

Delhi Integrated Multi-Modal Transit System Limited

October 07, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	5.00	CARE A; Stable (Single A; Outlook: Stable)	Reaffirmed
Long Term / Short Term Bank Facilities	20.00	CARE A; Stable / CARE A1 (Single A ; Outlook: Stable / 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 (DIMTS) continues to derive strength from Government of National Capital Territory of Delhi (GNCTD) ownership, experienced and professional management, diversified client base and service offerings. The rating also takes into cognizance revenue visibility from long term contracts and order book size along with comfortable financial risk profile marked by nil debt. The rating is, however, constrained on account of risk related to renewal of contracts, project implementation risk and elongated receivable period.

Key Rating Sensitivity:

Positive Factor:

- Ability of the company to scale up its operations over Rs.200 crore and profitability margins above 15% on a sustained basis
- Efficient management of operating cycle by improving the average collection period to less than 60 days on a sustained basis

Negative Factor:

- Any stretch in collection period of more than 150 days on a sustained basis
- Moderation in capital structure resulting in overall gearing of more than 0.50x on a sustained basis
- Termination of any major project impacting the total operating income of the company with revenue reducing below Rs. 100 crore

Detailed description of the key rating drivers

Key Rating Strengths

Government of National Capital Territory of Delhi ownership

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 March 31, 2020. As per the directive in the JV agreement, equal participation in the directorship is mandated in the ratio of 4:4 from both GNCTD & IDFC Foundation. 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.

GNCTD continues to be self-reliant as its own revenues (tax and non-tax) accounts for 80% of its revenue receipts. However, this share has moderated from 94% in FY18. Also GNCTD continues to be fiscally strong having sustained both revenue surplus as well as an overall budget surplus in FY20 helping it adhering to all the fiscal consolidation norms by the finance commission.

Experienced and Professional management team

The company operations are being managed by professional management team which has experience with respect to various aspects of the transport industry in India. Mr. Rajesh Agarwal (ex-IRSE Officer) is presently heading the DIMTS as MD and CEO. 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

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

system, railway engineering and eventually IT related services. The revenue profile of the company is primarily segregated among two divisions operations and consulting each contributing 50% of revenue.

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 preparation and printing of smart card based RC for vehicles in 2014. Further, in November 2016, DIMTS received a new project to replicate the Cluster Bus Operation model in Nagpur with duration of 6 years (2022). These long term projects contributed Rs. 77.94 crore (PY: Rs. 81.73 crore) representing 52% of FY20 operating income.

Healthy order book size

Apart from the stable source of revenue the company also earns around 50% of its revenue on project basis which forms part of its "Consultancy Revenue" segment. As on July 31, 2020, the order book under consulting segment stood at Rs. 172.03 crore which is expected to be executed by FY22. The new orders booked under this segment during FY21 till July 31, 2020 is of Rs. 16.75 crore. During FY20, the income from this segment was Rs. 71.54 crore witnessing a decline of around 8% from consulting income of Rs. 77.93 crore in FY19. The order book size stands at around 2.4x of FY20 revenue, thereby providing adequate visibility from this segment as well. Further, during Q1FY21, the company has reported Rs. 8.92 crore under this segment which got impacted due to stay in project execution due to lockdown imposed to control the spread of COVID-19.

Comfortable financial risk profile

During FY20, total operating income (TOI) witnessed moderation of 5.65% from FY19 level and stood at Rs. 152.63 crore (PY: 161.77 crore) on account of reduction in fee collection from DoT in cluster bus operation in Delhi. The PBILDT margins also declined to 6.37% (PY: 11.87%) on account of lower operating income and higher expenses due to provisioning of rent arrears of Rs. 3.83 cr out of total demand raised of Rs. 34.34 cr from Delhi Transport Infrastructure Corporation Ltd & higher provision of doubtful debts of Rs. 6.46 cr (PY: 4.86). As on March 31, 2020, DIMTS had nil outstanding term debt, no working capital utilization and net worth stood at Rs. 116.90 crore leading to a comfortable capital structure & financial risk profile despite moderation in income & profitability.

