Mateshwari Urban Transport Solutions Private Limited

July 19, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	20.00	CARE BBB; Stable	Assigned
Long-term bank facilities	75.00 (Enhanced from 25.00)	CARE BBB; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The assigned rating reflects comfortable operating and financial performance of Mateshwari Urban Transport Solutions Private Limited (MUTSPL) and its Group entities in FY24 (Prov) and CARE Ratings Limited's (CARE Ratings) expectations of steady performance in the medium term. The group is a service provider for local buses and has long-term contracts with local transport authorities/municipal bodies in Ahmedabad, Jaipur, Udaipur and Mumbai, which provide healthy revenue visibility in the medium term with covenants including minimum revenue guarantee and price escalation clause. With the group's largest contract with BEST in Mumbai commencing operations from FY23, its revenue jumped to ~₹323 crore in FY24 from ₹83.8 crore in FY22. Going forward, CARE Ratings expects the group's revenue to grow to ₹350-400 crore per annum in the next 2-3 years considering addition of new buses to the fleet and escalation in prices. The group's operating profit margin stood at ~27% in FY24 (prov) and is expected to stabilise around 25% in the coming years. Owing to substantial scale up in operations and accruals, the group's capital structure has recorded some improvement in recent years with overall gearing at 1.97x in FY24, but it remains leveraged. Debt coverage metrics are expected to remain healthy with interest cover above 6x in the next 1-2 years. The rating also factors in extensive experience of promoters in the fleet operations industry. However, rating strengths are tempered by a leverage capital structure and exposure to regulatory risks and intense competition.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improving scale of operations and profitability translating into higher net worth base, while maintaining healthy working capital cycle and coverage credit metrics on a sustained basis.

Negative

- Deteriorating revenue, profitability and/or working capital cycle, translating in pressure on liquidity and coverage metrics.
- Large debt-funded capital expenditure or build-up of receivables, resulting in weakening capital structure.
- Declining interest coverage ratio below 4x on a sustained basis.
- Reducing/withdrawing unsecured loans infused by promoters.

Analytical approach: Combined

CARE Ratings has adopted a combined approach to arrive at the rating for MUTSPL, combining financial risk profiles of MUTSPL, Mateshwari Bus Operations Private Limited (MBOPL) and Tak Bus Operations Private Limited (TBOPL), together referred to as the Mateshwari Group, as entities operate in the same industry and have substantial managerial, operational and financial linkages.

Outlook: Stable

The stable outlook reflects CARE Ratings' expectations that the group will maintain adequate debt coverage metrics in the medium term aided by revenue visibility from long-term contracts with key clients and extensive experience of its promoters.

Detailed description of key rating drivers:

Key strengths

Extensive experience of promoters in the fleet operations industry

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications.

The Mateshwari Group is promoted by Balwant Tak and Gopichand Tak, who have experience of more than three decades in the road transportation industry. Vast experience of promoters has benefitted the group in winning large tenders from local transportation authorities in Ahmedabad, Jaipur, Udaipur and Mumbai, and developing long-standing relationship with its customers, which has led to expansion of the business over the years. Promoters have infused unsecured loans of ₹16.61 crore as on March 31, 2024, to support the group's operations. CARE Ratings expects promoters to be able and willing to extend further financial support to the group to meet operational and financial liabilities.

Substantial scale-up of operations; healthy revenue visibility from long-term contracts with minimum revenue guarantee and price escalation clauses

The group entities have entered long-term (8-10 years) agreements with customers: municipal corporations/local urban transport authorities in Mumbai, Jaipur, Ahmedabad, and Udaipur. Per agreements, services provided are tied-up with minimum assured kilometres revenue, which provides healthy revenue visibility in the medium term. The group's scale of operations has recorded a significant improvement since FY22 owing to commencement of operations in Mumbai under MUTSPL, growing to ₹322.78 crore in FY2024 (prov) from ₹83.7 crore in FY2022 considering significant increase in fleet size of more than 700 buses in FY24 against less than 400 buses in FY21. Going forward, operating income is expected to improve as the fleet size is projected to increase more than 800 buses in FY25. CARE Ratings expect the group's performance to continue to remain stable in the medium term aided by guaranteed revenue off-take and track record of healthy billing across cities.

