Pepsu Road Transport Corporation

September 30, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	54.63	IVR BB+/Stable [IVR Double B Plus with a stable outlook]	-	Assigned	Simple
Short Term Bank Facilities	51.37*	IVR A4+ [IVR A Four Plus]	-	Assigned	Simple
Total	**106.00**	**[Rs. One Hundred and Six crores only]**			

**Including proposed bank facility of Rs. 26.37 Cr.*

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has assigned the rating to the bank facilities for long term facilities as IVR BB+ with a Stable outlook and IVR A4+ to the short-term facilities of Pepsu Road Transport Corporation.

The assigned rating draws comfort from experienced partners and management team. The rating further draws comfort from the strong support from the Government of Punjab in the form of unsecured loans along with the growing scale of operations albeit net losses. The rating also takes into consideration the comfortable capital structure metrics. However, these rating strengths are partially offset by losses being incurred in the past and geographical concentration risk coupled with susceptibility to intense competition. The rating also considers the low DSCR in the past, however, it has been bridged by the support received from the Government in the form of unsecured loans.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. Infomerics ratings believes that Pepsu Road Transport Corporation will continue to benefit on account of stable outlook for transportation business.

Infomerics Ratings has principally relied on the standalone provisional financial results of Pepsu Road Transport Corporation up to 31 March 2023 (refers to period April 1st, 2022, to March 31st, 2023) and projected financials for FY2024 (refers to period April 1st, 2023, to March 31st, 2024) - FY2026 (refers to period April 1st, 2025, to March 31st, 2026), and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in operating and profitability margins.
- Maintaining debt protection indicators, specific metrics will be DSCR above unity on sustained basis.

Downward Factors

- Deterioration in debt protection indicators and capital structure metrics.
- Any decline in profitability of the corporation.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Strong support by the Government of Punjab**

Pepsu Road Transport corporation (PRTC) is backed by the Government of Punjab and Government of India as the funds by both the state and the central Government are contributed in the ratio of 2:1. The Government has extend its support in the form of aids and whenever there is any shortage of funds in PRTC, it is being handled by the Government only.

- **Growing scale of operations, albeit net losses**

The TOI increased by 19% in FY23 and stood at Rs. 689.23 Cr. as against the income of Rs. 579.23 Cr. in FY22, which was Rs. 295.81 Cr. in FY21. This increase is because of the increased revenue collection from all the four segments, which are advertising segment, rental income segment, adda fee segment and primarily the transportation revenue segment.

- **Comfortable capital structure metrics**

The capital structure stood comfortable marked by overall gearing ratio of 0.49x as on March 31st, 2023 as against of 0.66x as on March 31st, 2022. The same improved on account of excess funds received from the Government, as there was a surplus in their current accounts and their working capital limit utilisation generally remains low which is utilised only and when there is a delay in receipt of funds from the Government.

Key Rating Weaknesses

- **Net losses reported from previous years and weak debt protection metrics**

PRTC (Pepsu Road Transport Corporation) reported EBITDA of Rs. 62.79 Cr. in FY23 as against the operational loss of Rs. 149.19 Cr. in FY22. There was a net loss of Rs. 6.75 Cr. in FY23 as against the net loss of Rs. 142.43 Cr. in FY22, because there was some recoverable amount pertaining to free travel concession to students, which was due from the Government was written off by PRTC in FY23, and in FY22, the reason for the net loss was the increased expenditure during the year precisely the employees' and some other administration expenses. The EBITDA Margin stood at 9.11% in FY23 as against the negative of 25.76% in FY22 and the PAT Margin stood at a negative of 1.07% in FY23 as against the negative of 24.03% in FY22. The debt protection metrics marked by interest coverage ratio stood at 5.85x in FY23 as against the negative of 22.52x in FY22. DSCR stood below unity and was 0.14x in FY23 as against the negative DSCR of 5.63x in FY22.

- **Geographical concentration risk and susceptibility to intense competition**

Because of low entry barriers, the passenger bus segment has several players. PRTC's service offerings are inter and intra city bus transportation with little differentiation among players in the same category, resulting in fierce competition and price undercutting. Furthermore, PRTC's business is concentrated in Punjab, Haryana, Rajasthan, Delhi and Uttar Pradesh with a focus on Punjab, and depends on the economic conditions and activities in these states, and on local government policies related to passenger transport. The business is also susceptible to adverse events, such as regional conflicts, natural calamities, or socio-political instability.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Service Sector Companies

Financial Ratios & Interpretation (Non-Financial Sector).

Criteria on assigning rating outlook

Policy on Default Recognition and Post-Default Curing Period

Complexity Level of Rated Instruments/Facilities

Government Support Criteria.

Liquidity – Adequate

The corporation's liquidity is comfortable marked by 48.23% average utilisation of fund-based limits during the past 12 months ended July 2024. The unencumbered cash and bank balance stood at Rs. 43.81 crore as on June 2024. The company has a Current Ratio of 0.93x as on March 31, 2023, compared to 0.87x as on March 31, 2022. The Working Capital Cycle of the company stood at 120 days in FY23 days which was 158 days in FY22.

About the Corporation

Pepsu Road Transport Corporation (PRTC) was established by the Government of Punjab in October 1956 under the provision of the Road Transport Corporations (RTC) Act, 1950, with the objective of providing an efficient, adequate, economical operational system of road transport services in the southern region (erstwhile PEPSU - Patiala and East Punjab States Union) of Punjab. Apart from providing services in Patiala, Bathinda, Kapurthala, Barnala, Sangrur, Budhlada, Faridkot and Ludhiana, it also provides interstate services to the neighbouring states of Haryana, Himachal Pradesh, Rajasthan, Jammu & Kashmir, Uttar Pradesh, Uttaranchal, Delhi and Chandigarh.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	579.23	689.23
EBITDA	-149.19	62.79
PAT	-142.43	-6.75
Total Debt	111.81	93.36
Tangible Net Worth	170.31	188.73
EBITDA Margin (%)	-25.76	9.11
PAT Margin (%)	-24.03	-1.07
Overall Gearing Ratio (x)	0.66	0.49
Interest Coverage (x)	-22.52	5.85

* *Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA:

- Brickwork Ratings India Private Limited, vide its press release dated April 29th, 2024, have continued to classify the case under Issuer Not Cooperating category on account of non-submission of relevant information.
- ICRA Limited, vide its press release dated August 27th, 2024, have continued to classify the case under Issuer Not Cooperating category on account of non-submission of relevant information.

Any other information:

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in in 2021-22
1.	Long Term Fund Based Bank Facilities	Long Term	54.63	IVR BB+/Stable	-	-	-
2.	Short Term Fund Based Bank Facilities	Short Term	51.37	IVR A4+	-	-	-

Analytical Contacts:

Name: Vipin Jindal

Tel: (011) 45579024

Email: vipin.jindal@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	February 2029	54.63	IVR BB+/Stable
Overdraft	-	-	-	-	25.00	IVR A4+
Proposed Bank Facility	-	-	-	-	26.37	IVR A4+

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-PepsuRoad-sep24.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.