

June 30, 2025

## Kalyana Karnataka Road Transport Corporation: Rating upgraded

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Term loan	265.00	265.00	[ICRA]BB (Stable); Rating upgraded from [ICRA]BB-(Stable)
<b>Total</b>	<b>265.00</b>	<b>265.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The rating upgrade considers the improvement in the operating performance of Kalyana Karnataka Road Transport Corporation (KKRTC), driven by 37% increase in revenues booked under the “Shakti” scheme to Rs. 1,013.0 crore in FY2025 from Rs. 612.7 crore in FY2024, which resulted in a positive operating profit margin (provisional) of 3.8% in FY2025 (FY2024: - 4.2%) on account of better fixed cost absorption. The corporation has benefited from robust demand due to the continuation of the Government of Karnataka’s (GoK) flagship Shakti scheme, under which women are provided free travel by state-owned road transport corporations (RTCs). This resulted in an improvement in KKRTC’s operational parameters – the effective distance covered by its fleet increased to 58.3 crore km in FY2025 (FY2024: 54.1 crore km) and fleet utilisation improved to 90% in FY2025 from 85% in FY2024. Further, the corporation reported a healthy passenger load factor of 90.6% in FY2025 owing to the rise in fleet utilisation. Additionally, ICRA derives comfort from KKRTC’s strategic importance to GoK as the provider of passenger road transport service in the Kalyana (north-eastern) region of Karnataka. As such, the corporation enjoys significant financial flexibility in the form of financial support from GoK, and the rating considers the continuous and demonstrated timely release of various grants/reimbursements, which has supported KKRTC’s liquidity position, ensured timely debt servicing and the payment of critical revenue expenses like salaries and fuel bills.

The rating, however, remains constrained by the corporation’s weak financial profile, reflected by its low profitability and cash accruals despite the improvement in FY2025. Its margins are expected to remain under pressure due to the irregularity of fare revisions, which are inadequate to cover the rising employee and fuel costs. The corporation is likely to avail debt funding for capex, clearing employee dues and making payments to operational creditors, which could lead to a moderation in its leverage and coverage indicators. Consequently, receiving approval for the waiver or retention of Motor Vehicle Tax (MVT) and timely reimbursement from the state government towards subsidised travel will be the key monitorables. Further, any material deterioration in KKRTC’s operational profile on account of declining passenger load or high maintenance expenses could lead to a sharp fall in its revenues or profitability. Nevertheless, KKRTC would enjoy support from the state government to sustain its operations as passenger transport is an essential service.

The Stable outlook on the long-term rating reflects ICRA’s opinion that KKRTC would derive comfort from its strategic importance to the state government and regular financial support in the form of various grants and subsidy reimbursement, which would help in meeting its critical revenue expenses. However, the operating profitability would remain under pressure due to increasing fixed costs and inadequate tariff.

## Key rating drivers and their description

### Credit strengths

**Strategic importance to GoK; financial flexibility derived from being state-owned entity** – KKRTC is wholly owned by the GoK and is responsible for providing transport infrastructure and services to passengers in the north-eastern (Kalyana region) districts of Karnataka. Its operations are supervised by its Board of Directors (BoD), which includes representatives from GoK, other Karnataka RTCs and Ministry of Road Transport and Highways. The GoK extends considerable financial support to KKRTC, given its strategic importance. Grants from the state government fund a considerable portion of KKRTC's capital expenditure programme. In FY2023, the outstanding MVT as on March 31, 2022 was converted into equity by the state government, which significantly improved KKRTC's capital structure. Further, the corporation has been receiving approval from the state government for retention or waiver of MVT in FY2023-2025, which provides liquidity cushion. KKRTC also enjoys financial flexibility with the banks, which offer regular credit for capital expenditure requirements at competitive rates/terms.

**Demonstrated track record of timely release of funds supporting liquidity profile** – KKRTC receives large revenue grants from the state government in the form of reimbursement towards subsidised travel for students and other categories and special grants, which contributed to around 5% of its total operating income in FY2025. KKRTC receives additional reimbursement against the Shakti scheme (37% of FY2025 OI), which enables free travel for women in the state. Release of all such reimbursements aids the corporation in timely debt servicing and managing its liquidity position.

