



Press Release
Ajmer Vidhyut Vitran Nigam Limited
April 19, 2024
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1466.15	ACUITE BBB+ Stable Reaffirmed	-
Bank Loan Ratings	166.33	-	ACUITE A2 Assigned
Bank Loan Ratings	633.67	-	ACUITE A2 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	2266.15	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of **ACUITE BBB+ (read as ACUITE triple B plus)** and its short-term rating of **ACUITE A2 (read as ACUITE A two)** to the Rs 2099.82 Cr. bank facilities of Ajmer Vidhyut Vitran Nigam Limited (AVVNL). Acuite has assigned a short-term rating of **ACUITE A2 (read as ACUITE A two)** to Rs.166.33 Cr. bank facilities of Ajmer Vidhyut Vitran Nigam Limited (AVVNL). The outlook is 'Stable'.

Rationale for rating reaffirmation

The reaffirmation of the ratings factors the stable revenue growth, sustained improvement in the AT&C and T&D losses along with the healthy collection efficiency in the last three years ended 2023. The AT&C losses and T&D losses stood at around 10% in FY2023 against 12.73% in FY2022. Further, the rating also factors in the support received from the State Government of Rajasthan (GoR) in the form of subsidies, grants and government guarantee backed borrowings. Also, the rating draws comfort from AVVNL's diverse consumer mix with high consumption from commercial and industrial consumers given their high tariff band. However, the rating is constrained on account of net losses in FY2023 and expected losses in FY2024 along with weak financial risk profile marked by negative net worth, and deterioration in the debt protection metrics given the high debt levels of the company. Acuite also takes note of the current regulated nature of business.

About the Company

Incorporated in the year 2000, Ajmer Vidhyut Vitran Nigam Limited (AVVNL) is a state power distribution company of Rajasthan State Electricity Board (RSEB). As per the Rajasthan Power Sector Reforms Act, 1999 of GoR, the erstwhile Rajasthan State Electricity Board (RSEB) was unbundled into a Generation Company, a transmission company and three Distribution Companies (Discoms) w.e.f. July 19, 2000. AVVNL has its registered office located in Ajmer (Rajasthan). The current directors of the company are Ms. Aparna Arora, Mr. Ashutosh Pednekar, Mr. Anil Kumar Gupta, Mr. Pranab Kumar Sinha, Mr. Bhaskar Sawant, Mr. Naresh Kumar Thakral, Mr. Mukesh Kumar Goyal, Mr. Narendra Singh Nirwan and Mr. Harsh Baweja.

Unsupported Rating

Not Applicable.

Acuité has considered the standalone business and financial risk profile of Ajmer Vidhyut Vitran Nigam Limited (AVVNL). Further, the team has also factored in the inherent support extended from the state government of Rajasthan.

Key Rating Drivers

Strengths

Strategically important role of AVVNL for the state of Rajasthan & support extended by the GoR

AVVNL came into existence in 2000 and caters the power requirements of around 11 districts of the state including Ajmer, Bhilwara, Udaipur, Chittorgarh etc to name a few. It is a strategically important entity and forms the backbone of the power sector infrastructure for Rajasthan with area of operation of around 88000 sq. km. The status of the company as a 100 per cent government of Rajasthan (GoR) owned entity provides it adequate financial flexibility. AVVNL's credit profile is also supported by its access to funds at low cost and its ability to mobilise financial resources from several financial institutions and multilateral development institutions. The rating also factors in the ongoing support extended by GoR to AVVNL in the form of regular infusion of funds in the form of equity and unsecured loans and guarantees extended by the state government. During FY2023, there was an equity infusion of Rs. 132.16 Cr. and Rs. 6.23 Cr. made against share application money pending allotment. In FY2024, the GoR made an equity infusion of Rs. 118 Cr. Further, well established regulatory processes in Rajasthan such as presence of multi-year tariff regulations and grants sanctioned by the GoR has strengthened the operations of AVVNL. Acuité believes that AVVNL, being a fully owned undertaking of GoR, shall continue to benefit from the financial, operational and management support of GoR from time to time. Any event that impinges GoR's overall credit profile shall remain a key rating sensitivity.

Sustainable improvement in the AT&C losses and T&D losses

AVVNL has experienced sustained improvement in the Transmission and Distribution Losses [T&D] and Aggregate Technical and Commercial Losses [AT&C] over a period of last 10 years accrued to the implementation of multiple initiatives, capex to improve transmission lines, installing substations, among others. The collection efficiency of the discom has stood in range of 93% to 109% in last 7 quarters ending Q3FY2024 except Q3FY2024 when the collection efficiency declined to 86% in Q3FY24. Further, the company has entered into Distribution & Franchisee Agreement in 2017 with Tata Power Ajmer Distribution Limited, SPV of Tata Power Company Limited for a period of 20 years. This has helped in reduction of AT&C losses from 17.38% (Base year 2015-16) to 10% (FY2023).

Weaknesses

Moderation in EBDITA; though losses recovered by State Government in a phased manner.

The company's operating income stood at Rs.19,500.41 Cr. in FY2023 as compared to Rs. 16,78.22 Cr. in FY2022 on account of the increased consumption from the domestic & industrial segment. However, due to increase in the power purchase cost and no inflations built in the tariff, the EBDITA margin of the company declined to 8% in FY2023 against 14.42% in FY2022. Further, the discom has reported net losses of Rs.766.17 Cr. in FY23 as against the net profits of Rs. 557.55 Cr. in FY22 mainly with decline in EBDITA coupled with the write off the tariff subsidy receivables from the state Government on account of stopped and defective meter amounting to Rs. 853 Cr. Nonetheless, the losses would be taken over by the State government in a phased manner under a scheme approved on the recommendation of 15th Finance Commission, the Ministry of Finance, Gol wherein a performance based additional borrowing space of 0.50% of Gross State Domestic Product (GSDP) to States in power sector upon fulfilment of certain conditions and criteria. The objectives of the additional borrowing space are to improve the operational and economic efficiency of the power sector and promote a sustained increase in paid electricity consumption. This special dispensation of

borrowing space has been recommended for each year for a four-year period from FY 2021-22 to 2024-25.

