

Rajasthan State Road Transport Corporation: Downgraded

Instrument	Amount (Rs. Crore)	Rating/Outlook
Non-Convertible Debenture	175.00	SMERA BB/Stable (Downgraded from SMERA A(SO))

SMERA has downgraded the rating on the Rs.175.00 crore Non-Convertible Debentures issued by Rajasthan State Road Transport Corporation (RSRTC) to **SMERA BB (read as SMERA double B)** from '**SMERA A (SO)**' (read as **SMERA A (Structured Obligation)**). The outlook is 'Stable'.

The rating downgrade factors in RSRTC's inability to put in place adequate systems and processes for ensuring timely payment of interest to debenture holders despite availability of adequate liquidity in the Trust & Retention Account (TRA). SMERA notes that RSRTC has not been adhering to the Structured Payment Mechanism which formed the basis for the initial rating. Against this backdrop, the support originating from the Structured Payment Mechanism (SPM), which was hitherto available, can no longer be derived thereby triggering a downward revision in the rating. The subdued standalone credit risk profile of RSRTC is marked by operating losses and negative networth. However, the rating continues to be supported by the ownership of Government of Rajasthan (GoR) and the unconditional and irrevocable guarantee extended by GoR.

Established in 1964, under the Road Transport Corporation Act (1950), RSRTC is wholly owned by the Government of Rajasthan. RSRTC forms a critical part of the overall socio-economic infrastructure of Rajasthan. In view of the criticality, RSRTC has been receiving significant funding support from GoR to support its operations and commitments to lenders.

SMERA takes note of the weak financial risk profile of RSRTC marked by an increase in operating losses and negative networth of the corporation. The corporation reported a net loss of Rs.558.64 crore in FY2015 as compared to Rs.427.38 crore in FY2014. Consequently, the networth declined further from (-)Rs.1,135.45 crore as on 31st March, 2014 to (-)Rs.1,594.31 crore as on 31st March, 2015.

About the Government of Rajasthan

As reported by the Comptroller & Auditor General (CAG), GoR's financial risk profile continues to be supported by the healthy capital structure of the state. The Debt-to-Gross State Domestic Product (GSDP) ratio of the state stood at 25.69% as on 31st March, 2015 (25.29% as on 31st March, 2014). The overall coverage ratios of the state government also improved substantially in FY2015.

The revenue deficit of the state as a proportion of the Gross State Domestic Product (GSDP) remained healthy at 0.56% in FY2015 (0.20% in FY2014).

The deterioration in the fiscal deficit ratio and muted growth in per capital Gross State Domestic Product (GSDP) continue to be key concerns. The fiscal deficit to GSDP ratio of the state increased to 3.31% in FY2015 (2.96% in FY2014) primarily due to increase in cumulative capital.

Outlook: Stable

SMERA believes that RSRTC will maintain a stable credit risk profile in the medium term due to continued support from the government of Rajasthan. The outlook may be revised to 'Positive' in case of substantial improvement in the overall fiscal profile of the state coupled with improvement in the operational and financial indicators of RSRTC. The outlook may be revised to 'Negative' in case of further deterioration in the fiscal profile or occurrence of an event which may impede RSRTC's ability to meet its obligations in a timely manner.

Rating Sensitivity Factors

- Timely support from GoR
- Movement in the fiscal profile of GoR
- Changes in the operational and financial risk profile of RSRTC

Criteria Applied to arrive at the rating:

- Government Support

About the Corporation

RSRTC was incorporated on 1 October, 1964 under the Road Transport Act, 1950. The organisation is headquartered in Jaipur and operates a fleet of 4,500 buses. It has 51 depots across the state and three non-operating depots – namely, CBS Jaipur, CBS Ajmer and Delhi.

Rating History

Date	Instrument	Amount (Rs Crore)	Rating
12 October, 2015	Non-Convertible Debentures	175.00	SMERA A (SO)/Stable (Reaffirmed)
24 June, 2013	Non-Convertible Debentures	175.00	SMERA A (SO)/Stable (Assigned)

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

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