



Rating Rationale

Urban Mass Transit Company Ltd

14 Jun 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹ 7.00 Crores of Urban Mass Transit Company Ltd (UMTC).

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based Cash Credit (Sub limit of Non Fund based)	(4.00)	Long Term	BWR BBB (Pronounced as BWR Triple B) Outlook: Stable
Non Fund Based Bank Guarantee	7.00	Short Term	BWR A3 (Pronounced as BWR A Three)
Total	7.00	INR Seven Crores Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Ratings Assigned

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials upto FY18, projected financials of FY19 and publicly available information and information/clarifications provided by the management.

The rating factors the majority ownership of 49.99% of stake by IL&FS group and the 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. However the rating is constrained by sector's sensitivity to regulatory changes, decrease in revenues and elongated days receivable.

Going forward, ability of the firm to increase its scale of operations and profit margins, and ability to recover receivables in a timely manner will be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:



- UMTC is part of the IL&FS Group. IL&FS IDC Fund holds 49.99% of the shareholding in UMTC. The other shareholders of the company are Ministry of Urban Development (GOI) Government of AP and APSRTC.
- 4 Directors on the Board of the company are nominated by IL&FS, 2 directors are nominated by Ministry of Urban Development (Govt. of India), 1 director each nominated by Govt of AP and APSRTC indicating representation of all the stakeholders on the Board.
- The company has a net worth of Rs.22.92 Crores as on 31 March 2018 and the company has not availed any long term borrowings as on 31.3.2018. The current ratio is 2.52x as on FY18.

Credit Risks:

- **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 firm have 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.
- **Elongated days receivables:** The company has reported receivables of 289 days as on 31.3.17 as against revenues of Rs. 22.65 crs in FY17. However while there is a delay in the receipt of payments, the company has minimal counterparty risk as the receivables are primarily from Central and State Government institutions.

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).

Rating Outlook: Stable

BWR believes the **Urban Mass Transit Company Ltd** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

UMTC was established on 13 Apr 1993 and its registered office is located at Gurugram,



Haryana. UMTC is India's leading 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 firm have 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.

Rating History for the last three years

Facility	Current Rating (2018)			Rating History		
	Type	Amount (₹ Crs)	Rating	2017	2006	2015
Fund Based	Long Term	(4.00)	BWR BBB (Pronounced as BWR Triple B) Outlook: Stable	Not Rated		
Non Fund Based	Short Term	7.00	BWR A3 (Pronounced ad BWR A Three)			
Total		7.00	₹ Seven Crores Only			

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Key Financial Indicators

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

Hyperlink/Reference to applicable Criteria

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



- [Short Term Debt](#)

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, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

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