### Credit challenges

**Low profitability due to large share of fixed costs and inadequate fares** – In FY2025, the corporation posted operating profits due to a significant increase in subsidy income and revenues under Shakti scheme to Rs. 1,013.0 crore from Rs. 612.7 crore in FY2024. However, the share of loss-making schedules remains moderately high at 17% owing to low fares, which are insufficient to cover fuel and employee expenses, despite the healthy load factor of ~90% in FY2025. This will result in low profits and cash accruals for the corporation going forward. Consequently, the debt coverage metrics are likely to remain under pressure over the near term. Timely support from GoK has allowed the corporation to cover operational expenses and continued support will remain a key monitorable.

**Increasing dependence on GoK for discretionary grants and external borrowings** – KKRTC's dependence on discretionary grants from the GoK to meet its revenue and capital expenditure requirements has increased over the years. Further, external borrowings in the form of long-term loans have been availed by the entity to meet its capex requirements. While the cost of operations has been rising on the back of increased employee salary and fuel prices, the corporation has not been able to revise its tariff adequately<sup>1</sup>. In absence of regular and adequate tariff revision, KKRTC's cash flow mismatch would continue, increasing its dependence on discretionary grants and fresh loans.

**Large outstanding liabilities** – KKRTC has large liabilities related to arrears of the last pay revision, which cannot be paid without the support from the state government. ICRA believes that improvement in operating performance, as reflected by a sustained reduction in the share of loss-making schedules and high passenger load, would be critical to achieve adequate profits and cash accruals. Until then, the corporation will continue to stretch its liabilities and repay the loans with the support from the government in the form of grants/subsidies.

### Liquidity position: Stretched

The liquidity position of the corporation remains stretched on account of subdued cash accruals. Despite its stretched liquidity, the corporation assigns the highest priority to debt servicing over other expenditure. ICRA believes that the corporation would

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<sup>1</sup> The most recent tariff revision was approved on January 5, 2025, wherein the fare was revised to Rs. 1.08/km from Rs. 0.94/km.

continue to stretch its payables, leading to an increase in its current liabilities. Moreover, the corporation's ability to defer the payment of MVT to GoK or an approval for exemption of the said tax for FY2026 will provide some comfort.

### Rating sensitivities

**Positive factors** – ICRA could upgrade KKRTC's rating if there is a significant improvement in its profitability and debt protection metrics on a sustained basis.

**Negative factors** – ICRA could downgrade the rating if there is a significant deterioration in KKRTC's operating performance on a sustained basis. Any delay in receiving adequate support from the GoK to fund shortfalls, leading to further weakening in its liquidity and debt protection metrics could also trigger a rating downgrade.

### Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<b>Corporate Credit Rating Methodology</b> <b>Passenger Road Transport</b>
Parent/Group support	The assigned rating factors in the importance that KKRTC holds for the state government as an institution for providing public transportation services in Karnataka, which has prompted it to extend timely financial support to KKRTC.
Consolidation/Standalone	Standalone

### About the company

KKRTC was incorporated in August 2000 as an independent entity under Section 3 of the Road Transport Corporation (RTC) Act, 1950 as a charitable trust, with the aim of providing public transportation to the commuters of the Kalyana (north-eastern) region of Karnataka. As on March 31, 2025, the corporation has a network of 53 depots, ~150 bus stops, ~900 way-side shelters and ~150 city-transport shelters. It maintains a repair shop in Yadgir, a regional training centre in Humanabad, a drivers' training centre in Hagaribommanahalli and Civil Engineering Divisions in Kalaburagi and Ballari. Further, it maintains a fleet of ~5,000 vehicles, operates ~4,600 schedules and employs ~19,500 individuals.

