

November 30, 2009

CARE ASSIGNS 'BBB-' AND 'PR3' RATINGS TO THE BANK FACILITIES OF ANDHRA PRADESH STATE ROAD TRANSPORT CORPORATION

CARE has assigned a '**CARE BBB-**' [**Triple B minus**] rating to the Long-term Bank Facilities of Andhra Pradesh State Road Transport Corporation (APSRTC). This rating is applicable for facilities having tenure of more than one year. Facilities with this rating are considered to offer moderate safety for timely servicing of debt obligations. Such facilities carry moderate credit risk.

Also, CARE has assigned a '**PR3**' [**PR Three**] rating to the Short-term Bank Facilities of APSRTC. This rating is applicable for facilities having tenure of up to one year. Facilities with this rating would have moderate capacity for timely repayment of short term debt obligations at the time of rating and carry higher credit risk as compared to facilities rated higher.

CARE assigns '+' or '-' signs to be shown after the assigned rating (wherever necessary) to indicate the relative position within the band covered by the rating symbol.

Facility	Amount (Rs. crore)	Rating
Short Term	49.00	PR3
Long Term	606.69	CARE BBB-
Total	655.69	

Rating Rationale

The ratings take into account the Corporation's established track record of more than 50 years, strong fleet base, social and economic importance of the operations of the Corporation, improving operational performance, good debt servicing track record, and financial support from the State Government of Andhra Pradesh. The rating is however constrained by considerable accumulated losses as on Mar'08 resulting from losses incurred by the Corporation over the years, notwithstanding the profit registered in FY08 and 9MFY09, limited control on the cost and pricing structure and growing competition from the private operators.

Company Profile

APSRTC was established in January 1958 under the Road Transport Corporations Act 1950 for providing road transport facilities in the State of Andhra Pradesh (AP) and neighboring states. The corporation was started with contributions from State and Central Governments in the form of interest bearing loans which were later converted

into equity capital in the year 1992. As on December 31, 2008, the corporation had a fleet of 20,400 buses serviced through 202 depots. APSRTC reported a profit of Rs.136 cr on total revenue of Rs.4457 cr in FY08 (unaudited) as against loss of Rs.112 cr on total revenue of Rs.4186 cr in FY07

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CARE 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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