

December 29, 2022

## Sical Multimodal and Rail Transport Limited: Placed on Rating watch with Positive implications

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
<b>Non-convertible debenture programme</b>	72.50	17.50	[ICRA] D; Placed on Rating Watch with Positive Implications
<b>Long term – Fund based</b>	40.00	30.00	[ICRA] D; Placed on Rating Watch with Positive Implications
<b>Long term – Term loan</b>	60.77	22.68	[ICRA] D; Placed on Rating Watch with Positive Implications
<b>Short term – Non-fund based</b>	60.00	5.00	[ICRA] D; Placed on Rating Watch with Positive Implications
<b>Total</b>	<b>233.27</b>	<b>75.18</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The ratings of Sical Multimodal and Rail Transport Limited (SMART) have been placed on watch with positive implications considering the approval of a resolution plan submitted by Pristine Malwa Logistics Park Private Limited for Sical Logistics Limited (ultimate parent of SMART) on December 08, 2022. The resolution plan (RP) is under process and is expected to be implemented in the near term.

The financial profile of the group remains weak as the ultimate parent, Sical Logistics Limited (SLL), and several fellow subsidiaries defaulted on debt servicing and have been designated as non-performing assets (NPA) by lenders due to poor liquidity. Subsequently, SLL was moved into the corporate insolvency resolution process (CIRP), which is currently under process and is expected to be implemented in the near term. Further, post implementation of RP and with new promoters, the financial profile is expected to improve.

SLL had extended an unconditional and irrevocable corporate guarantee to the NCD and bank facilities of SMART. The financial profile of SMART moderated in the recent fiscals owing to continued decline in revenue and profitability with the company incurring net losses during the last three years till FY2022. However, the sale of six of the seven rail rakes in H1 FY2023 supported the profitability and repayment obligations.

Although the company has been servicing its debt repayment obligations in a timely manner in the past few months, the sustained track record of the same along with the successful implementation of the resolution plan remains a key monitorable. The company has discontinued the rail operating business and is now predominantly involved in container freight station (CFS) operations. The CFS segment is expected to remain under pressure in the medium term because of subdued cargo growth, competition and the impact of direct port delivery (DPD) on CFS profitability. The company has sizeable repayment obligations of around Rs. 27 crore in H2 FY2023 against modest cash accruals. The ability to meet the repayment obligations remains contingent upon promoter support.

### Key rating drivers and their description

#### Credit strengths

**Long track record in port logistics** – SMART, established in 2007, operates container trains and CFS in Chennai, Visakhapatnam

(Andhra Pradesh) and Thoothukudi (Tamil Nadu). While the company has currently stopped the rail operating business and sold the rakes, it continues to operate the container freight stations with a healthy share in the Chennai market.

### Credit challenges

**Weak financial profile and high repayment obligations** – The financial profile of SMART moderated in the recent fiscals owing to the continued decline in revenue and profitability with the company incurring net losses in the last three years till FY2022. However, the sale of six of the seven rail rakes in H1 FY2023 supported the profitability and repayment obligations. The company has discontinued the rail operating business and is now predominantly involved in container freight station operations.

The CFS segment is expected to remain under pressure in the medium term because of subdued cargo growth, competition and the impact of direct port delivery on CFS profitability. The company has sizeable repayment obligations of around Rs. 27 crore in H2 FY2023 against modest cash accruals. The ability to meet the repayment obligations remain contingent upon promoter support. The coverage indicators remain weak, with TD/OPBDITA of 12.5 and 10 times in FY2021 and FY2022, respectively, and interest coverage of 1.2 and 1.7 times in FY2021 and FY2022, respectively.

**Weak financial flexibility and liquidity position of the group** – The ultimate holding company of SMART, SLL, has also extended corporate guarantee to its bank facilities and NCDs. SLL, in turn, is supported by the Coffee Day Group through oversight and financial support, after the takeover of SLL from its erstwhile promoters. However, since the demise of the promoter of the Coffee Day Group, Mr. VG Siddhartha, the financial flexibility of the Group, SLL, and its subsidiaries have been significantly weakened. Coupled with the moderation in financial performance and high repayment obligations, this has led to significant liquidity pressure.

SLL and several of its subsidiaries have been delaying their debt servicing and have been declared as NPAs by some lenders. SLL was under the corporate insolvency resolution process. On December 08, 2022, the resolution plan has been approved by the adjudicating authority and Pristine Malwa Logistics Park Private Limited has been declared as the new promoter of the entity. Also, SMART expects support from the new promoters of SLL to fulfil the debt repayment obligations, going forward. Further, post implementation of RP and with new promoters, the financial profile is expected to improve.

