

## Sical Multimodal and Rail Transport Limited

Instruments	Amounts (Rs. Crore <sup>1</sup> )	Rating Action
Term Loans	171.44 (revised from 96.65)	Reassigned from [ICRA]BBB+(stable) to [ICRA]BBB+(stable)(SO)
LT Fund Based	20.00 (revised from 30.00)	Reassigned from [ICRA]BBB+(stable) to [ICRA]BBB+(stable)(SO)
LT Non Fund Based	0.0 (revised from 34.00)	-
LT Proposed	0.0 (revised from 40.05)	-
ST Non Fund Based	30.00	Reassigned from [ICRA]A2 to [ICRA]A2(SO)

ICRA has reassigned the long term rating outstanding on the Rs 171.44 crore term loans (revised from Rs. 96.65 crore) and Rs 20.0 crore cash credit facilities (revised from Rs. 30.0 crore) of Sical Multimodal and Rail Transport Limited (SMART)<sup>2</sup> from [ICRA]BBB+ (pronounced ICRA triple B plus) to [ICRA]BBB+(SO) (pronounced ICRA triple B plus Structured Obligation); the outlook on the long term rating is stable. ICRA has also re-assigned the short term rating on the Rs 30.0 crore non-fund based bank limits of SMART from [ICRA]A2 (pronounced ICRA A two) to [ICRA]A2(SO) (pronounced ICRA A two Structured Obligations). The letters SO in parenthesis suffixed to a rating symbol stand for Structured Obligation. An SO rating is specific to the rated issue, its terms, and its structure. SO ratings do not represent ICRA's opinion on the general credit quality of the issuers concerned.

The ratings reflect the financial strength of the guarantor, Sical Logistics Limited [rated [ICRA]BBB+ (Stable) / [ICRA]A2], the ultimate parent company of SMART, which has extended corporate guarantee to bank facilities availed by SMART.

The rail division of the company continued to witness some moderation in the top-line and operating margin in 2015-16 on account of decline in volumes on the back of subdued demand and increasing competition from road carriers on the back of lower fuel prices. Moreover, rail segment continues to face high competition from the dominant Container Corporation of India Limited (Concor) and margins are vulnerable to increase in haulage charges by Indian Railways and changes in Gov't policies. Further, the Company's ongoing ICD projects in Bangalore and Chennai continued to witness delays and the Company is looking at modifications in the project scope in the wake of current market conditions, which will result in some moderation in capital cost; however the projects remain vulnerable to execution risks and timely completion will be important. The company continues to expand into new routes, exploring options to expand its terminals through joint ventures and also taking steps to improve operating efficiency and cut costs. However, the improvement in performance on the back of these initiatives remains to be seen.

SMART's CFS division's revenue growth remained largely flat during the year, with impact of volume growth offset by moderation in rates. However, the profit margins remained healthy for the segment. In the near to medium term while the rail segment is expected to witness some pressure, the CFS segment is expected to grow aided by opening of new facility in Vizag in the current fiscal. ICRA also takes note of the refinancing done by the Company during 2015-16, with favorable repayment period which has mitigated the liquidity pressure in the near term.

### Company Profile

Sical Multimodal and Rail Transport Limited (SMART), incorporated in May 2007, is a container rail freight operator with a 'Category I' license to operate container trains on all routes of the Indian Railways (IR). SMART is a 100% subsidiary of Sical Infra Assets Limited (SIAL), which is in turn held by Sical Logistics Limited (SLL).

<sup>1</sup> 100 lakhs = 1 crore = 10 millions

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.



SMART commenced commercial operations in March 2008 with one leased rake; currently it operates 7 rakes, mainly in the north-south and west-south routes for domestic container cargo. SMART is currently developing its own Inland Container Depots near Bangalore and Chennai. In July 2012, the company got sanction and 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 High Court of Madras order. The appointed date of the scheme of amalgamation was April 1, 2011. SDL was engaged in the business of Container Freight Station (CFS) operations in Chennai, Vishakhapatnam (ceased operations in Q4 2013-14 and new facility expected to commence in the current fiscal) and Tuticorin, and Hambuja was engaged in the business of rail container operations.

The Company reported operating income and PAT of Rs. 177.9 crore and Rs. 1.2 crore during fiscal 2015-16

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