

Delhi Integrated Multi-Modal Transit System Limited

January 04, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term bank facilities	10.00	CARE A; Stable (CARE A; Outlook: Stable)	Reaffirmed
Long term/ Short term bank facilities	15.00	CARE A; Stable/ CARE A1 (CARE A; Outlook: Stable/ CARE A One)	Reaffirmed
Total Facilities	25.00 (Rs. Twenty five crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Delhi Integrated Multi Modal Transit System Limited continues to derive strength from Government of National Capital Territory of Delhi ownership, experienced and professional management team, diversified client base and service offerings and revenue visibility from long term contracts and order book size. The rating also takes into cognizance comfortable financial risk profile marked by nil debt and increasing scale of operations. The rating is, however, constrained on account of risk related to project implementation and elongated receivable period. Going forward, company's ability to scale up its operations while improving profitability margin and better receivable management would be key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Government of National Capital Territory of Delhi ownership

Delhi Integrated Multi-Modal Transit System Limited (DIMTS) was incorporated as a Special Purpose Vehicle and the Government of National Capital Territory of Delhi (GNCTD) and IDFC Foundation (IDFC) holds 50 percent shareholding each as on September 30, 2018.

DIMTS acts as a key vehicle in furthering GNCTD's social and infrastructural obligations in Delhi's transportation sector and has been responsible for management of the integrated mechanism of cluster bus operations in NCR. Department of Transport and DIMTS entered into the Integrated Mechanism Agreement in April, 2011 wherein DIMTS is responsible for implementing (monitoring & management) of Concession Agreement between (Department of Transportation, GNCTD) DOT & Concessionaire (private bus operators).

Experienced and Professional management team

The company is being managed by professional and experienced management team, which is knowledgeable with respect to various aspects of the transport industry in India. Mr. M. Ramsekhar (ex-IAS Officer) is presently heading the DIMTS as MD and CEO since August 2014. The leadership team comprises of professionals with proven experience in a range of transport and allied sectors including policy and transaction advisory services, IT and Finance with prior work experience in Government and Private sector.

Diversified client base and service offerings

DIMTS provides diverse range of services to its various clients with an underlying theme of transportation. The services are broadly categorized under: Planning, Advisory, Operation & Management, Infrastructure development, Intelligent transport system, Railway engineering and eventually IT related services. The revenue profile of the company is primarily segregated among two divisions Operations and Consulting.

Revenue visibility from long term contracts

The company derives around 50% of its revenue from four long term contractual agreements which provides adequate revenue visibility. GNCTD (Govt. of National Capital Territory of Delhi)/Department of Transport (DoT) had commissioned a detailed scheme known as Cluster Bus Operations to improve the quality of private stage carriage services in Delhi in and appointed DIMTS (in 2011) as Integrated Mechanism (valid till 2023) for the Private stage carriage buses corporatization scheme and also for fare collection (renewed every third year). Apart from these two long term contracts the company also entered an agreement with DoT in 2008 for issuance of Smart Card based Driving License and

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Preparation and printing of smart card based RC for vehicles in 2014. These long term projects contributed Rs.76 crore during FY18.

Healthy order book size

Apart from the stable source of revenue the company also earns 50% of its revenue on project basis which forms part of its "Consultancy Revenue" segment. The order book under this segment stood at Rs.227 crore as on March 31, 2018 to be executed by FY19-FY20. During FY18, the income from this segment was Rs.81.45 crore. The order book size stands at around 2.8x of FY18 Consultancy revenue, thereby providing adequate visibility from this segment as well. During H1FY19, the company has reported Rs.34.58 crore under this segment.

Comfortable financial risk profile

The total operating income during FY18 remained at the FY17 level with marginal decline. The company witnessed cancellation of couple of its projects during FY18. One of the major projects which were related to Parking fee for New Delhi Municipal Corporation got concluded in March, 2017 thereby not contributing the income during FY18. The project provided Rs.15-20 crore revenue to the company. However, the company was able to get higher revenue from Nagpur bus operations which increased from Rs.2 cr in FY17 to Rs.10 cr during FY18, thereby leading to marginal decline in total income. The profitability margin of the company got impacted during FY18 and the PBILD and PAT margin deteriorated by 329 bps and 256 bps respectively to 5.84% and 3.61%. The profitability was impacted primarily on account of increase in the employee cost during FY18. The largest cost for the company is its employee cost (39% of total cost during FY18) followed by outsourced cost (around 30% during FY18). The company outsources various studies and surveys required for its Consulting segment.

