability to continue as a going concern and there are impairment indications that cast a doubt that the carrying value of the Cash generating Unit (CGU) is likely to exceed its recoverable amount.

Pending conclusion of matters of material uncertainty related to the SIOT project, we are unable to comment whether any provision is required towards possible impairment for the said exposure.

##### **Going Concern**

The Company has incurred losses during the Financial Year, has excess of current liabilities over current assets, loans that have fallen due for repayment, loans which have fallen due of subsidiary companies for which the company is the guarantor. These events indicate that a material uncertainty related to the going concern assumption exists and the Company's ability to continue as a going concern is dependent on the financial support from the promoter and generation of the expected cash flows through operations, to be able to meet its obligations as and when they arise. However, the Company is confident of meeting its obligations in the normal course of business and accordingly the accounts of the Company have been prepared on a Going Concern basis.

**b. Type of Audit Qualification :** Qualified Opinion / Disclaimer of Opinion / Adverse Opinion

Qualified Opinion

**c. Frequency of qualification:** Whether appeared first time / repetitive / since how long continuing

Appeared for the first time

**d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:**

**(i) Management's estimation on the impact of audit qualification:**

**[a] Investments / Advances to Sical Iron Ore Terminals Limited [SIOT]**

The SIOT project was initially for setting up of an iron ore terminal to handle export cargo of iron ore of 12MMT/PA from the Kamarajar Port for a period of 30 years and the licence agreement was entered into in the year 2006. MMTC Limited and L&T IDPL are the joint venture partners along with Sical Logistics Limited for executing the project. The project was complete in all respects in the year 2010 and prior to commencing the trial run, export of iron ore from out of Karnataka region was banned and hence no cargo was available for handling at the terminal. Subsequent to this in order to enable the terminal to put to right use, the Company approached the Ministry of Shipping and was accorded the permission to convert the existing iron ore terminal also to handle coal in 2016 and a fresh licence agreement was signed for a period of 27 years. Subsequent to this, considerable time was lost in obtaining the environmental clearance and upon receipt of the clearance in 2018, the project activities could recommence after obtaining a fresh loan facility from YES Bank at a revised estimate of Rs.210 crores for the conversion project. However, since the basic facilities at the SIOTL facility had to be maintained such as upkeep of the existing equipments and the power connections at minimum demand, assistance had to be extended by the holding company until the commencement of the operation of the terminal for which apart from the investment of Rs.82.90 crores, advances to the extent of Rs.851.07 crores had to be made since the asset which had been idle for quite few years had to be put into use with the best possible option of handling the coal. However, the project activities had suffered due to liquidity crunch that erupted in the holding company level being all bank / financial facilities availed were backed up by the personal guarantee of the Promoter and due to his sudden demise, banks insisted for settlement of the existing facilities, not providing any further / additional facilities and in certain cases holding the collections from operations. Further added to this, the project has also been affected by the COVID19 pandemic and hence has now resulted in considerable delay in recommencing the project and the delayed disbursement of term loan facilities by the lenders. Management is of the view that once the situation improves at the Holding company level by infusing equity by any new investors and crossing the current hurdles thereby completing the project and starting operation of the terminal and hence it would be appropriate to take necessary action at the appropriate time and hence a provision is not required at this juncture.

**[b] Going Concern**

The company's operations were hampered during the financial year under review on account of the difficulties faced by the company in obtaining financial facilities from banks / financial institutions since such facilities were backed up by the personal guarantee of the promoter and due to his sudden demise, the company could not substitute with any other guarantees or else infuse additional equity. This resulted in the company unable to carryout its usual / additional operations in its usual manner, since a liquidity crunch erupted. This also resulted in delay / default in servicing the debts already availed. The Management is of the opinion that this situation would improve upon the Company able to get investment and upon resumption of normal course of business activities which are currently delayed due to the prevailing COVID19 pandemic globally. Accordingly the current assets position would improve upon the gearing up of the operations of the company across all divisions when the liquidity crunch is tide over.

(ii) <b>If management is unable to estimate the impact, reasons for the same:</b>  Not Applicable
(iii) <b>Auditors' Comments on (i) or (ii) above:</b>
<b>No further comments</b>
<b>Signatories:</b>
<b>CEO/Managing Director</b> <input type="checkbox"/>
<b>CFO</b> <input type="checkbox"/>
<b>Audit Committee Chairman</b> <input type="checkbox"/>
<b>Statutory Auditor</b> <input type="checkbox"/>

**Place: Chennai**

**Date: 25<sup>th</sup> November, 2020**

**Note :**

The above were approved by the Board at its meeting held on 13<sup>th</sup> November, 2020 and obtaining the physical signature from the signatories are in progress.

