

Change in Rating Symbol

September 16, 2019

Rajasthan State Road Transport Corporation

Total NCD Rated	Rs. 175.00 Cr
Short Term Rating	ACUITE A (CE)/ Stable

Pursuant to SEBI Circular SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019 there is a revision in the rating symbol. The change to 'CE' suffix / removal of 'SO' suffix for the rated instrument(s) is not to be construed as any change in the rating or Acuite's credit opinion on the said instrument(s). The previous rating rationale is appended herewith for reference.

For the background note, please visit: [https://www.acuite.in/pdf/General%20Communication%20For%20Website%20\(1\).pdf](https://www.acuite.in/pdf/General%20Communication%20For%20Website%20(1).pdf)

Criteria for assigning ratings with 'SO' suffix: <https://www.acuite.in/view-rating-criteria-48.htm>

Criteria for assigning ratings with 'CE' suffix: <https://www.acuite.in/view-rating-criteria-49.htm>

Press Release

Rajasthan State Road Transport Corporation

May 06, 2019

Rating Reaffirmed



Total Facilities Rated*	Rs.175.00 Cr.
Long Term Rating	ACUITE A (SO) / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE A (SO)**' (read as **ACUITE A Structured Obligation**) on the Rs.175.00 Cr. Non-Convertible Debenture (NCD) issue of Rajasthan State Road Transport Corporation. The outlook is '**Stable**'.

Rajasthan State Road Transport Corporation (RSRTC) was incorporated in 1964 under the Road Transport Act 1950 with the objective of providing economic, adequate, punctual and efficient transportation services to the people in Rajasthan. Currently ~4500 own buses, ~1200 private buses and across 56 depots are plying more than 16 lacs kilometers and carrying more than 9 lakh passengers per day.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of RSRTC and factoring support extended by GoR to arrive at the rating and the benefit of the Structured Payment Mechanism while arriving at the rating.

Key Rating Drivers

Strengths

• Criticality of RSRTC to the state and demonstrated support from the Government of Rajasthan (GoR)

The public road transport system in the state of Rajasthan is significantly dependent on RSRTC. Its large fleet of over 6000 buses is key towards maintaining intra and inter-state connectivity in Rajasthan. Further, RSRTC is also one of the largest government employers in the state of Rajasthan – employing nearly 15,000 permanent employees. RSRTC is wholly owned by the GoR and is a statutory body incorporated under the State Transport Corporation Act of 1950. Any disruption or failure in RSRTC's operations can have a massive political and socio-economic implication for the GoR. Acuité, therefore believes that RSRTC holds a fairly high strategic importance for GoR. Further, the high moral obligation to support the entity is reflected in the availability of an unconditional and irrevocable guarantee from GoR to the bond holders of RSRTC.

As a demonstration of such support, GoR has infused Rs.518.94 Cr. between 1st April, 2014 and 31st March, 2017 in the form of equity infusion. In addition, the Government of Rajasthan has also infused Rs. 422.90 Cr. in the form of interest free loans and Rs. 254.42 Cr. in the form of Bond Redemption Fund from FY2014 to FY2017.

• Presence of the Structured Payment Mechanism

The structured payment mechanism as enshrined in the trust deed, Assuming T is the due date for payment, the following timelines are expected to be followed:

- At T-10 days: The issuer will credit the requisite fund in TRA for the servicing of bond holders on the forthcoming due date 'T' or put them in Fixed Deposit(FD) with a designated bank and ensure the FD are lien in favor of the trustees. There should be a communication mechanism in place to ensure the flow of information related to presence of funds in TRA to State Government and Trustees. In case, the issuer does not deposit the funds into the TRA, the issuer shall communicate by T-10 days, in writing to the Financial Secretary and/or designated official in state machinery with a copy of the same to the trustee and the credit rating agency. The issuer shall also request the state government to ensure that adequate clear funds are available in the TRA for servicing obligations on the bonds on due date 'T'.

- At T-7 days: In case of failure of intimation to the State government by the issuer, the trustee shall intimate the State Government at least 7 calendar days prior to forthcoming due date.
- At T-4 days: The trustee shall ensure the transfer of funds from matured FDs to TRA
- In the event of state government failing to transfer clear funds in the TRA to make up the shortfall by T-4 working days, the trustee will forthwith invoke the guarantee issued by state government and inform the credit rating agency about the same.
- On invocation of guarantee, the state government must promptly deposit clear funds, to the extent of shortfall, into the TRA prior to the due date.

The rating factors in an adherence to the above structured payment mechanism which will continue to be administered by the trustees to the NCD.

Weaknesses

• Continuing Operating Loss

The rating is constrained by the weak financial risk profile of RSRTC. The company has a negative net worth which further deteriorated from Rs.2912.93 Cr. as on 31st March, 2017 to Rs.3006.96 Cr. as on 31st March, 2018 (Provisional). The solvency of RSRTC is significantly dependent on the timely infusion of funds from the GoR to meet all its Operational and Financial Commitments.

Liquidity position

RSRTC has weak liquidity position on account of continuing operating losses. It generated negative cash accruals of Rs.51.97 Cr. for FY2018 (Provisional) as against Rs.2054.23 crore for FY2017. The liquidity is expected to remain weak over medium term and the timely support from GoR will be critical.

Outlook: Stable

Acuite believes that the outlook on RSRTC's rated facilities will remain 'Stable' over the medium term given the adherence to the structured payment mechanism and the strong support from GoR. The outlook may be revised to 'Positive' in case the company registers a significant improvement in its profitability and cash generation ability or in case of an improvement in the credit profile of GoR. Conversely, the outlook may be revised to 'Negative' in case of any deterioration in the credit metrics of GoR.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	2,170.45	1,754.71	1,683.75
EBITDA	Rs. Cr.	6.42	(1,985.41)	(358.81)
PAT	Rs. Cr.	(115.06)	(2,117.57)	(492.41)
EBITDA Margin	(%)	0.30	(113.15)	(21.31)
PAT Margin	(%)	(5.30)	(120.68)	(29.25)
ROCE	(%)	2.00	166.00	59.81
Total Debt/Tangible Net Worth	Times	(0.43)	(0.43)	(0.59)
PBDIT/Interest	Times	0.36	(22.52)	(3.71)
Total Debt/PBDIT	Times	43.84	(0.64)	(3.48)
Gross Current Assets (Days)	Days	31	35	41

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Entities in the service sector - <http://acuite.in/view-rating-criteria-8.htm>

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- State Government Support - <https://www.acuite.in/view-rating-criteria-26.htm>
- Securitized Transactions - <https://www.acuite.in/view-rating-criteria-29.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
04-May-18	Non-Convertible Debentures	Long term	175.00	ACUITE A (SO) (Upgraded)
18-Oct-16	Non-Convertible Debentures	Long term	175.00	ACUITE BB/Stable (Downgraded)
12-Oct-15	Non-Convertible Debentures	Long term	175.00	ACUITE A (SO) (Reaffirmed)

*Annexure – Details of instruments rated

ISIN	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
INE700N08015	Non-Convertible Debentures	20-Feb-2014	10.25%	20-Feb-2024	175.00	ACUITE A (SO)/Stable (Reaffirmed)

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (*erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

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