

April 04, 2023

Sical Multimodal and Rail Transport Limited: Rating reaffirmed; removed from rating watch with Positive implications

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debenture Programme (NCD)	17.50	17.50	[ICRA] D; reaffirmed; rating removed from rating watch with positive implications
Long term – Fund based	30.00	30.00	[ICRA] D; reaffirmed; rating removed from rating watch with positive implications
Long term – Term loan	22.68	22.68	[ICRA] D; reaffirmed; rating removed from rating watch with positive implications
Short term – Non-fund based	5.00	5.00	[ICRA] D; reaffirmed; rating removed from rating watch with positive implications
Total	75.18	75.18	

*Instrument details are provided in Annexure-I

Rationale

ICRA had earlier placed the ratings of Sical Multimodal and Rail Transport Limited (SMART) under watch with positive implications considering the approval of a resolution plan (RP) submitted by Pristine Malwa Logistics Park Private Limited for Sical Logistics Limited (ultimate parent of SMART) on December 08, 2022. ICRA notes the implementation of RP.

The rating action factors in the delays in servicing of debt obligations which was due on March 31, 2023. The NCD of Rs. 17.50 crore was due for repayment on March 31, 2023 and company has made part payment (with a delay) towards the same on April 03, 2023 and the balance, which is due on March 31, 2023 is yet to be serviced as on date. The delays in repayment is on account of cash flow constraints.

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. 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.

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

Delays repayment obligations – The company has delays in servicing its debt obligations which was due on March 31, 2023. The NCD of Rs. 17.50 crore was due for repayment on March 31, 2023 and company has made part payment (with a delay) towards the same on April 03, 2023 and the balance, which is due on March 31, 2023 is yet to be serviced as on date. The delays in repayment is on account of cash flow constraints.

Weak financial profile - 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.

Liquidity position: Poor

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. The company has also delayed in servicing of debt obligations which was due on March 31, 2023. The NCD of Rs. 17.50 crore was due for repayment on March 31, 2023 and company has made part payment (with a delay) towards the same on April 03, 2023 and the balance, which is due on March 31, 2023 is yet to be serviced as on date. The delays in repayment is on account of cash flow constraints.

Rating sensitivities

Positive factors – The ratings could be upgraded if the debt servicing is regularised for a sustained period, as per ICRA policy

Negative factors – Not applicable

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	Ratings are based on standalone financial statements of SMART

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. SLL, earlier was supported by Coffee Day Group. The resolution plan (RP) submitted by Pristine Malwa Logistics Park Private Limited (PMLPPL) for Sical Logistics Limited (SLL) (ultimate parent of SMART) was approved and implemented and now PMLPPL is the new promoter.

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	Amount rated (Rs. crore)	Current rating (FY2024)		Chronology of rating history for the past 3 years			
			Amount outstanding as of date (Rs. crore)		Date & rating in Apr 04, 2023	Date & rating in FY2023 Dec 29, 2022	Date & rating in FY2022 Dec 31, 2021	Date & rating in FY2021 Dec 31, 2020
1	NCD	Long term	17.50	17.50	[ICRA]D	[ICRA]D@	[ICRA]D	[ICRA]D
2	Term Loan	Long term	22.68	22.68	[ICRA]D	[ICRA]D@	[ICRA]D	[ICRA]D
3	Fund based	Long term	30.00	-	[ICRA]D	[ICRA]D@	[ICRA]D	[ICRA]D
4	Non fund based	Short term	5.00	-	[ICRA]D	[ICRA]D@	[ICRA]D	[ICRA]D

@: 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;

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

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