

October 12, 2015

Instruments	Amount (Rs. Crore)	Rating
Unsecured, Redeemable, Taxable, Non-Convertible Debentures (NCD) Issue	175.00	SMERA A (SO)/Stable* (Reaffirmed)

**Credit enhancement on account of an unconditional and irrevocable guarantee from the Government of Rajasthan (GoR)*

**The assigned in-principal rating has been converted to final rating since RSRTC has successfully met the required conditions.*

SMERA has reaffirmed the rating of '**SMERA A (SO)**' (**read as SMERA A Structured Obligation**) on the Rs.175.00 crore unsecured, redeemable, taxable, non-convertible debentures of Rajasthan State Road Transport Corporation (RSRTC). The outlook is '**Stable**'. The rating continues to draw support from the Government of Rajasthan's (GoR) unconditional and irrevocable guarantee towards timely payment of principal and interest on the NCDs. The rating accordingly factors in the credit risk profile of the guarantor and adherence to a specific legal payment mechanism administered by the trustees of the NCDs.

Rajasthan's credit profile benefits from the state's improving economic structure - the declining unemployment rate and an increasing share of secondary and tertiary sectors (30% and 48% respectively) in the Gross State Domestic Product (GSDP). Rajasthan benefits from the relatively low revenue and fiscal deficit vis-à-vis other states in FY2013-14 on account of its stable tax base and significantly strong per capita GSDP growth rate. The state's financial profile is characterised by a strong liquidity position with its Ways and Means Advances remaining unutilised along with a strong portfolio of liquid investments as a percentage of GSDP.

Rajasthan's credit profile is adversely affected by a high debt (including guarantees) to GSDP ratio which stood at 33.92% in FY2013-14. Moreover, Rajasthan has a relatively low literacy rate along with low levels of financial inclusion.

Outlook: Stable

In SMERA's opinion, GoR's credit profile will continue to benefit from a comfortable economic and fiscal profile despite deterioration in deficit indicators. A material and sustained improvement or deterioration in the fiscal and economic profile of the state may lead to a revision of its outlook to either 'Positive' or 'Negative'.

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About RSRTC

RSRTC, a wholly-owned Government of Rajasthan undertaking, is the largest intercity public road transport organisation in Rajasthan. Incorporated in 1964 under the Road Transport Corporation Act 1950, RSRTC commenced operations with a fleet of 421 buses and presently has around 4,500.

For FY2013–14, RSRTC reported net loss of Rs.427.38 crore (provisional) on total revenues of Rs.1,610.45 crore, as compared with net loss of Rs.336.64 crore on total revenue of Rs.1,443.32 crore in FY2012–13.

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