Q1FY21 Financials: During Q1FY20, DIMTS has reported decline in quarterly operating income of 46.53% by posting TOI of Rs. 21.57 crore (PY: 40.34 crore) on account of decline in business both from operation and consulting segment as the business got impacted due to lockdown imposed to control the spread of COVID-19. The PBILDT margin witnessed moderation at 5.48% in Q1FY21 vis-à-vis 9.95% in Q1FY20 on account of decline in operating income.

Strong business prospects given 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. DIMTS being one of the organizations with dedicated focus on better transportation is expected to benefit from various government initiatives in this sector. DIMTS in past has been awarded assignments to conduct various studies to improve the transportation in the country and is well placed to benefit from these government initiatives as well.

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 are of long-term in nature however the projects other than DoT are tenure based projects and thereby exposes the company to the risk of non-renewal of such projects. As well as any change in terms & conditions of these agreement from DoT will impact the revenue. However, the risk 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 increased in FY20 and stood at 146 days vis-à-vis 116 days in FY19.

The total debtor outstanding as on March 31, 2020 stood at Rs. 67.00 crore (PY: Rs. 54.60 crore). The debtor position is net of provisions already made for doubtful debt Rs. 47.93 as on March 31, 2020 (PY: 42.26 crore).

Liquidity: Adequate

The liquidity profile of DIMTS continues to remain adequate marked by current ratio of 1.23x as on March 31, 2020. Further, the company has no term loan repayments and working capital limits utilisation. The company had unencumbered cash and bank balance of Rs. 8.76 crore and current investments (liquid debt mutual fund) of Rs. 25 crore which totals to Rs. 33.76 crore as on June 30, 2020 thereby providing adequate liquidity comfort. Further, the company also has lien marked FD of Rs. 15.69 crore as on June 30, 2020 for issuance of BG & OD limits

Analytical approach: Standalone. The rating however factors in the GNCTD ownership in DIMTS (50% stake)

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short-term Instruments](#)

[CARE's methodology for service companies](#)

[CARE's methodology for financial ratios \(Non-Financial Sector\)](#)

[CARE's methodology for Factoring Linkages in Ratings](#)

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. DIMTS 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. DIMTS is an ISO 9001:2008, ISO 14001:2004 & OHSAS 18001:2007 certified company. The company operates primarily in the following seven major verticals: Transport Planning, Transportation Technology and IT Solutions, Intelligent Transport Solution, Advisory Services, Engineering, Operations & Management, Railway Engineering and Comprehensive Management of Bus Transit

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	161.77	152.63
PBILDT	19.20	9.72
PAT	12.67	3.05
Overall gearing (times)	0.00	0.21
Interest coverage (times)	30.19	7.17

A: Audited

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

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	-	-	-	5.00	CARE A; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	20.00	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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	5.00	CARE A; Stable	-	1)CARE A; Stable (06-Jan-20)	1)CARE A; Stable (04-Jan-19)	1)CARE A; Stable (12-Jan-18)
2.	Non-fund-based - LT/ ST-BG/LC	LT/ST	20.00	CARE A; Stable / CARE A1	-	1)CARE A; Stable / CARE A1 (06-Jan-20)	1)CARE A; Stable / CARE A1 (04-Jan-19)	1)CARE A; Stable / CARE A1 (12-Jan-18)

Annexure 3: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - LT/ ST-BG/LC	Simple

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.

Contact us

Media Contact

Name: Mradul Mishra
Contact no: +91-22-6837 4424
Email ID: mradul.mishra@careratings.com

Analyst Contact

Name: Nitesh Ranjan
Contact no.: +91-11- 45333239
Email ID: nitesh.ranjan@careratings.com

Business Development Contact

Name: Swati Agrawal
Contact no: +91-11-4533 3200
Email ID: swati.agrawal@careratings.com

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