

Press Release

Urban Mass Transit Company Limited

November 18, 2020



Rating Downgraded and Reaffirmed

Total Bank Facilities Rated*	Rs.5.00 Cr.
Long Term Rating	ACUITE BB-/Outlook: Stable (Downgraded from ACUITE BB/Stable)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded the long-term rating to '**ACUITE BB-**' (**read as ACUITE double B minus**) from '**ACUITE BB**' (**read as ACUITE double B**) and reaffirmed the short-term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.5.00 crore bank facilities of Urban Mass Transit Company Limited (UMTCL). The outlook is '**Stable**'.

Incorporated in the year 1993, Urban Mass Transit Company Limited (UMTCL) is a consultancy company in the field of urban mobility. The company is a public-private venture with 25 percent held by Government of India - Ministry of Housing & Urban Affairs, 16.66 percent by Government of Andhra Pradesh, 8.33 by Andhra Pradesh State Road Transport Corporation and 49.99 per cent by IL&FS IIDC Fund. UMTCL provides sustainable solutions for improving mobility through an integrated and multimodal approach encompassing the entire life cycle of the project, i.e. ideation, concept, planning and design, implementation and operation.

Reason for Downgrade

The downgrade in the rating is on account of deterioration in the profitability margins, leading to deterioration in the financial risk profile of the company. The operating income and the operating margin of the company have declined from Rs.20.18crore and 8.62 percent respectively in FY2019 to Rs.16.05Cr and (37.94) percent respectively in FY2020. Similarly, the PAT margin has declined from 3.06 percent to (40.89) percent in FY2020. Further, the deterioration in the profitability has led to the deterioration in the financial risk profile marked by average debt protection metrics and coverage indicators. Any further deterioration in the profitability margins or financial risk profile would remain a key sensitivity factor.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of UMTCL to arrive at this rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

UMTCL commenced its operations in the year 2008. The company has an operational track record of over a decade in urban mobility solutions with its directors having an experience of over three decades in the aforementioned line of business. The company caters to the requirements of Ministry of Urban Development (MOUD), Urban Local Bodies (ULB), multilateral and bilateral funding agencies amongst others. The long track record of operations and experience of management has helped the company to become one of the leading consultants in the transportation industry, catering to clients such as Maharashtra Metro Rail Corporation Limited, Nagpur Municipal Corporation, Pune Municipal Corporation, Kochi Metro Rail Corporation, etc., to name a few.

of operations and its experienced management.

Weaknesses

- **Working capital intensive nature of operations**

UMTCL's working capital operation is intensive in nature as reflected by its gross current asset (GCA) days of around 401 days in FY2020 as against 437 days in FY2019. This is on account of stretched debtor collection period of 336 days in FY2020 as against 390 days in FY2019. The company caters to the requirements of urban local bodies, State Governments and other government bodies where the receivable realization is delayed. Currently, the company is focusing on undertaking the metro projects. This is because in metro projects, the funds are raised before the work gets initiated and this will help the company in terms of realizing the payment without much delay. In FY2020, the accumulated receivables stood at Rs.14.60Cr. Acuité believes that the working capital operations of the company will continue to remain intensive on account of its high receivable collection period.

- **Average Financial Risk Profile**

The financial risk profile of the company is average marked by moderate net worth and average debt protection metrics. The net worth level of the company has declined to Rs.16.75Cr as on March 31, 2020 as against Rs.22.97Cr as on March 31, 2019. As on March 31, 2020, the total outside liabilities to tangible net worth (TOL/TNW) level stood at 0.28 times. The firm, on the other hand, generated cash accruals of Rs. (5.51) Cr in FY2020.

The revenue of the company has declined by around 20.45 percent to Rs.16.05Cr in FY2020 from Rs.20.18Cr in FY2019. EBITDA in absolute term has declined to Rs. (6.09) Cr in FY2020 from Rs.1.74Cr in FY2019. This is majorly due to decline in the operating income of the company followed by an increase in the expense which includes an increase in the employee cost by around Rs.1.20Cr and also the company booked a bad debt of Rs.2.00crore in FY2020. Similarly, PAT of the company has declined from Rs.0.62Cr in FY2019 to Rs. (6.56) Cr in FY2020. The decline in the profitability levels, coupled with low debt levels has led to average debt protection measures. The interest coverage ratio for FY2020 stands at (43.75) times in FY2020 as against 10.46 times in FY2019. The Debt service coverage ratio has declined to (39.29) times in FY2020 as against 6.22 times in FY2019.

Liquidity Position: Stretched

The Company has stretched liquidity marked by a decline in the net cash accruals and high receivable realization period during the same period. The Company generated cash accruals of Rs. (5.51) Cr in FY2020 as against Rs.0.85Cr in FY2019. The cash accruals of UMTCL are estimated to remain in the range of around Rs.0.46Cr to Rs.2.35Cr during FY2021-2023 against no repayment obligations. The company's working capital operation is intensive in nature marked by the gross current asset (GCA) days of 401 days in FY2020 as against 437 days in FY2019. The Company maintains unencumbered cash and bank balances of Rs.1.23Cr as on 31 March 2020. The current ratio of the company has declined to 3.35 times as on 31 March 2020 from 3.92 times as on March 31, 2019. Acuité believes that any further stretch in the debtor cycle is likely to constrain the liquidity.

Rating Sensitivities

- Improvement in scale of operation backed by adequate unexecuted order book
- Any further slippage in the debtor collection will further affect the liquidity of the company

Outlook: Stable

Acuité believes that UMTCL will maintain a 'Stable' outlook over the medium term backed by its experienced management and their association with the Government of India (Ministry of Urban Housing). The outlook may be revised to 'Positive', if the Company demonstrates higher than expected growth in its revenue and profitability from the current levels along with efficient working capital management and improvement in the liquidity position. Conversely, the outlook may be revised to 'Negative', if the Company faces stretched working capital cycle or fall in revenue or deterioration in the financial risk profile as a result of deterioration in the debtor cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	16.05	20.18
PAT	Rs. Cr.	(6.56)	0.62
PAT Margin	(%)	(40.89)	3.06
Total Debt/Tangible Net Worth	Times	0.00	0.02
PBDIT/Interest	Times	(43.75)	10.46

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Any Material Covenants

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
18-Sep-2019	Proposed Fund Based Facility	Long Term	1.00	ACUITE BB/Stable (Assigned)
	Proposed Non-Fund Based Facility	Short Term	4.00	ACUITE A4+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Proposed Fund Based Facility	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB-/Stable (Downgraded from ACUITE BB/Stable)
Proposed Non-Fund Based Facility	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4+ (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President- Corporate and Infrastructure Sector Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Kumar Abhisek Analyst - Rating Operations Tel: 011-49731308 kumar.abhisek@acuite.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,425 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité, Acuité's rating scale and its definitions.

