

## Press Release

### Urban Mass Transit Company Limited

January 04, 2022



### Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
<b>Bank Ratings</b> <b>Loan</b>	4.00		ACUITE A4+   Reaffirmed
<b>Bank Ratings</b> <b>Loan</b>	1.00	ACUITE BB-   Stable   Reaffirmed	
<b>Total</b>	5.00	-	-

### Rating Rationale

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

### Rationale for reaffirmation of ratings

The rating continues to drive comfort from the extensive experience of the promoters in the line of business supported by a reputed customer profile along with improvement in operating income on a Y-O-Y basis and adequate liquidity position. The rating nonetheless remains constrained on account of modest scale of operations, continued stretch in working capital requirements as visible in its GCA of 342 days in FY2021 as against 383 days in FY2020, and the lack of continuous trend of positive profitability indicators as visible in the operating (EBITDA) margins of 2.34 percent in FY2021 as against (39.57) percent in FY2020 and 5.81 percent in FY2019.

### About the Company

Incorporated in the year 1993, Urban Mass Transit Company Limited (UMTCL) is a New-Delhi based consultancy company in the field of urban mobility. The company is a public-private venture with 25 percent held by the 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 percent 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.

### Analytical Approach

Acuité has considered the standalone view of the business and financial risk profile of UMTC to arrive at the rating.

### Key Rating Drivers

#### Strengths

#### Established track record of operations and experienced management

UMTC 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 experience of over three decades in the aforementioned line of business. The company caters to the

requirements of the 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.

Acuité believes that UMTC will sustain its existing business risk profile on the back of its established track record of operations and its experienced management.

## **Weaknesses**

### **Average financial risk profile**

UMTC has an average financial risk profile marked by its moderate net worth and fluctuating debt protection indicators. The tangible net worth of UMTC stood at Rs.18.79 Cr. as on March 31, 2021 as against Rs.16.75 Cr. as on March 31, 2020, in the back of accretion to reserves. UMTC follows a conservative financial policy as the entity avails on short-term non-fund-based limits. This is reflected by its Total outside Liabilities/Tangible Net Worth (TOL/TNW) of 0.45 times as on March 31, 2021 as against 0.28 times as on March 31, 2020. The debt protection indicators have fluctuated Y-O-Y basis with an Interest Coverage Ratio (ICR) of 18.99 times in FY2021 as against (43.75) times in FY2020, while the Debt-Service Coverage Ratio (DSCR) stood at 47.17 times as on March 31, 2021 as against 0.58 times as on March 31, 2020.

Acuité believes that the stability in the financial risk profile of UMTC will be a key rating factor in the near to medium term.

### **Intensive working capital requirements**

UMTC's working capital requirements while improving on a Y-O-Y basis have remained intensive as visible in its GCA (Gross Current Asset) of 342 days in FY2021 as against 383 days in FY2020. The improvement in GCA is on account of improvement in debtors' collection period in FY2021 as against FY2020 on the back of quicker realizations. The debtors' collection period of UMTC stood at 281 days in FY2021 as against 336 days in FY2020 and the creditors' payment period deteriorating on a Y-O-Y basis stood at 118 days in FY2021 as against 87 days in FY2020. The working capital bank lines remain utilized at an average of ~80 percent for the 6-month period ended October 2021 as informed by the banker.

Acuité believes the working capital requirements are expected to remain intensive in the near to medium term unless a significant improvement in the collections period is witnessed by the entity.

## **Rating Sensitivities**

- Significant improvement in scale of operations on the back of adequate unexecuted order book, while maintaining its profitability margins.
- Deterioration in the working capital cycle leading to stress on the debt protection metrics or the liquidity position of the entity.
- Any further slippage in the debtor collection will further affect the liquidity of the company.

## **Material covenants**

None

### **Liquidity Position: Adequate**

UMTC has an adequate liquidity position marked by adequate Net Cash Accruals (NCA) vis-à-vis its NIL maturing debt obligations. The Net Cash Accruals (NCA) of UMTC has improved on a Y-O-Y basis to Rs.2.58 Cr. in FY2021 as against Rs. (5.56) crore in FY2020. The net cash accruals are expected to be in the range of Rs.0.50 Cr. – Rs.3.00 Cr. during the FY2022-24 period, while its repayment obligations are expected to remain NIL during the same period. The cash and bank balance stood at Rs.2.05 Cr. as on March 31, 2021 while the current ratio stood at 2.34 times as on March 31, 2021. The bank lines being utilized at an average of ~80 percent during the 6-month period ended October 2021.

Acuité believes that the liquidity of the entity is likely to remain adequate over the near to medium term on the back of expected improving business environment.

## Outlook: Stable

Acuité believes that UMTC will maintain a 'Stable' outlook over the medium term backed by its experienced management and its 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.

## Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	25.03	15.86
PAT	Rs. Cr.	2.29	(6.56)
PAT Margin	(%)	9.14	(41.37)
Total Debt/Tangible Net Worth	Times	0.00	0.00
PBDIT/Interest	Times	18.99	(43.75)

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

Not Applicable

## Any other information

None

## Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
26 Nov 2021	Proposed Bank Facility	Long Term	1.00	ACUITE BB-   Stable (Reaffirmed)
	Proposed Bank Facility	Short Term	4.00	ACUITE A4+ (Reaffirmed)
18 Nov 2020	Proposed Bank Facility	Long Term	1.00	ACUITE BB-   Stable (Downgraded from ACUITE BB   Stable)
	Proposed Bank Facility	Short Term	4.00	ACUITE A4+ (Reaffirmed)
11 Sep 2019	Proposed Bank Facility	Short Term	4.00	ACUITE A4+ (Assigned)
	Proposed Bank Facility	Long Term	1.00	ACUITE BB   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Yes Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4+   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB-   Stable   Reaffirmed

\*BG facility consists of sublimit of Bid Bond Guarantee facility of up to Rs.4.00 Cr. and sublimit of the CC facility of up to Rs.0.50 Cr.

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## About Acuité Ratings & Research

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