Modest financial risk profile

The financial risk profile remains modest marked by negative net worth and deterioration in the coverage indicators. The discom reported net losses in FY2023 that resulted in further decline in the networth to Rs. (8624.81) Cr. as on March 31, 2023 against Rs. (8231.61) Cr. as on March 31, 2022. The debt levels stood at Rs. 22,295.23 Cr. as on March 31, 2023 as against Rs. 19937.18 Cr. as on March 31, 2022. Further, as on March 31, 2024, the outstanding debt is estimated at Rs. 24,600 Cr. It is a highly capital-intensive nature of business where in order to maintain operational efficiencies, the company has to incur regular capital expenditure. Decline in EBDITA coupled with higher debt has resulted in the deterioration of the debt protection metrics as reflected by interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood at 1.09 times in FY2023 (1.56 times in FY2022) and 0.59 times in FY2023 (0.98 times in FY2022), respectively. Though the company's DSCR has been weak in the past 2 years ended FY2023, Acuité notes that AVVNL has received regular support from GoR in the form of grants and equity infusion which is expected to continue going forward.

Regulated nature of operations

The revenues are influenced by the regulatory framework governing the power sector. Revenues of players such as AVVNL are determined by Rajasthan Electricity Regulatory Commission (RERC) through revision in tariff. Any significant delays in tariff approvals or a reduction in return on equity or a tightening of the RERC norms could result in lower operating cash flows. Acuité believes that any significant change in the regulatory environment will impinge on the credit profile of the company.

ESG Factors Relevant for Rating

Not Applicable.

Rating Sensitivities

- Credit profile of GoR.
- Improvement in overall operating efficiency with reduced AT&C and T&D losses
Improvement in the overall financial risk and liquidity profile Dynamics in the regulatory environment.
- Change in shareholding and support from GoR.

Liquidity Position

Adequate

AVVNL net cash accruals stood at Rs. 196.80 Cr. in FY2023 against the repayments of Rs. 1898.93 Cr. However, the repayment obligations have been funded from support in the form of grants from GoR. Further, under the additional Borrowing Limit of 0.50% of Gross State Domestic Product (GSDP) scheme, State Government (GoR) has agreed to take over the future five-year losses of the Discom in a phased manner, and as per guidelines, GoR has taken over and in lieu of that released a sum equivalent to 75% of the FY2023's losses in FY2024. Furthermore, the liquidity position is also supported by equity infusion of Rs. 132.16 Cr. by GoR during FY2023. The company's repayment obligation in the FY24 and going forward obligations will be repaid by way of newly availed term loans from REC & PFC and working capital loans which are backed by government guarantee and remaining by way of grants from GoR. AVVNL due to its strategic importance to GoR has been able to access various funding sources in the past to tide over the short-term liquidity mismatch. The unencumbered cash and bank balances stood at Rs. 307.43 Cr. as on March 31, 2023 (includes earmarked amount is 22.92 Cr). Further, Acuité receives comfort from the fact that AVVNL being a GoR entity warrants adequate financial support from GoR, time to time, to support the mismatches.

Outlook: Stable

Acuité believes that the AVVNL will maintain 'Stable' outlook over the medium term from its strategic importance to the GoR, experienced management and strong parentage. The outlook may be revised to 'Positive' if the company successfully ramps up its operation and registers growth in revenues while improving its profitability and AT&C and T&D losses. Conversely, the outlook may be revised to 'Negative' in case of less than expected growth in the revenues or increased AT&C and T&D losses deteriorating the operating profile

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	19500.41	16781.22
PAT	Rs. Cr.	(766.17)	557.55
PAT Margin	(%)	(3.93)	3.32
Total Debt/Tangible Net Worth	Times	(2.59)	(2.42)
PBDIT/Interest	Times	1.09	1.56

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

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite 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
20 Jan 2023	Term Loan	Long Term	291.00	ACUITE BBB+ Stable (Assigned)
	Cash Credit	Long Term	140.00	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	375.95	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	289.50	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	451.39	ACUITE BBB+ Stable (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	551.98	ACUITE A2 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	140.00	ACUITE BBB+ Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	633.67	ACUITE A2 Reaffirmed
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	166.33	ACUITE A2 Assigned
Indian Overseas Bank	Not avl. / Not appl.	Term Loan	30 Mar 2021	Not avl. / Not appl.	31 Jul 2028	Simple	234.75	ACUITE BBB+ Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	27 Nov 2019	Not avl. / Not appl.	31 Oct 2025	Simple	228.06	ACUITE BBB+ Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	17 Feb 2021	Not avl. / Not appl.	13 Jul 2028	Simple	230.00	ACUITE BBB+ Stable Reaffirmed
Punjab and Sind Bank	Not avl. / Not appl.	Term Loan	08 Mar 2021	Not avl. / Not appl.	31 Mar 2028	Simple	333.34	ACUITE BBB+ Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	29 Jan 2024	Not avl. / Not appl.	28 Feb 2032	Simple	300.00	ACUITE BBB+ Stable Reaffirmed

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

Sr. No.	Entity
1	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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