

September 10, 2019

## Sical Multimodal and Rail Transport Limited (SMART): Ratings downgraded to [ICRA]D/[ICRA]D

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-Convertible Debenture Programme	100.00	100.00	[ICRA]D; downgraded from [ICRA]B+(SO) (Negative)
Long term – Fund based	40.00	40.00	[ICRA]D; downgraded from [ICRA]B+(SO) (Negative)
Long term – Term Loan	60.77	60.77	[ICRA]D; downgraded from [ICRA]B+(SO) (Negative)
Short term – Non-fund based	60.00	60.00	[ICRA]D; downgraded from [ICRA] A4 (SO)
<b>Total</b>	<b>260.77</b>	<b>260.77</b>	

\*Instrument details are provided in Annexure-1

### Material Event

Sical Logistics Limited (SLL), the parent entity of the group has delayed in making principal and interest payment on its term loans due for the month of August 2019. SLL had sought for deferment of payment, which is yet to be received.

### Impact of the Material Event

ICRA has downgraded the long-term rating assigned to Rs 200.77 crore fund-based facilities of SMART to [ICRA]D (pronounced as ICRA D) from [ICRA]B+ (Negative) (SO)(pronounced ICRA B plus structured obligation) and also downgraded the short-term rating assigned to Rs. 60.00 crore non-fund facilities to [ICRA]D (pronounced as ICRA D) from [ICRA]A4 (pronounced ICRA A four). The rating action follows the delay in debt servicing by the parent entity – SLL and some of the other group entities.

### Rationale

The rating downgrade follows the delay in debt servicing by the guarantor - Sical Logistics Limited<sup>1</sup>(SLL/ the guarantor, rated at [ICRA]D/[ICRA] D). The ratings of SMART are based on an unconditional and irrevocable corporate guarantee provided by SLL for the Rs. 100.00-crore NCDs and Rs. 160.77-crore bank facilities of SMART and an undertaking from the guarantor to ensure that the debt obligations are serviced on or prior to the due date, irrespective of the invocation of the guarantee by the beneficiary. However, while SMART has is currently regular in debt servicing, the parent entity – SLL and some of the other group entities have delayed in debt servicing due to reduced financial flexibility and high refinancing requirements post demise of the group’s promoter – Mr. V G Siddhartha, leading to weakened liquidity profile of the group.

<sup>1</sup>Rating Rationale of Sical Logistics Limited is available on ICRA’s website [www.icra.in](http://www.icra.in)

## Key rating drivers

### Credit challenges

**Weakened financial flexibility and liquidity profile of the group** – The delay in debt servicing by SLL and other group entities, was on account of weakened liquidity position post the unexpected demise of the group’s promoter – Mr. V. G. Siddhartha, due to reduced financial flexibility and enhanced refinancing risks, with some of the lenders to the group also delaying the disbursement of loan installments. ICRA notes that Sical group has high repayment obligations in the near to medium term and is expected to continue to face liquidity pressure and has requested the lenders for rescheduling of loan repayments, with inclusion of short term moratorium, which if agreed upon may provide some respite on the liquidity front. ICRA also notes that both SLL and parent Coffee Day group is looking at deleveraging by raising funds through asset sales, which may include the parent’s stake sale in SLL. The developments on this front will be key monitorable.

### Liquidity position: Not Applicable

### Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology Approach for rating debt instruments backed by third-party explicit support</a>
Parent/Group Support	Parent/Group Company: SLL The assigned ratings are based on corporate guarantee extended by SLL
Consolidation / Standalone	The ratings are based on corporate guarantee extended by SLL. For arriving at the ratings of SLL, ICRA has considered the consolidated financials of Sical Logistics Limited.

### About the company

Incorporated in May 2007, SMART 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 SLL. It commenced commercial operations in March 2008 with one leased rake. At present, it operates seven rakes, mainly in the north-south and west-south routes for domestic container cargo. SMART is, at present, developing its own Inland Container Depots near 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. Post this merger, SMART has two operational segments – container rail operations and CFS operations.

### Guarantor profile

Incorporated in 1955, SLL is involved in the business of mining, multi-modal logistics for bulk and containerised cargo port terminals, port handling, trucking and warehousing, ship agency, customhouse agency, offshore supply logistics and retail logistics. On a consolidated basis, SLL has investments in infrastructure including a port terminal, container freight stations, container rail and a dredger.