The group's operating margin improved to more than 25% in the last three years supported by operationalisation of buses under the contract with BEST in Mumbai. All existing contracts have an escalation clause to factor in inflation in fuel and wages, which are expected to support the company's profit margins. Going forward, the management plans to avail buses on lease against outright purchase, which may increase the operating costs and remain a key monitorable.

Adequate debt coverage metrics

The group continues to maintain adequate debt coverage metrics as indicated by interest cover above 4.5x and total debt to profit before interest, lease rentals, depreciation, and taxation (TD/PBLIDT) at 2.05x in FY24. Going forward, with increasing scale of operations, healthy profitability and low capex requirements, the group's debt coverage metrics are projected to improve with interest cover above 6x and TD/PBLIDT below 1.5x in the next 1-2 years, supporting the overall financial risk profile.

Key weaknesses

Moderately leveraged capital structure

The group's capital structure is leveraged considering large debt-funded capex (purchase of fleet) to increase the group's fleet size pursuant to bagging new contracts in the recent years. Overall gearing stood high at 6.65x and 3.05x in FY22 and FY23, respectively. While gearing improved to ~2x in FY24, the capital structure still appears leveraged. However, CARE Ratings expects leverage to improve going forward considering healthy accruals to net worth and low capex requirements.

Exposure to regulatory risks

The group's operations depend on urban local transport authorities/municipal bodies, which exposes its business to regulatory risks. Changes in transportation policies at the state and/or national level could have a material impact on the group's financial risk profile. Moreover, with government/quasi-government bodies as its customers, the group is also exposed to risks of delays in receipt of payments from counterparties, which could impact its liquidity position. However, risk is mitigated to an extent through provision of maintenance of escrow account by counterparties.

The urban intracity transport industry is highly fragmented and competitive with presence of organised/unorganised players, public and private. However, group entities provide services based on long-term agreements, which include minimum revenue guarantee and price escalation clause, mitigating competitive risks.

Liquidity: Adequate

The group's liquidity position is adequate considering growing scale of operations backed by long-term agreements, which is anticipated to generate healthy cash accruals to sufficiently cover the group's debt repayment obligations translating into satisfactory debt service coverage ratio (DSCR). Gross cash accruals are expected to be in ₹65 crore against debt repayment obligation of ₹54 crore in FY25. The group has unencumbered cash and bank balances of ₹10.47 crore as on March 31, 2024, which provide additional buffer. Net cash flow from operations stood at ₹44.45 crore in FY24 and is estimated to remain healthy in the medium term. The group's monthly average cash credit (CC) utilisation stood below 50% for 12-months ending April 30, 2024. On a standalone basis, MUTSPL has free cash of ₹9.00 crore as on March 31, 2024. On a standalone basis, debt repayments for FY25 and FY26 are ₹44 crore and ₹41 crore respectively.

Applicable criteria
Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Service Sector Companies

About the company and industry

Industry classification

Macro-economic indicator	Sector	Industry	Basic industry
Services	Services	Transport services	Road transport

Promoted by Tak family, the Mateshwari Group is engaged in providing intracity fleet services through tender-based agreements with government authorities (local municipal corporation). The group comprises three entities –MBOPL, MUTSPL, and TBOPL. MBOPL was incorporated in August 2013 and provides local bus services in Jaipur and Ahmedabad. MUTSPL was incorporated in July 2020 and provides intracity bus services in Udaipur and Mumbai. TBOPL was incorporated in 2014 and provide local bus services in Ahmedabad.

Combined Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	83.77	303.47	322.78
PBILDT	24.10	88.40	88.54
PAT	11.34	30.04	30.75
Overall gearing (times)	6.65	3.05	1.97
Interest coverage (times)	6.16	5.16	4.93

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	20.00	CARE BBB; Stable
Fund-based - LT-Term Loan		-	-	2027	75.00	CARE BBB; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	75.00	CARE BBB; Stable	1)CARE BBB; Stable (26-Jun-24)	-	-	-
2	Fund-based - LT-Cash Credit	LT	20.00	CARE BBB; Stable				

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:
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