



Press Release

Rajasthan State Power Finance And Financial Services Corporation Limited

February 07, 2024

Product	Rating Assigned (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	400.00	ACUITE A- Stable Assigned	-
Bank Loan Ratings	750.00	ACUITE A- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	1150.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE A- (read as ACUITE A minus)**' on the Rs. 400.00 Cr. bank facilities of Rajasthan State Power Finance and Financial Services Corporation Limited (RSPF&FSCL). The outlook is '**Stable**'.

Acuite has reaffirmed the long-term rating of '**ACUITE A- (read as ACUITE A minus)**' on the Rs. 750.00 Cr. bank facilities of Rajasthan State Power Finance and Financial Services Corporation Limited (RSPF&FSCL). The outlook remains '**Stable**'.

Rationale for the rating assigned and reaffirmed

The rating continues to factors in RSPF & FSCL's strong parentage (Government of Rajasthan-GoR holds~100 percent) and expectations of future support. The rating further considers the experienced managerial Board at RSPF & FSCL, comfortable capitalization levels marked by Capital Adequacy Ratio (CAR) of 77.65 percent as on Sept 30, 2023(Prov). The Government of Rajasthan has infused Rs. 300 Cr. in FY23; followed by another equity infusion of Rs.300 Cr. in H1FY24. By virtue of state government ownership and support, the corporation enjoys strong resource raising ability at lower cost of funds thereby maintaining comfortable liquidity/ capital buffers to meet its funding requirements.

These strengths are partially offset by large ticket size exposures and limited flexibility to go beyond its existing area and scope of operations which may hinder its portfolio growth. While Acuite takes cognisance of presence of large ticket exposure (which comprised 84% of total portfolio as on December 31, 2023), the credit risk is mitigated by availability to Letter of Comfort from Government of Rajasthan. Going forward, continued ownership/support from GoR, RSPF & FSCL's ability to profitably grow its loan portfolio while containing any slippages will be a key monitorable.

About the company

RSPF & FSCL was incorporated on 21st December, 2012 in the name of Rajasthan State Power Finance Corporation Limited as a Public Limited company under the Companies Act, 1956. Rajasthan State Power Finance and Financial Services Corporation Limited (RS PF&FS CL) is a Government Company wholly owned by the Government of Rajasthan. RSPF&FSCL was set up to provide financial assistance to the State-owned Power companies. RSPF&FSCL now also provides its service to other PSUs of the Rajasthan. Finance Department of Government of Rajasthan has been designated as the Administrative Department. The main objective of the company is to support / augment the resources for financing the State-owned public- sector undertakings in the State of Rajasthan.

Analytical Approach

To arrive at the rating, Acuité has considered the standalone business and financial risk profiles of RSPF & FSCL and notched up the rating by factoring in the form of Guarantee extended by Rajasthan State Government for the rated borrowing; with a parent notch up of its State Government.

Key Rating Drivers

Strength

Ownership and support from the Government of Rajasthan

RSPF & FSCL is a Government Company wholly owned by the Government of Rajasthan. The corporation was established with the objective of providing financial services to the state government PSUs. The Board of directors comprise eleven directors of which two are independent directors and the remaining nine are from the government of Rajasthan. RSPF & FSCL funding mix comprises equity contribution from GoR and bank borrowings. RSPF & FSCL has got capital infusion from the Government amounting to Rs. 300 Cr. in FY23; followed by equity infusion of Rs.300 Cr. in H1FY24. This has taken the total capital to Rs. 740 Cr. as on Sept 2023 as against Rs.440 Cr. as on March 2023. The outstanding borrowings as on Sept 2023 stood at Rs.1000 Cr. (prov). The ownership and the guarantee by the GoR enable RSPF & FSCL to borrow at fine pricing from various banks and institutions. GoR has also extended guarantee for the bank loan facilities of the corporation. RSPF & FSCL capitalisation levels remained adequate at 77.65 percent as on Sept. 30, 2023(Prov). The corporation has maintained a gearing of 1.29 times as of September 2023(Prov).

