

Rating Rationale

Urban Mass Transit Company Limited

26 Sep 2018

Brickwork Ratings downgrades the rating for the bank loan facilities of Urban Mass Transit Company Limited (UMTCL or the company).

Particulars

Facility Rated	Amount (Rs. Crs)		Tenure	Rating ¹	
	Previous	Present		Previous	Present
Fund Based (Cash Credit-Sublimit of Non Fund Based)	(4.00)	(4.00)	Long Term	BWR BBB (Pronounced as BWR Triple B) (Outlook: Stable)	BWR C (Pronounced as BWR C) Downgrade
Non Fund Based (Bank Guarantee)	7.00	7.00	Short Term	BWR A3 (Pronounced as BWR A Three)	BWR A4 (Pronounced as BWR A Four) Downgrade
Total	7.00	Rs. 7.00 Crores (Rupees Seven Crores only)			

¹ Please refer to BWR website www.brickworkratings.com for definition

Rationale:

The revision in the rating of the bank loan facilities of Urban Mass Transit Company Limited (UMTCL) takes into account the deterioration in the liquidity profile and financial flexibility of the company based on the significant deterioration in the credit profile of the IL&FS Group and delays in meeting the debt obligation by IL&FS Group which has a majority ownership of 49.99% in UMTCL. BWR also factors the liquidity pressure at the group level on account of delay in raising funds for near term liquidity needs and deleveraging. This is expected to increase the stress in liquidity for all the entities due to high inter group dependence.

The ratings are further constrained by regulatory risk, declining trend in revenues and elongated receivable cycle.

However, BWR continues to factor in the experienced management, remaining stake being held by Ministry of Urban Development (Government of India), Government of AP and APSRTC. The rating also factors the government focus on urban infrastructure development and metro transport over the last few years with moderate net worth and profitability.

Key Rating Drivers:

- Significant Deterioration in the credit profile of the IL&FS Group and delays in meeting the debt obligation by IL&FS Group having majority ownership and management control of 49.99% in UMTCL.
- Liquidity pressure at the group level on account of delay in raising funds from its promoter entities for near term liquidity needs and deleveraging.
- **Regulatory Risk:** The Company's revenues are sensitive to changes in Government policies with respect to urban infrastructure development. However, in recent years, GoI has increased the focus on urban infrastructure development due to which the Company has obtained several transport consultancy assignments for urban road and metro transportation solutions.
- **Declining trend in revenues:** Operating income of the company has decreased from ₹ 24.45 crs in FY16 to ₹ 22.65 crs in FY17 and to Rs.18.79 crs in FY18. The operating profit margin has reduced from 5.40% in FY16 to -0.25% in FY17. However operating margin has increased to 3.69% in FY18.
- Experienced management and remaining stake being held by Ministry of Urban Development (Government of India), Government of AP and APSRTC. The rating also factors the government focus on urban infrastructure development and metro transport over the last few years, moderate net worth and profitability.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

About the Company

UMTC was established on 13 Apr 1993 and its registered office is located at Gurugram, Haryana. UMTC is a urban transport consultancy firm that focuses on developing sustainable urban mobility solutions. It is a partnership between IL&FS, the Ministry of Urban Development (MoUD), Government of India (GoI), Government of Andhra Pradesh (GoAP) and Andhra Pradesh State Road Transport Corporation (APSRTC).

The company's Board has 10 directors including 4 directors nominated by IL&FS IIDC Fund, 2 directors nominated by Ministry of Urban Development, 1 each nominated by Government of AP & APSRTC and 2 Independent directors. The company is operating with a workforce of around 80 employees.

The company has partnerships with, MOUD, State Governments, Urban Local Bodies (ULBs), and Multilateral & Bilateral funding agencies to provide innovative mobility solutions across India and other countries. UMTC mobility solutions encompass the entire life cycle of the project, i.e. ideation, concept, covering various modes of transport.

The company provides advisory services in the fields like Accessibility and Mobility planning, Rail based transit systems, Bus based public transport systems, Policy formation and legislation in the areas of city transport systems, parking policies, NMT policies etc and Transaction advisory services.

Company Financial Performance:

Operating income of the company has decreased from ₹ 24.45 crs in FY16 to ₹ 22.65 crs in FY17. The company has earned an operating loss of ₹ 0.06 crs in FY17 as against operating profit of ₹1.32 crs in FY16 . Net profit decreased from ₹ 1.32 crs in FY16 to ₹ 0.39 crs in FY17.

As per FY18 financials, UMTC has earned operating income of Rs.18.79 Crs with operating profit of Rs. 0.69 Crs and PAT of Rs. 0.77 Crs.

Company Financial Performance

Key Parameters	Units	2016	2017	2018
Result Type		Audited	Audited	Audited
Operating Revenue	₹ Cr	24.45	22.65	18.79
EBITDA	₹ Cr	1.32	(0.06)	0.69
PAT	₹ Cr	1.32	0.39	0.77
Tangible Net worth	₹ Cr	22.19	22.30	22.92
Total Debt/Tangible Net worth	Times	0.02	0.00	0.11
Current Ratio	Times	3.41	2.21	2.52

Rating History for the last three years:

SI. No.	Instrument/Facility	Current Rating (2018)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs. Crs)	Rating	June-2018	2017	2016
1	Fund Based	Long Term	(4.00)	BWR C Downgrade	BWR BBB/Stable	Not Rated	
2	Non Fund Based	Short Term	7.00	BWR A4 Downgrade	BWR A3		
Total			7.00	(INR Seven Crores Only)			

NA: Not Available

Status of non-cooperation with previous CRA (if applicable): Reason and comments: Not Applicable

Any other information: NIL

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Services Sector](#)
- [Approach to Financial Ratios](#)

For any other criteria obtain hyperlinks from website

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For print and digital media



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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

DISCLAIMER

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