

## Kerala State Road Transport Corporation

April 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	2,847.89 (Reduced from 2,930.49)	CARE C; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Reaffirmation of the rating assigned to the long-term bank facilities of Kerala State Road Transport Corporation (KSRTC) remains constrained by volatility in resource costs, limited control over its pricing structure, ongoing cash losses, a leveraged capital structure with stressed debt coverage indicators, and competition from intrastate and interstate passenger bus transportation as well as logistics services.

However, the rating also considers the unconditional and irrevocable guarantee provided by the Government of Kerala (GoK), along with regular financial support from GoK for operational expenses and debt obligations. Additionally, the rating factors in the established mechanism whereby funds from 52 depots are deposited daily into an escrow account. From this account, debt obligations related to the consortium are prioritized and settled first, with the remaining funds allocated to KSRTC for operational purposes.

CARE Ratings Limited (CARE Ratings) notes that, due to this arrangement, KSRTC has been meeting its consortium-related debt obligations without delays or defaults and the same are being rated. However, certain loans outside the consortium, which are not rated by CARE Ratings, have faced delays in debt servicing due to ongoing disputes between KSRTC and Kerala Transport Development Finance Corporation Ltd (KTDFC). The ability of KSRTC to regularize these external loans will be a key monitorable from a ratings perspective.

### 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.
- Timely servicing of debt obligations of loans outside the consortium.

#### Negative factors

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

**Analytical approach:** Standalone, factoring linkages with 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 that are rated will continue.

### Detailed description of key rating drivers:

#### Key weaknesses

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

KSRTC's cost of sales remained high at ₹4,211 crore in FY24, up from ₹3,183 crore in FY23. Employee costs continued to be a major burden, totalling ₹1,978 crore in FY24, or 63% of total revenue. Power and fuel expenses accounted for 62% of revenue. Fuel price fluctuations remain a concern due to regulatory norms, foreign exchange volatility affecting crude oil imports, and periodic revisions in employee salaries and benefits. Given the nature of the commodity and prevailing market dynamics, these factors are expected to remain volatile.

KSRTC has limited control over its pricing, as fare rates are determined by the Government of Kerala (GoK). However, fare revisions were implemented in FY24. To mitigate rising fuel costs, the entity is collaborating with various agencies to replace old diesel buses with electric ones, a move expected to improve its financial performance.

Additionally, KSRTC is hiring contract-based employees to replace retiring staff and reduce operational costs. It is also optimizing its fleet to expand courier services and leveraging depot spaces by leasing them out to generate supplementary income.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

### Continuous cash losses albeit improvement in TOI

KSRTC's revenue from operations in FY24 has improved by over 47% when compared to FY23 at Rs. 3,155 crores due to increase in fleet utilisation ratio and slight hike in fares. The PBILDT however continue to remain negative Rs. 1,056 crore. The lower PBILDT margins is due to higher salary expenses (63% of TOI) and fuel costs (62% of TOI). For 9MFY25, KSRTC recorded a revenue of around Rs. 2,170 crores.

### 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 where in the daily collections of 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 that are being rated. 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 implemented an arrangement wherein the daily collections from 52 bus depots are deposited into an escrow account. The funds in this account are first utilized to meet the equated daily installments of consortium loans. Through this mechanism, the Corporation has been promptly meeting its repayment obligations. However, it has been consistently generating negative cash accruals and remains dependent on the Government of Kerala for its day-to-day operations. The Corporation's ability to improve operational efficiency, achieve self-sufficiency and regularize the debt obligations of loans out of consortium will remain a key credit monitorable.

#### Assumptions/Covenants: Not applicable

#### Environment, social, and governance (ESG) risks: Not applicable

### Applicable criteria

[Definition of Default](#)

[Factoring Linkages Government Support](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

[State Governments](#)

### About the company and industry

#### Industry classification

Macroeconomic 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. It started functioning from 01-04-1965 along with the Water Transport Section, which was operating ferry services around Kochi harbour. 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. It is providing services to rural/tribal sectors having lesser income routes without commercial motivation and rendering various service required by Government from time to time incurring high social cost which however could not be passed on to public at the rates are fixed by the government.

The corporation started with a fleet of 901 buses in 1965 and expanded to fleet strength of 5,576 buses as on March 31, 2024. The distance covered by the transport corporation is more than 17 lakh km/day.

Brief Financials (₹ crore)	March 31, 2023 (P)	March 31, 2024 (P)	9MFY25 (P)
Total operating income	2142.50	3154.99	2169.53
PBILDT	-1040.65	-1055.55	NA
PAT	-1490.66	-1314.04	
Overall gearing (times)	NM	NM	
Interest coverage (times)	NM	NM	

P: Provisional; 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:** 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	50.00	CARE C; Stable
Fund-based-Long Term	-	-	-	31-03-2038	136.15	CARE C; Stable
Fund-based-Long Term	-	-	-	31-03-2038	2661.74	CARE C; Stable

**Annexure-2: Rating history for 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	2661.74	CARE C; Stable	1)CARE C; Stable (04-Apr-24)	-	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 C; Stable (04-Apr-24)	-	1)CARE D (30-Jan-23)	-
4	Fund-based-Long Term	LT	136.15	CARE C; Stable	1)CARE C; Stable (04-Apr-24)	-	-	-

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	Fund-based-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.

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### About us:

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