

Andhra Pradesh State Road Transport Corporation

March 22, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	2000.00	CARE BB; Stable [Double B; Outlook: Stable]	Reaffirmed
Total Facilities	2000.00 (Rupees Two Thousand Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Andhra Pradesh State Road Transport Corporation (APSRTC) are constrained by the volatility in cost of resources & limited control over pricing structure, competition from intrastate & interstate passenger bus transportation & logistics services, weak financial performance with continuing cash loss during FY18 (refers to period April 01 to March 31) and a leveraged capital structure with stressed debt coverage indicators. The ratings are however underpinned by the continuous statutory & financial support from Government of Andhra Pradesh (GoAP), geographical presence & socio-economic importance of the corporation and well-equipped & developed logistics service. The ability of APSRTC to improve the operational efficiently, optimize cost on employment of resources and recover the contract proceeds in timely manner thereby reducing the operating cycle are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Weak financial performance and continuing cash loss during FY18: APSRTC has recorded growth of 4.91% in Total Operating Income (TOI) to Rs.5671.87 crore over Rs.4463.21 crore in FY17 on account of increase in the basic fares coupled with increase in passenger booking & cargo orders. The financial performance of the company has been weak with the corporation continuously reporting loss of Rs.1084.87 (FY17: Rs.789.93) at the back of due to volatile nature of resources leading to increase in cost of sales coupled with high capital charge (cost of interest & depreciation) leading to erosion of the net-worth to Rs.2095.91 crore (FY17: Rs.2990 crore).

Leveraged capital structure: APSRTC has a weak capital structure with the overall gearing weakening to 1.79x as on March 31, 2018 from 1.38x as on March 31, 2017 on account of APSRTC raising debt for capex to meet operational needs. The other debt coverage indicators viz. total debt to Gross Cash Accruals (GCA) and PBILDT interest coverage ratio are also weak on account of loss posted.

Weak liquidity position: The liquidity position of the company is weak marked by the current ratio of 0.43x & cash loss of Rs.912.42 crore as the corporation is not generating sufficient cash accruals and has raised new debt to repay old debt and fund its capex requirements. Further, the majority of the debtors pertain to GoAP (pertaining to subsidy for concessions) which have led to stretch in operating cycle to 131 days in FY18 from 70 days in FY17.

Volatility in cost of sales & limited control of pricing structure: Cost of sales for the entity has risen significantly and cost of inputs attribute to major portion, that is, 83.20% of total cost of sales in FY18 for APSRTC. Furthermore, partial bus fleet is hired on rent, rental cost has increased and there exists fluctuation of fuel prices on account of regulatory norms & foreign exchange fluctuation for crude oil imported in economy and revision in employee payments & benefits. Further, APSRTC has limited control over the pricing structure for the services provided by them is finally fixed by the GoAP.

Competition from private players in intrastate & interstate passenger bus transportation and logistics services: APSRTC faces stiff 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 by providing competitive prices as against the fares charged by APSRTC which are majorly fixed in nature. Also, the recently launched logistics arm of the arm is in initial stages and has to develop to take on domestic players to provide services in southern and central part of India.

Key Rating Strengths

Continuous support from GoAP: APSRTC is a GoAP's statutory organisation formed under the Road Transport Act 1950. It is the sole organisation of GoAP which provides public transport both in intrastate as well as interstate. GoAP provides both statutory support as well as financial support to APSRTC in terms of subsidies for the concessions, interest free loans and guarantee, if required.

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

Well-established track record and strong fleet base: Before inception of APSRTC in 1958, the road transport corporation was a part of Nizam State Rail & Road Transport Department during the late 1930s and later it was moulded into APSRTC by the support of GoAP & Central Government of India. Over the course of time, APSRTC has expanded its fleet size and as on January 31, 2019, APSRTC had fleet strength of 11,874 buses of which 9160 are government owned & remaining 2714 are hired on rental. Further, the Corporation is operating on over 40 lakh kilometers and has 128 bus depots, 426 bus stations and 790 bus shelters.

