

Kerala State Road Transport Corporation

April 4, 2024

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	2,930.49 (Reduced from 3023.86)	CARE C; Stable	Revised from CARE D; Stable outlook assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in rating assigned to the Long-Term Bank Facilities of Kerala State Road Transport Corporation (KSRTC) takes into consideration the timely servicing of the consortium debt. Further KSRTC has made an arrangement wherein the daily collections of 52 bus depots are deposited in the escrow account. The cash deposited in this escrow account is first utilized in meeting the equated daily instalments of the consortium loans.

The rating, however, continues to be constrained by the volatility in cost of resources and limited control over pricing structure, continuing cash loss, leveraged capital structure with stressed debt coverage indicators and competition from intrastate & interstate passenger bus transportation & logistics services.

The rating also factors unconditional and irrevocable guarantee of Government of Kerala (GoK) and regular funding support being provided by GoK for operational and also for meeting the debt obligations of KSRTC.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in liquidity profile of the corporation.
- Improvement in operational efficiency leading to break even at operational level.

Negative factors

- Change in stance of the Government of Kerala impacting funds infusion for timely servicing of debt obligations.

Analytical approach: Standalone

CARE Ratings has adopted a standalone approach factoring linkages with the Government of Kerala.

Outlook: Stable

The stable outlook reflects CARE Rating's expectation that the existence of the escrow mechanism and prioritizing the debt repayments will continue.

Detailed description of the key rating drivers:

Key weaknesses

Volatility in cost of sales and limited control of pricing structure:

Cost of sales for the entity is very high at Rs. 3487 crore in FY23 vis-à-vis Rs. 2738 crore in FY22. Employee cost has been major burden at Rs. 1953 crore in FY23 (88% of the total revenue in FY23). Power and Fuel contributed to 60% to the total expenses in FY23. However, there exists fluctuation of fuel prices on account of regulatory norms & foreign exchange fluctuation for crude oil imported and revision in employee payments & benefits. The same is subject to stay volatile on account of nature of the commodity and market demand-supply scenario. Further, KSRTC has limited control over the pricing structure for the services provided by them is finally fixed by the GoK. However, there has been fare revisions in FY23.

To combat the increased fuel prices, the entity is in discussion with various agencies to convert to electric operations by proposing the replacement of 3000 old diesel buses with electric buses. These measures are expected to positively impact KSRTC going forward.

Continuous cash losses albeit improvement in TOI:

KSRTC's revenue in FY23 has doubled when compared to FY22 at Rs. 2227 crores on account of return to office and opening up of the economy post COVID restrictions and hike in fares. The PBILDT however remains negative Rs. 1260 crores but improved from negative Rs. 1642 crores owing to better fixed costs absorption. The lower PBILDT margins is due to higher salary expenses (88% of TOI) and fuel costs (60% of TOI).

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

Competition from private players in intrastate & interstate passenger bus transportation and logistics services

KSRTC faces competition from the private players in the intrastate and interstate segment. With high pricing power coupled with time taken to reach destination, services by private players can attract the passengers at competitive prices as against the fares charged by KSRTC which are majorly fixed in nature.

Key strengths

Timely servicing of debt obligations under consortium:

KSRTC has made an arrangement wherein the daily collections of 52 bus depots are deposited in the escrow account. The cash deposited in this escrow account is first utilized in meeting the equated daily instalments of the consortium loans. By virtue of above mechanism, the corporation has been promptly meetings its equated daily instalments since December 2023 towards consortium loans.

Liquidity: Poor

KSRTC has made an arrangement wherein the daily collections of 52 bus depots are deposited in the escrow account. The cash deposited in this escrow account is first utilized in meeting the equated daily instalments of the consortium loans. By virtue of above mechanism, the corporation has been promptly meetings its equated daily instalments. However, the corporation has been consistently generating negative cash accruals and is dependent upon Government of Kerala for its day-to-day operations. Ability of the corporation to improve operational efficiency and being self-sufficient shall remain key credit monitorable.

Assumptions/Covenants – Not applicable

Environment, social, and governance (ESG) risks – Not mentioned as company is not listed

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[State Government](#)

[Factoring linages with Government Support](#)

[Service sector companies](#)

[Policy on curing period](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Services	Services	Transport Services	Road Transport

Kerala State Road Transport Corporation (KSRTC) was incorporated on March 15, 1965 under the Road Transport Corporations Act, 1950 [Central Act 64 of 1950]. It was formed by transferring the assets and liabilities of the then Kerala State Transport Department vide Government Notification No.5645/TC4/65/PW dated 10-03-1965. It started functioning from 01-04-1965 along with the Water Transport Section, which was operating ferry services around Kochi harbor. The Water Transport section was separated from the Corporation and transferred to Water Transport Department from July 01, 1994. In the past 59 years it had grown into public service provider inevitable to the Kerala people.

Brief Financials (₹ crore)	March 31, 2022 (P)	March 31, 2023 (P)	H1FY24 (UA)
Total operating income	1095.52	2227.10	1351
PBILDT	-1642.47	-1259.76	NA
PAT	-1787.86	-1521.83	
Overall gearing (times)	NM	NM	
Interest coverage (times)	NM	NM	

P: Provisional UA: Unaudited; NA: Not available NM: Not meaningful

Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various 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	-	-	-	-	50.00	CARE C; Stable
Fund-based-Long Term	-	-	-	31-03-2038	140.47	CARE C; Stable
Fund-based-Long Term	-	-	-	31-03-2038	2740.02	CARE C; Stable

Annexure-2: Rating history for the 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-Long Term	LT	2740.02	CARE C; Stable	-	-	1)CARE D (30-Jan-23)	1)CARE D (01-Nov-21) 2)CARE BBB+ (CE); Negative (01-Apr-21)
2	Un Supported Rating-Un Supported Rating (Long Term)	LT	-	-	-	-	-	1)Withdrawn (01-Nov-21) 2)CARE D (01-Apr-21)
3	Fund-based - LT-Cash Credit	LT	50.00	CARE C; Stable	-	-	1)CARE D (30-Jan-23)	-
4	Fund-based-Long Term	LT	140.47	CARE C; Stable				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities – not applicable

Annexure-4: Complexity level of the various instruments rated

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

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

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

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About us:

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