

February 16, 2022

## Andhra Pradesh State Road Transport Corporation: Rating upgraded and simultaneously withdrawn

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based Term Loans (Guaranteed)	2500.00	2500.00	[ICRA]C+; upgraded from [ICRA]D and simultaneously withdrawn
Fund-based Term Loans	3180.00	3180.00	[ICRA]C+; upgraded from [ICRA]D and simultaneously withdrawn
<b>Total</b>	<b>5680.00</b>	<b>5680.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The rating upgrade factors in the regularisation of debt servicing in the last three months (October 2021 to January 2022) by the Andhra Pradesh State Road Transport Corporation (APSRTC), as confirmed by the lenders of the entity and in line with ICRA's policy of default recognition. Simultaneously, ICRA has withdrawn the rating assigned to the bank facilities of APSRTC at the request of the company and based on the No Objection Certificate received from the bankers, and in accordance with ICRA's Policy on Withdrawal of Credit Ratings. The timeliness of debt servicing despite APSRTC's adverse financial position and poor liquidity position has been supported by regularisation of traffic operations since July 2021, which assisted the corporation in meeting its repayment obligations and other critical fixed expenditure in FY2022. ICRA believes that continuity of traffic operations and support from the Government of Andhra Pradesh (GoAP) would remain critical for APSRTC, going forward.

### Key rating drivers and their description

#### Credit strengths

**Strategic importance to the state government** – APSRTC is wholly owned by the GoAP and is responsible for providing transport infrastructure and services to the passengers in the state. Its operations are supervised by its Board of Directors appointed by the GoAP.

#### Credit challenges

**Impeded resumption of operations post lockdown in Q1 FY2022; a sharp increase in fuel prices is likely to impact the profitability further in FY2022** – The GoAP had announced a state-wide lockdown from the last week of April 2021 owing to the second wave of the Covid-19 pandemic, which impacted the traffic revenues of APSRTC. After a gradual relaxation of restrictions by the state government, the operations of the corporation have resumed, however, with relatively lower passenger load. Additionally, fuel prices have increased significantly, resulting in high cost of operations. Consequently, the corporation's profitability remains significantly lower compared to the pre-Covid levels, leading to a poor liquidity position. ICRA notes that regular salary payment of APSRTC's staff directly by the state government (one of the two critical fixed expenses), provides comfort to an extent. However, as per ICRA's estimates, APSRTC's liquidity position is likely to remain poor in the near term on account of limited profitability owing to elevated fuel prices in FY2022, high repayment obligations and weak traffic revenues.

## Liquidity position: Poor

The corporation has substantial annual debt repayments of around ~Rs. 600 crore due in FY2022. Its liquidity position remains poor on account of limited cash accruals owing to low passenger load and elevated fuel prices.

## Rating sensitivities

**Positive factors** – Not Applicable

**Negative factors** – Not Applicable

The Rating Sensitivities have not been captured as the related instruments are being withdrawn.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Rating Methodology for Passenger Road Transport Entities</a> <a href="#">Policy on Default Recognition</a> <a href="#">Policy on Withdrawal of Credit Ratings</a>
Parent/Group Support	Not Applicable
Consolidation/Standalone	Standalone

## About the company

APSRTC was established in January 1958 as an independent entity under Section 3 of the Road Transport Corporation (RTC) Act, 1950 as a charitable trust, to provide adequate, efficient and economic passenger road transport services in Andhra Pradesh. The operations of APSRTC are supervised by the Board of Directors (BoD) and is chaired by a Vice Chairman and Managing Director, appointed by the GoAP. The BoD comprises representatives from the Transport and Finance Departments of the state government, Executive Directors and Financial Advisor of APSRTC and representatives of the Government of India. As on March 31, 2020, with a fleet strength of 11,834, APSRTC operates close to 11,000 schedules daily through 128 depots and has 51,930 staff.

## Key financial indicators (actuals)

	FY2018	FY2019	FY2020
Operating Income (Rs. crore)	5,665.3	6,122.4	5,899.8
OPBDITA	-782.5	-538.8	12.3
PAT (Rs. crore)	-1,210.7	-961.3	-488.0
OPBDIT/ OI (%)	-13.8%	-8.8%	0.2%
RoCE (%)	-16.0%	-12.2%	-2.8%
Total Debt/ TNW (times)	1.8	3.2	5.2
Total Debt/ OPBDIT (times)	-4.7	-7.7	387.1
Interest Coverage (times)	-3.0	-1.9	0.04

Source: ICRA research; Note: FY2020 numbers are Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding* (Rs. crore)	Date & Rating		Date & Rating in	
							FY2021	FY2020
					Feb 16, 2022	Jun 03, 2021	Jan-08-2021	
1	Term Loans (Guaranteed)	Long-term	2500.00	1747.50	[ICRA]C+; Withdrawn	[ICRA]D	[ICRA]BBB+ (CE) (Stable)	-
2	Term Loans	Long-term	3180.00	1242.40	[ICRA]C+; Withdrawn	[ICRA]D	[ICRA]BBB- (Stable)	-

\* As on March 31, 2020

### Complexity level of the rated instrument

Instrument Name	Complexity Indicator
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, is available on ICRA's website: [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument details:

ISIN No.	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loans	FY2016-2020	~8.7%	Up to FY2026	2500.00	[ICRA]C+; Withdrawn
NA	Term Loans	FY2016-2020	~8.7%	Up to FY2026	3180.00	[ICRA]C+; Withdrawn

Source: Company

### Annexure-2: List of entities considered for consolidated analysis: Not Applicable

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