## ANNEXURE I

### Statement on Impact of Audit Qualifications for the Financial Year ended March 31, 2020 on the **Consolidated Audited Financial results**

[See Regulation 33 / 52 of the SEBI (LODR) (Amendment) Regulations, 2016]

**I.**

Sl.No.	Particulars	Audited Figures (as reported before adjusting for qualifications) Rs. In lakhs	Adjusted Figures (audited figures after adjusting for qualifications) Rs. In lakhs
1	Turnover / Total income	103492	103492
2	Total Expenditure	116786	116786
3	Net Profit/[Loss]	(12184)	(12184)
4	Earnings Per Share	(18.29)	(18.29)
5	Total Assets	276684	276684
6	Total Liabilities	209896	209896
7	Net worth	49160	49160
8	Any other financial item[s] as felt appropriate by the management	Nil	Nil

**II. Audit Qualification (each audit qualification separately):**

**a. Details of Audit Qualification:**

**Sical Iron Ore Terminals Limited [SIOT]**

Independent Auditors of SIOT have reported that due to acute liquidity crunch coupled with delay in completing the project indicates that a material uncertainty exists that may cast significant doubt on SIOT's ability to continue as a going concern and there are impairment indications that cast a doubt that the carrying value of the Cash generating Unit (CGU) is likely to exceed its recoverable amount. However the accounts of SIOT has been prepared on a going concern basis.

**Going Concern**

The Group has incurred losses during the Financial year, has excess of current liabilities over current assets, loans that have fallen due for repayment, loans which have fallen due of subsidiary companies for which the Holding Company is the guarantor. These events indicate that a material uncertainty related to the going concern assumption exists and the Group's ability to continue as a going concern is dependent on the financial support from the promoter and generation of the expected cash flows through operations, to be able to meet its obligations as and when they arise. However, the Group is confident of meeting its obligations in the normal course of business and accordingly the accounts of the Group have been prepared on a Going Concern basis.

**b. Type of Audit Qualification :** Qualified Opinion / Disclaimer of Opinion / Adverse Opinion

Qualified Opinion

**c. Frequency of qualification:** Whether appeared first time / repetitive / since how long continuing

Appeared for the first time

<b>d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:</b>
<b>(i) Management's estimation on the impact of audit qualification:</b>
<b>[a] Sical Iron Ore Terminals Limited [SIOT]</b>
<p>The SIOT project was initially for setting up of an iron ore terminal to handle export cargo of iron ore of 12 MMT/PA from the Kamarajar Port for a period of 30 years and the licence agreement was entered into in the year 2006. .MMTC Limited and L&amp;T IDPL are the joint venture partners along with Sical Logistics Limited for executing the project.. The project was complete in all respects in the year 2010 and prior to commencing the trial run, export of iron ore from out of Karnataka region was banned and hence no cargo was available for handling at the terminal. Subsequent to this in order to enable the terminal to put to right use, the Company approached the Ministry of Shipping and was accorded the permission to convert the existing iron ore terminal also to handle coal in 2016 and a fresh licence agreement was signed for a period of 27 years. Subsequent to this, considerable time was lost in obtaining the environmental clearance and upon receipt of the clearance in 2018, the project activities could recommence after obtaining a fresh loan facility from YES Bank at a revised estimate of Rs.210 crores for the conversion project. However, since the basic facilities at the SIOTL facility had to be maintained such as upkeep of the existing equipments and the power connections at minimum demand, assistance had to be extended by the holding company until the commencement of the operation of the terminal for which apart from the investment of Rs.82.90 crores, advances to the extent of Rs.851.07 crores had to be made since the asset which had been idle for quite few years had to be put into use with the best possible option of handling the coal. However, the project activities had suffered due to liquidity crunch that erupted in the holding company level being all bank / financial facilities availed were backed up by the personal guarantee of the Promoter and due to his sudden demise, banks insisted for settlement of the existing facilities, not providing any further / additional facilities and in certain cases holding the collections from operations. Further added to this, the project has also been affected by the COVID19 pandemic and hence has now resulted in considerable delay in recommencing the project and the delayed disbursement of term loan facilities by the lenders. Management is of the view that once the situation improves at the Holding company level by infusing equity by any new investors and crossing the current hurdles thereby completing the project and starting operation of the terminal and hence it would be appropriate to take necessary action at the appropriate time and hence a provision is not required at this juncture.</p>
<b>[b] Going Concern</b>
<p>The company's operations were hampered during the financial year under review on account of the difficulties faced by the company in obtaining financial facilities from banks / financial institutions since such facilities were backed up by the personal guarantee of the promoter and due to his sudden demise, the company could not substitute with any other guarantees or else infuse additional equity. This resulted in the company unable to carryout its usual / additional operations in its usual manner, since a liquidity crunch erupted. This also resulted in delay / default in servicing the debts already availed. The Management is of the opinion that this situation would improve upon the Company able to get investment and upon resumption of normal course of business activities which are currently delayed due to the prevailing COVID19 pandemic globally. Also the projects in hand upon completion of which, would fetch a considerable revenue to the Company on a consolidated basis improving the overall liquidity situation. Accordingly the current assets position would improve upon the gearing up of the operations of the company across all divisions when the liquidity crunch is tide over.</p>
<b>(ii) If management is unable to estimate the impact, reasons for the same:</b>
Not Applicable
<b>(iii) Auditors' Comments on (i) or (ii) above:</b>
<b>No further comments</b>

<b>Signatories:</b>
<b>CEO/Managing Director</b>
<b>CFO</b>
<b>Audit Committee Chairman</b>
<b>Statutory Auditor</b>

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**Place: Chennai**

**Date: 25<sup>th</sup> November, 2020**

**Note :**

The above were approved by the Board at its meeting held on 13<sup>th</sup> November, 2020 and obtaining the physical signature from the signatories are in progress.