DIMTS as on March 31, 2018 had nil outstanding debt leading to a comfortable capital structure. The net worth of the company also stood comfortable at Rs.97.80 crore as on March 31, 2018.

Strong business prospects provided the need of integrated transport model across the country

Integrated, multi modal transport planning is a necessity in India to achieve a healthy modal mix of transport, which is efficient, faster, safer, import substituting, cost effective and pollution free. The Government of India has been taking various initiatives considering the criticality of this sector.

Key Rating Weakness

Risk related to renewal of agreements for projects

DIMTS revenue is based on the projects it is awarded from the Department of Transportation (DOT) of Govt. of NCT of Delhi and various other state bodies and private parties. Majority of the projects awarded to the company from DoT is in long-term nature however the projects other than DoT are tenure based projects. Successful renewal of such orders or continuous project award to the company is not certain and thus exposes the company to such risk. NDMC parking project which was adding to the revenue to the tune of Rs. 15 crore per annum concluded in March, 2017. This resulted in decline in the revenue from Operations division during FY18. The risk however is mitigated to a large extent given the healthy order book size and the expertise DIMTS has developed in undertaking such projects in the transportation sector in the country.

Elongated receivable days

The counter party risk is mitigated to a large extent as majority of the projects that DIMTS undertake is for state governments and municipal bodies. The payments from these government bodies though assured has demonstrated some delay leading to elongated debtor days for the company. The debtor days of the company remained at 121 days during FY18 (122 days during FY17). The total debtor outstanding as on March 31, 2018 stood at Rs. 44.84 crore (PY: Rs 62.06 crore). The debtor position is net of provisions already made for doubtful debt Rs.37.69 crore as on March 31, 2018 (PY: 27.59 crore).

Liquidity analysis

The liquidity profile of DIMTS remained comfortable marked by current ratio of 1.41x as on March 31, 2018. The company had unencumbered cash and bank balance of Rs.23.60 crore and current investments of Rs.29.30 crore totaling to Rs.52.91 crore (PY: Rs.41.29 cr) as on March 31, 2018 thereby providing adequate liquidity comfort. The current investment is in form of mutual fund investments in liquid debt funds.

Analytical approach: Standalone

Applicable Criteria[Criteria on assigning Outlook to Credit Ratings](#)[CARE's Policy on Default Recognition](#)[Criteria for Short-term Instruments](#)[CARE's methodology for Services Companies](#)[CARE's methodology for financial ratios \(Non-Financial Sector\)](#)**About the Company**

Delhi Integrated Multi-Modal Transit System Limited (DIMTS) was incorporated as a Special Purpose Vehicle and thereafter the Government of National Capital Territory of Delhi (GNCTD) and Infrastructure Development Finance Company Ltd (IDFC) in July 2007 became Joint Venture Partners in the SPV. The shares of IDFC Limited were transferred to the IDFC Foundation (a not-for-profit initiative of Infrastructure Development Finance Company Limited) in March 2011. DITMS is a transport and infrastructure development company and is engaged in providing concept-to-commissioning consultancy, intelligent transport system solutions and urban transport asset management services.

Brief Financials (Rs. crore)	FY17 (Aud.)	FY18 (Aud.)
Total operating income	166.56	161.38
PBILDT	15.21	9.42
PAT	10.82	6.16
Overall gearing (times)	0.00	0.00
Interest coverage (times)	NM	NM

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	10.00	CARE A; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	15.00	CARE A; Stable / CARE A1

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	10.00	CARE A; Stable	-	1)CARE A; Stable (12-Jan-18)	-	-
2.	Non-fund-based - LT/ ST-BG/LC	LT/ST	15.00	CARE A; Stable / CARE A1	-	1)CARE A; Stable / CARE A1 (12-Jan-18)	-	-

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