

## Andhra Pradesh State Road Transport Corporation

December 04, 2017

### Ratings

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

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The ratings 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 FY17 (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 time manner thereby reducing the operating cycle are the key rating sensitivities.

### Detailed description of the key rating drivers

#### 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.

**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 September 30, 2017, APSRTC had fleet strength of 11,682 buses of which 8968 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.

During June, 2016, APSRTC initiated its pilot logistics arm with 2000 vehicles to provide ease of carrying luggage or load for passengers & costumers. Furthermore, on August 27, 2017, to provide better services APSRTC expanded its fleet over 10,000 buses and introduced an automated & computerized system to track the parcel/courier via SMS and e-mail.

**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 at CAGR of about 10% led by revival in GDP, e-commerce penetration, ramp up in transport infrastructure, storage, distribution and allied services. Considering the prevailing trend in the economy and recent implementation of GST, the results are expected to become positive in near future. The logistics industry shall benefit from correction in economy coupled with increase in output of goods & services and improvement in logistics infrastructure.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

### Key Rating Weaknesses

**Weak financial performance and continuing cash loss during the year:** The financial performance of the company has been weak with the corporation continuously reporting accumulating losses leading to erosion of the net-worth. Also, an unresolved inter-state dispute has severely affected the performance of APSRTC. During June, 2014, bifurcation of state into Andhra Pradesh and Telangana had taken place which resulted in a dispute between Telangana State Road Transport Company (TSRTC) and APSRTC with respect to full-fledged division of assets and liabilities. Furthermore, this dispute still continues and final verdict has not been received.

**Weak capital structure and debt coverage indicators:** The corporation has a weak capital structure with the overall gearing of the company weakening from 0.93x as March 31, 2016 to 1.33x as on March 31, 2017 on account of APSRTC raising more debt for purchase of buses to enhance the operations. 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.

**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.

**Analytical approach:** Standalone.

**Applicable Criteria:**

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

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

[Rating Methodology - Service Sector Companies](#)

[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.

Before the bifurcation of the state into Andhra Pradesh and Telangana, during June, 2014, APSRTC was a single entity. Following the political dispute of the state, APSRTC split into two separate entities being Telangana State Road Transport Corporation (TSRTC) and APSRTC namely. After the bifurcation, issue of assets distribution between the two states has not been resolved due to which the entity could not undertake auditing of their accounts and financial statements.

APSRTC is currently headed by Shri. M. Malakonadaiah, 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.

Brief Financials (Rs. crore)	FY16 (Provisional)	FY17 (Provisional)
Total operating income	5016.03	5405.68
PBILDT	(328.33)	(397.24)
PAT	(713.49)	(813.05)
Overall gearing (times)	0.93	1.33
Interest coverage (times)	NM	NM

NM: Not Meaningful

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

**Rating History for 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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**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	-	-	-	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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	1971.00	CARE BB; Stable	-	-	-	-
2.	Fund-based - LT-Cash Credit	LT	29.00	CARE BB; Stable	-	-	-	-

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