### Liquidity position: Poor

The company's cash flows from operation have remained positive in recent fiscals, although there had been moderation due to the decline in revenue and profitability. Nevertheless, the company delayed the NCD repayment which was due in September 2021 and March 2022. The company had also delayed on the repayment of the BOB term loan in June 2022. However, the company has been servicing its debt repayment obligations in a timely manner in the last few months. The liquidity position is expected to remain poor due to high repayment obligation of around Rs. 27 crore in H2 FY2023. The company has repaid ~ Rs. 43 crore in H1 FY2023 from the sale of six rakes. The cash accruals are expected to remain moderate and inadequate to fund the repayments in H2 FY2023. The new promoter of SLL is expected to support SMART in fulfilling its remaining debt repayments, going forward.

### Rating sensitivities

**Positive factors** – A sustained track record of timely debt servicing along with the successful implementation of SLL's resolution plan could be a trigger for an upgrade.

**Negative factors** – Not applicable

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not applicable
Consolidation/Standalone	Ratings are based on standalone financial statements of the issuer and considers the weakened credit and liquidity profile of the Group (ultimate parent, Sical Logistics Limited, and fellow subsidiaries).

Note (for analyst reference only):

## About the company

SMART, incorporated in May 2007, was a container rail freight operator with a Category I licence to operate container trains on all routes of the Indian Railways (IR). However, the company has stopped the rail operations since the last few years. SMART is a 100% subsidiary of Sical Infra Assets Limited (SIAL), which in turn is held by SLL. In July 2012, the company had received approval for a scheme of amalgamation with its associate concern, Sical Distriparks Limited (SDL), and a 100% subsidiary, Sical Hambuja Logistics Private Limited (Hambuja), vide a Madras High Court order. Post this merger, SMART had two operational segments—container rail operations and CFS operations; however, at present, the company has only the CFS segment under its operations.

## Key financial indicators (audited)

SMART	FY2021	FY2022	H1 FY2023*
Operating income	106.1	105.08	45.48
PAT	-5	-4.5	18.37
OPBDIT/OI	20.00%	22.33%	24.45%
PAT/OI	-4.70%	-4.28%	40.39%
Total outside liabilities/Tangible net worth (times)	2.3	2.2	1.6
Total debt/OPBDIT (times)	12.5	10.0	8.6
Interest coverage (times)	1.2	1.7	3.3

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore; \*Provisional

## Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

Instrument	Type	Current rating (FY2023)		Chronology of rating history for the past 3 years							
		Amount rated (Rs. crore)	Amount outstanding as of date (Rs. crore)	Date & rating in	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020				
				Dec 29, 2022	Dec 31, 2021	Dec 31, 2020	Sep 10, 2019	Aug 19, 2019	Aug 08, 2019	Jul 30, 2019	
1	NCD	Long term	17.50	17.50	[ICRA]D@	[ICRA]D	[ICRA]D	[ICRA]D	[ICRA]B+ (SO) (Negative)	[ICRA]BB+ (SO) (Negative)	[ICRA]BBB+ (SO) @
2	Term Loan	Long term	22.68	22.68	[ICRA]D@	[ICRA]D	[ICRA]D	[ICRA]D	[ICRA]B+ (SO) (Negative)	[ICRA]BB+ (SO) (Negative)	[ICRA]BBB+ (SO) @
3	Fund based	Long term	30.00	-	[ICRA]D@	[ICRA]D	[ICRA]D	[ICRA]D	[ICRA]B+ (SO) (Negative)	[ICRA]BB+ (SO) (Negative)	[ICRA]BBB+ (SO) @
4	Non fund based	Short term	5.00	-	[ICRA]D@	[ICRA]D	[ICRA]D	[ICRA]D	[ICRA]A4 (SO)	[ICRA]A4+ (SO)	[ICRA]A2 (SO) @

@: Rating Watch with Positive Implications

### Complexity level of the rated instruments

Instrument	Complexity Indicator
NCD	Very simple
Term loan	Simple
Fund based	Simple
Non-fund based	Very simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

ISIN No	Instrument Name	Date of Issuance/Sanction	Coupon Rate	Maturity	Amount Rated (RS Crore)	Current Rating and Outlook
INE183X07064	NCD	31/03/2017	11.00%	31/03/2023	17.50	[ICRA]D@
NA	Term loan	FY2015	14.45%	FY2023	7.68	[ICRA]D@
NA	Term loan	FY2022	9.25%	FY2027	15.00	[ICRA]D@
NA	Fund based	NA	NA	NA	30.00	[ICRA]D@
NA	Non fund based	NA	NA	NA	5.00	[ICRA]D@

Source: Company; @: Rating Watch with Positive Implications

**Annexure II: List of entities considered for consolidated analysis - Not applicable**

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