Well-equipped and developed logistics service: During FY17, APSRTC had incorporated its pilot logistics arm to provide ease of carrying luggage or load for passengers & costumers through its present bus fleet. During FY18, the contribution of revenue from cargo segment grew y-o-y by 251% to Rs.52.61 crore as against Rs.14.98 crore in FY17. APSRTC is making continuously investing and has an automated & computerized system through which both the sender and receiver of goods will be able to track the parcel/courier via SMS and e-mail with a tracking link.

Geographical presence and socio-economic importance of the corporation: APSRTC with track record of more than five decades has created well established position in the Indian transportation sector. Due to its economical fares and accessibility across various routes, APSRTC continues to operate efficiently. APSRTC provides services across various states such as Chattisgarh, Maharashtra, Madhya Pradesh, Odhisha, Telangana, Karnataka, Tamil Nadu and Puducherry.

Stable industry outlook: India is considered one of the fastest growing economies in Asia. Urbanization and Industrialization has led to increase in consumption due to increased demand in both freight and passenger. The outlook on the industry appears to be stable despite the growth of population, the transport sector face challenges with respect to infrastructure, pollution, increase in traffic density, regulatory policies and other inefficiencies in the system. Also, Logistics sector in India is expected to grow at CAGR of about 10% led by revival in GDP, e-commerce penetration, ramp up in transport infrastructure, storage, distribution and allied services. The logistics industry shall benefit from correction in economy coupled with increase in output of goods & services and improvement in logistics infrastructure.

Analytical approach: Standalone.

Applicable Criteria:

[Criteria on assigning Outlook to Credit Ratings](#)

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

[Rating Methodology – State Governments](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

[Financial ratios – Non-Financial Sector](#)

About the Company:

Andhra Pradesh State Road Transport Corporation (APSRTC) headquartered in Vijayawada, Andhra Pradesh was incorporated on January 11, 1958. APSRTC was started with contributions from Government of Andhra Pradesh (GoAP) & Central Government in the form of interest bearing loan capital which was later converted into equity capital in the year 1992. APSRTC is currently headed by Shri. N.V. Surendra Babu, I.P.S., who is the Managing Director & Vice-Chairman with experience of over two decades in public services and is supported by highly experienced & qualified management. At present, APSRTC is engaged in providing transport & logistics services over the southern & central horizon of the nation. APSRTC provides about 11 types of bus services for which more than 1 lakh seats are available for reservation on daily basis.

Brief Financials (Rs. crore)	FY17 (UA)	FY18 (UA)
Total operating income	5406.24	5671.88
PBILDT	-385.35	-655.42
PAT	-789.93	-1084.87
Overall gearing (times)	1.13	1.79
Interest coverage (times)	NM	NM

UA: Unaudited; NM: Not Meaningful

Status of non-cooperation with previous CRA: Not Applicable.

Any other information: Not applicable

Rating History (Last three years): Please refer Annexure-2

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.

Analyst Contact

Name: Ms. Radhika Ramabhadran
 Tel: 040-67937414
 Mobile: +91-8008883012
 Email: radhika.ramabhadran@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over nearly two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporate to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the company at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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-Term Loan	-	-	May, 2032	1971.00	CARE BB; Stable
Fund-based - LT-Cash Credit	-	-	-	29.00	CARE BB; Stable

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	-	-	-	-	-	1)CARE D (05-Apr-16)	-
2.	Fund-based - LT-Cash Credit	-	-	-	-	-	1)CARE D (05-Apr-16)	-
3.	Fund-based - LT-Term Loan	LT	1971.00	CARE BB; Stable	-	1)CARE BB; Stable (04-Dec-17)	-	-
4.	Fund-based - LT-Cash Credit	LT	29.00	CARE BB; Stable	-	1)CARE BB; Stable (04-Dec-17)	-	-

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU

Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

CHANDIGARH

Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 85111-53511/99251-42264
Tel: +91- 0172-490-4000/01
Email: anand.jha@careratings.com

CHENNAI

Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD

Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR

Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA

Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI

Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE

Mr. Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691