SLL was promoted by Mr. M. A. Chidambaram Chettiar to provide shipping and custom agency services apart from its core activity of trading. Over the years, SLL began entering areas like port handling, container terminal operations (through JV) and logistics. In 2005, SLL hived off its non-core activities and increased its focus on the logistics business. In the recent years, SLL entered mining by executing coal/overburden removal contracts for Coal India subsidiaries, which

rapidly grew into one of the major revenue contributors of the company. Tanglin Retail Realty Developments (P) Limited (part of the Coffee Day Group) picked up 10% stake initially in November 2010 before raising the stake to 54.2%. The Coffee Day Group, at present, holds a total 55.18% shareholding in SLL through its Group entities namely Tanglin (50.19%) and GiriVidyuth (India) Ltd (4.99%). The Coffee Day Group has a diversified portfolio of companies, which have presence in owning and managing coffee plantations, coffee exports and retailing of coffee, vending machines and cafes. It is also involved in leasing of commercial space, financial services, hospitality services and others.

### Key financial indicators (audited)

<b>Consolidated Sical Group</b>	<b>FY2018</b>	<b>FY2019</b>
Operating Income (Rs. crore)	1194.2	1524.9
PAT (Rs. crore)	30.4	24.0
OPBDIT/OI (%)	14.4%	11.3%
RoCE (%)	8.5%	7.5%
Total Debt/TNW (times)	2.1	2.1
Total Debt/OPBDIT (times)	8.8	9.8
Interest Coverage (times)	2.8	2.7

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

**Any other information: None**

## Rating history for last three years

		Current Rating (FY2020)		Chronology of Rating History for the Past 3 Years								
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs.crore)	Date & Rating								
				10-Sep 2019	19-Aug 2019	08-Aug 2019	30-Jul 2019	22-Feb 2019	07-Sep '18	09-Nov'17	26-Sep'17	22-Aug'17
1	NCDs	100.00	100.00	[ICRA]D	[ICRA]B+ (SO) (Negative)	[ICRA]BB+ (SO) (Negative)	[ICRA]BBB+ (SO) @	[ICRA] BBB+ (SO) (Negative)	[ICRA] BBB+ (SO) (Stable)	[ICRA] BBB+ (SO) (Stable)	[ICRA] BBB+ (SO) (&)	[ICRA] BBB+ (SO) (Stable)
2	Term Loan	60.77	60.77	[ICRA]D	[ICRA]B+ (SO) (Negative)	[ICRA]BB+ (SO) (Negative)	[ICRA]BBB+ (SO) @	[ICRA] BBB+ (SO) (Negative)	[ICRA] BBB+ (SO) (Stable)	[ICRA] BBB+(SO) (Stable)	[ICRA] BBB+ (SO) (&)	[ICRA] BBB+ (SO) (Stable)
3	Fund based	40.00	NA	[ICRA]D	[ICRA]B+ (SO) (Negative)	[ICRA]BB+ (SO) (Negative)	[ICRA]BBB+ (SO) @	[ICRA] BBB+ (SO) (Negative)	[ICRA] BBB+ (SO) (Stable)	[ICRA] BBB+(SO) (Stable)	[ICRA] BBB+ (SO) (&)	[ICRA] BBB+ (SO) (Stable)
4	Non fund based	60.00	NA	[ICRA]D	[ICRA]A4 (SO)	[ICRA]A4+ (SO)	[ICRA]A2 (SO) @	[ICRA]A2 (SO)	[ICRA]A2 (SO)	[ICRA]A2 (SO)	[ICRA]A2 (SO) (&)	[ICRA]A2 (SO)

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## Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE183X07023	NCD	31/03/2017	11.00%	31/03/2019	10.00	[ICRA]D
INE183X07031	NCD	31/03/2017	11.00%	31/03/2020	10.00	[ICRA]D
INE183X07049	NCD	31/03/2017	11.00%	31/03/2021	15.00	[ICRA]D
INE183X07056	NCD	31/03/2017	11.00%	31/03/2022	30.00	[ICRA]D
INE183X07064	NCD	31/03/2017	11.00%	31/03/2023	35.00	[ICRA]D
NA	Term Loan	Mar-2015	11.40%	Dec-2022	60.77	[ICRA]D
NA	Fund based	NA	NA	NA	40.00	[ICRA]D
NA	Non fund based	NA	NA	NA	60.00	[ICRA]D

Source: SMART

### Annexure-2: List of entities considered for consolidated analysis

Not Applicable

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