Since the support from GoR is critical to the rating, the credit profile of Rajasthan state is of key importance. Rajasthan's fiscal deficit stood at 4.3 per cent of the GSDP for 2022-23 (RE) (4.0% per cent during the previous year). The outstanding debt of Rajasthan state as a percentage of GSDP remained over 30.2 percent for 2023-24 (RE) against 40.6 per cent for 2021-22 (RE). The state's revenue deficit for 2022-23 (RE) stood at 2.3 per cent of GSDP against 2.1 per cent of GSDP for 2021-22 (Actual). While these levels are already elevated, further deterioration in the state metrics could impact the headroom of GoR to support such entities like RSPF & FSCL. Movement in the state's key fiscal metrics i.e. fiscal deficit to GSDP and Debt to GSDP will remain key monitorable.

Acuité believes that the corporation will continue to benefit from continued financial and business support from the State Government on an ongoing basis.

Weakness

RSPF & FSCL commenced its lending business in 2020-2021 with a focus on extending financial assistance to the State PSUs of Rajasthan. Given that company has recently commenced lending operations, its exposure is wholesale in nature with top exposure, namely Rajasthan Rajya Vidyut Utpan Nigam Limited accounting 41% of total portfolio as on December 30, 2023. While the debt repaying ability of aforementioned exposure has been impacted on account of stretched receivables, the credit risk is mitigated by availability to Letter of Comfort from Government of Rajasthan. In the event of deterioration of the credit profile of its borrowers RSPF & FSCL could face elevated asset quality pressures and consequently higher credit costs

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivity

- Credit profile of Rajasthan State Government and financial support to RSPF & FSCL
- Movement in asset quality indicators
- Movement in capitalisation & liquidity buffers

Liquidity Position

Adequate

RSPF & FSCL had adequately matched asset liability profile as on Sept 30, 2023 with cumulative surplus in all maturity buckets. The corporation's total debt stood at Rs.1000 Cr. as on Sept, 2023(Prov). The corporation has maintained cash and bank balances of Rs. 985.5 Cr as on Sept 30, 2023(Prov).

Outlook:

Acuité believes that RSPF & FSCL will maintain a 'Stable' credit profile over the near to medium term on the back of ongoing financial and managerial supported from GoR. The outlook may be revised to 'Positive' in case of significant and sustainable growth in its loan portfolio while maintaining profitability. The outlook may be revised to negative in case of deterioration in profitability metrics or asset quality or in case of events which may impinge on GoR's ability to provide financial and operational support to RSPF & FSCL.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Units	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs In Cr.	1225.1	671.57
Total Income (Net of Int Exp)	Rs In Cr.	5.75	7.25
PAT	Rs In Cr.	1.07	3.4
Net Worth	Rs In Cr.	467.79	166.72
Return on Average Net Assets (RoAA)	%	0.11	0.87
Return on Average Net Worth (RoNW)	%	0.34	2.43
Total Debt / Tangible Net Worth (Gearing)	Times	1.6	3
Gross NPAs	%	-	-
Net NPAs	%	-	-

Status of non-cooperation with previous CRA (if applicable):

Not Applicable

Any other information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Banks And Financial Institutions: <https://www.acuite.in/view-rating-criteria-45.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such

instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
24 Mar 2023	Term Loan	Long Term	250.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	500.00	ACUITE A- Stable (Reaffirmed)
24 Mar 2022	Term Loan	Long Term	500.00	ACUITE A- (CE) Stable (Assigned)
	Proposed Bank Facility	Long Term	250.00	ACUITE A- (CE) Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Maharashtra	Not avl. / Not appl.	Term Loan	21 Dec 2021	Not avl. / Not appl.	21 Dec 2028	Simple	500.00	ACUITE A- Stable Reaffirmed
A U Small Finance Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	22 Oct 2029	Simple	250.00	ACUITE A- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Jun 2028	Simple	100.00	ACUITE A- Stable Assigned
Indian Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Jul 2026	Simple	200.00	ACUITE A- Stable Assigned
UCO Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Aug 2028	Simple	100.00	ACUITE A- Stable Assigned

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

State Government of Rajasthan

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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