### Key financial indicators (audited)

KKRTC – Standalone	FY2024	FY2025*
Operating income	2,290.57	2,747.41
PAT	(160.70)	(44.33)
OPBDIT/OI	-4.2%	3.8%
PAT/OI	-7.0%	-1.6%
Total outside liabilities/Tangible net worth (times)	-6.3	-5.5
Total debt/OPBDIT (times)	-2.1	1.5
Interest coverage (times)	-7.4	6.5

Source: Company, ICRA Research; \* Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore  
PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

## Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	June 30, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
<b>Term loans</b>	Long term	265.00	[ICRA]BB (Stable)	Oct 28, 2024	[ICRA]BB- (Stable)	Sep 15, 2023	[ICRA]BB- (Stable)	Sep 6, 2022	[ICRA]B+ (Stable)

## Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund based – Term loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan – I	FY2019	9.10%	FY2027	42.04	[ICRA]BB (Stable)
NA	Term loan – II	FY2022	9.20%	FY2029	50.00	[ICRA]BB (Stable)
NA	Term loan – III	FY2024	8.95%	FY2031	149.96	[ICRA]BB (Stable)
NA	Unallocated	-	-	-	23.00	[ICRA]BB (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis: Not applicable**

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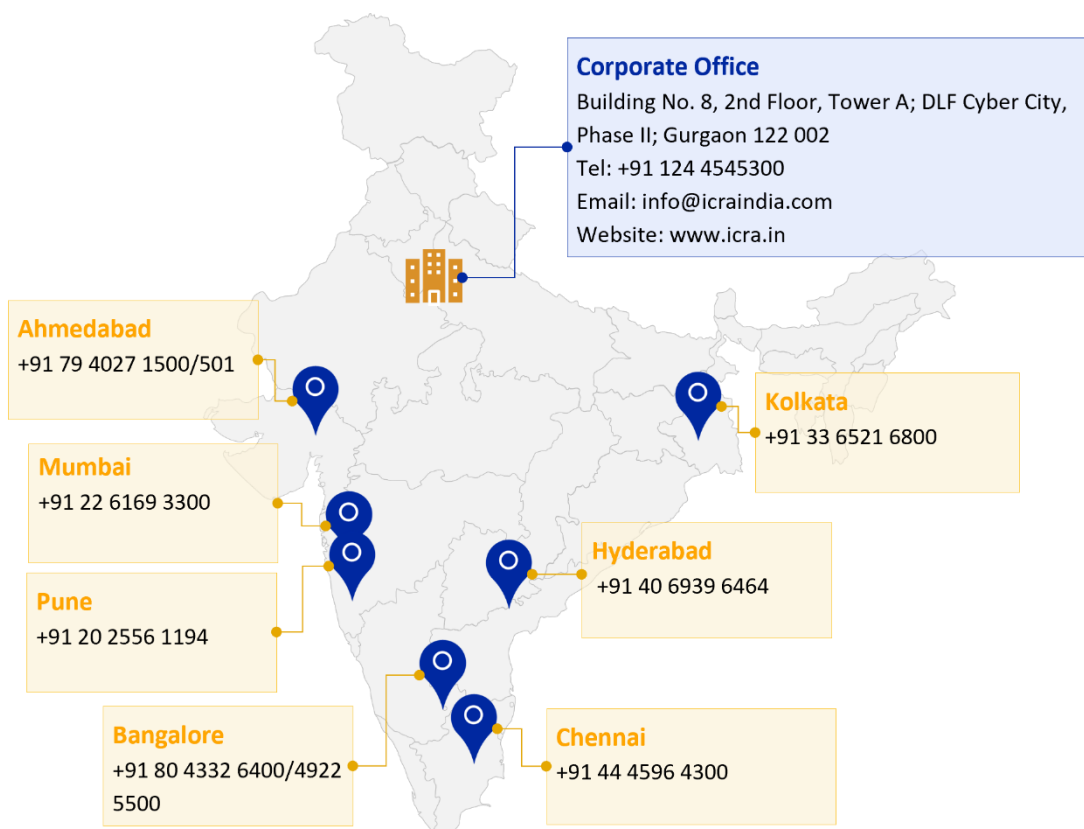
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