

MAGENTA BUS TRANSIT PRIVATE LIMITED

March 25, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	100.00	CARE BB; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Magenta Bus Transit Private Limited (MBTPL) is constrained on account of implementation and post-implementation risks associated with its debt-funded project. The rating also factors in business risks associated with tender-based orders and competitive nature of the industry. However, the rating derives strength from long-term revenue visibility under concessional arrangement with Delhi transport corporation (DTC), locational advantages and experienced promoters.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Timely commissioning of the operations within envisaged timelines without any time and cost overrun along with required statutory approvals.

Negative factors

- Delay in infusion of promoter's contribution, cost escalation above 10% or time overrun beyond a quarter in the scheduled implementation of the project thereby delaying cash flows or creating tightening of the company's liquidity position.
- Adverse regulatory changes having significant impact on the operations/ financials of the company.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects that the company is likely to commence the operations on time within the envisaged cost.

Detailed description of key rating drivers:

Key weaknesses

Implementation and post-implementation risks associated with debt-funded project: Total estimated capital cost to the company is ₹220.93 crore, out of which ₹165.69 crore is to be funded through bank term loan & remaining ₹55.24 crore out of own fund in form of equity & preference share capital & unsecured loans. Disbursement of term loan would be done upon allocation of respective depots. One depot at Dwarka for 125 buses is expected to be allocated by end of March 2025 while another depot at Peeragarhi for rest 125 buses is expected to be allocated during Q4FY26 (refers to January 01 to March 31). The ability of the company to complete the project without any cost escalation with timely infusion of funds by promoters & stabilization and streamlining of revenue post implementation remains to be seen.

Business risks associated with tender-based orders: MBTPL undertakes contracts from DTC, which are awarded through the tender-based system. The company is thus exposed to risk associated with the tender-based business, which is characterized by intense competition. The growth of the business depends on its ability to successfully bid for the tenders and emerge as the lowest bidder. Further, any changes in the government policy or government spending on projects are likely to affect the revenues of the company.

Highly competitive and fragmented nature of the industry: The highly fragmented and unorganized nature of the industry results in intense price competition and may lead to pressure on the company's profitability in case of adverse situations. However, the players with superior quality of service and presence in different locations across country and clientele across various industries would enjoy competitive edge and would be able to garner more business and long-term contracts.

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

Key strengths

Long-Term Revenue visibility under Concessional arrangement with Delhi Transport Corporation: The company has entered into 12 years concessional arrangement with Delhi Transport Corporation (DTC) for procurement, operation & maintenance of 250 AC low floor fully built electric buses (9-meter length) for providing transportation services related to public transport buses in Delhi region. The commercial operations of the company are expected to commence from May 2025. The company would be receiving agreed per kilometre (PK) fee for each bus kilometre (KM) run during the month for fixed assured KMs annually. Presence of long-term concessional arrangement with fix assured KMs, moderates the off-take risk up to a great extent.

Experienced promoters: The promoters of the company Virendra Singh, Ramniwash Singh, Sanjay Kumar Singh, Rajeev Kumar and Rahul Rathi, have experience ranging from 17 to 35 years through their association with Intact Transport Pvt Ltd. and Govardhan Transport Company Private Limited, both companies are already in the business of operation and maintenance of buses under Gross Cost Contract model with Delhi Government.

Locational Advantage: Delhi's dense population and heavy traffic create an ongoing demand for efficient public transportation. As one of the most populous cities in the world, Delhi faces significant challenges related to congestion and mobility. Public transportation, including buses, metro, and other modes, plays a critical role in alleviating these issues by providing a reliable, affordable alternative for daily commuters.

Liquidity: Stretched

The company total estimated capital cost to the company is ₹220.93 crore, out of which ₹165.69 crore is to be funded through bank term loan & remaining ₹55.23 crore out of own fund in form of equity & preference share capital & unsecured loans. The company has received required sanction of term loans from various bank. Combined net worth of the promoters stood at around ₹98 crore as of August-2023. The liquidity remains stretched & dependent on timely operations commencement with stabilization and streamlining of revenues, timely infusion of funds by promoters & arrangement of unsecured loans from friends/relatives.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Project Stage Companies](#)

[Services Sector Companies](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Transport Services	Road Transport

MBTPL, established in June 2023, aims to offer transportation services for public buses in the Delhi region. The company has secured a 12 year concessional agreement with the Delhi Transport Corporation (DTC) to procure, operate, and maintain 250 air-conditioned, low floor, fully built electric buses.

Brief Financials: Not Applicable, as project stage entity

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	2.00	CARE BB; Stable
Term Loan-Long Term	-	-	-	30-09-2033	98.00	CARE BB; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		Type	Amount Out-standing (₹ 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	Term Loan-Long Term	LT	98.00	CARE BB; Stable	-	-	-	-
2	Fund-based - LT-Cash Credit	LT	2.00	CARE BB; 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	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view the 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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