

January 02, 2020

## Bengaluru Metropolitan Transport Corporation: Rating upgraded to [ICRA]B-(Stable)

### Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based Term Loans	335.00	335.00	[ICRA]B- (Stable); upgraded from [ICRA]D
Proposed Term Loans	965.00	965.00	[ICRA]B- (Stable); upgraded from [ICRA]D

\*Instrument details are provided in Annexure-1

### Rationale

The rating revision factors in the regularisation of debt servicing in the last four months (September 2019 to December 2019) by the Bengaluru Metropolitan Transport Corporation (BMTc), as confirmed by the lenders of the entity. The timeliness in debt servicing despite BMTc's adverse financial position and poor liquidity position, has been supported by the recent approval from the Government of Karnataka (GoK) for utilisation of capital grant (allocated in the state's annual budget for BMTc), towards repayment of debt obligations and other critical fixed expenditures during FY2020. ICRA believes that the continuity of such a support from the GoK in a timely manner would remain critical for BMTc going forward.

The previous detailed rating rationale is available on the following link: [Click here](#)

### Key rating drivers

#### Credit strengths

**Strategic importance to the GoK and financial flexibility derived being a state-owned entity** – The BMTc is wholly-owned by the GoK and is strategically important to the state government, with the corporation playing a critical role in providing transport services in the capital city of the state. The BMTc receives support from the GoK in the form of revenue and capital grants to meet its funding requirements. Recently, the GoK has also approved utilising the funds earmarked for capital expenditures for servicing BMTc's debt obligations to financial institutions, including Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC).

#### Credit challenges

**Continued weak operating performance** – The BMTc's operating performance continued to remain weak in FY2019, primarily owing to the firm fuel costs against the lack of fare revision and rising employee expenses. Further, the number of profit-making schedules reduced sharply during FY2019, resulting in an operating loss of Rs. 4.32 per km during FY2019 as compared to an operating loss of Rs. 1.06 per km during FY2018.

**Modest financial profile** – BMTc's capitalisation ratios deteriorated in FY2019, owing to the high losses incurred and the ongoing debt-funded expansion programme. Further, lack of adequate support from the GoK to meet its operating and capital expenditure requirements resulted in its increasing dependence on external funding to support its cash flows. The

expected losses in FY2020, coupled with the scheduled expenditure towards fleet addition is likely to further increase its debt levels and limit improvement in capitalisation ratios in the near term.

**High repayment obligations in the near term** - The BMTC has significantly high repayment obligations for the next couple of years, which will continue to impact its liquidity position. Although ICRA notes that some of the loans sourced from the Karnataka Urban Infrastructure Development Authority, would be repaid by the Government of Karnataka (GoK).

### Liquidity position: Poor

The company has substantial annual debt repayments amounting to Rs. 224.42 crore, during FY2020 and FY2021. Its liquidity position remains poor, as reflected in its delay in the repayment of long-term loans during the current fiscal. However, the BMTC's liquidity position has been supported, to an extent, by the recent approval received from the GoK during December 2019, regarding utilisation of capital grant amounting to Rs. 149.09 crore, towards the repayment of debt obligations and other critical revenue expenditures during FY2020.

### Rating Sensitivities

**Positive triggers** – ICRA could upgrade the rating if the corporation is able to revise the tariffs upwards and is able to achieve cash profits on a sustained basis. ICRA may also upgrade the rating if a sustainable and timely support mechanism is established by the GoK for repayment of the BMTC's debt obligations and also to meet its critical fixed expenses.

**Negative triggers** – ICRA could downgrade the rating if the entity is unable to service the debt in a timely manner or if the corporation's cash losses increase further and there is an increased dependence on external funds to support its cash flows, which may further impact its liquidity position.

### Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Rating Methodology for Passenger Road Transport Entities</a>
Parent/Group Support	Not Applicable
Consolidation / Standalone	Standalone

### About the company

The BMTC was established in August 1997 under the provisions of the Road Transport Corporation (RTC) Act, 1950, to provide passenger road transport services in and around the capital of Karnataka, Bengaluru. It was carved out from the Karnataka State Road Transport Corporation (KSRTC) by combining two divisions of the Bangalore Transport Service (BTS), effective from August 1997. The operational jurisdiction of the BMTC extends to around 25 km across all directions from the Bruhut Bengaluru Mahanagara Palike (BBMP) boundaries. As on March 31, 2019, with a fleet strength of 6521, the BMTC is one of the largest among the urban state road transport undertakings (SRTUs) in the country. It operates close to 6,200 schedules daily through 45 depots and two central workshops with the support of 33,878 personnel.

## Key financial indicators

Fiscal	FY2017	FY2018	FY2019
	(Audited)	(Audited)	(Provisional)
Operating Income (Rs. crore)	2,106.1	2227.0	2293.3
PAT (Rs. crore)	-260.9	-217.6	-349.5
OPBDIT/ OI (%)	-4.0%	-2.0%	-7.8%
RoCE (%)	-21.5%	-17.5%	-36.0%
Total Debt/ TNW (times)	1.5	6.5	12.1
Total Debt/ OPBDIT (times)	-7.3	-23.2	-4.5
Interest Coverage (times)	-1.6	-0.9	-6.7

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

## Rating history for last three years:

	Instrument	Current Rating (FY2020)					Chronology of Rating History for the past 3 years				
		Type	Amount Rated	Amount Outstanding*	Date & Rating	Date & Rating	Date & Rating in FY2019	Date & Rating in FY2018		Date & Rating in FY2017	
					Jan 02, 2020	Sept 13, 2019	July 02, 2018	Nov 15, 2017	July 05, 2017	-	
1	Term Loan I	Long-term	160.00	78.07	[ICRA]B-(Stable)	[ICRA]D	[ICRA]B (Stable)	[ICRA]B (Stable) 'ISSUER NOT CO-OPERATING'	[ICRA]B (Stable)	-	
2	Term Loan II	Long-term	175.00	143.76	[ICRA]B-(Stable)	[ICRA]D	[ICRA]B (Stable)	-	-	-	
3	Term Loans Proposed	Long-term	965.0	NA	[ICRA]B-(Stable)	[ICRA]D	[ICRA]B (Stable)	[ICRA]B (Stable) 'ISSUER NOT CO-OPERATING'	[ICRA]B (Stable)	-	

\*outstanding as on November 30, 2019

## Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loans I	FY2016	-	FY2023	160.00	[ICRA]B- (Stable)
NA	Term Loan II	FY2018	-	FY2025	175.00	[ICRA]B- (Stable)
NA	Term Loan proposed	-	-	-	965.00	[ICRA]B- (Stable)

## ANALYST CONTACTS

**Jayanta Roy**

+91 33 7150 1120

[jayanta@icraindia.com](mailto:jayanta@icraindia.com)

**Manish Pathak**

+91 124 4545 397

[manishp@icraindia.com](mailto:manishp@icraindia.com)

**Nishant Lakkar**

+91 33 7150 1122

[nishant.lakkar@icraindia.com](mailto:nishant.lakkar@icraindia.com)

## RELATIONSHIP CONTACT

**Jayanta Chatterjee**

+91 80 4332 6401

[jayantac@icraindia.com](mailto:jayantac@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

### Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited

### Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: [info@icraindia.com](mailto:info@icraindia.com)

Website: [www.icra.in](http://www.icra.in)

### Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

### Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 2556 0194/ 6606 9999

© Copyright, 2020 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents