

Press Release

Rajasthan State Road Transport Corporation

November 03, 2022

Rating Downgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	175.00	ACUITE C Downgraded	-
Total Outstanding Quantum (Rs. Cr)	175.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has downgraded the long term rating to **ACUITE C (read as ACUITE C)** from **ACUITE BBB- (CE) (read as ACUITE triple B minus CE)** on Non Convertible Debentures of Rs.175.00 Cr on Rajasthan State Road Transport Corporation (RSRTC).

Rationale for rating action

The rating action is based on the information provided by RSRTC that it has not been able to redeem the last installment amounting to Rs 124.72 Cr due on Nov 1, 2022 in one of its bond programmes. The default on the said bonds has also been confirmed by the trustee. While the corporation has made timely payment of the half yearly interest due on the outstanding bonds, it has sought a consent from the bond holders for an extension of the bond redemption date; however, the same is yet to be received. It is to be noted however, that the said bond programme is not rated by Acuite; the bonds rated by Acuite has been serviced in a timely manner so far.

Acuite has removed the existing Credit Enhancement (CE) which was supported by a structured payment mechanism and a guarantee provided by the Government of Rajasthan (GoR). There has been limited adherence to the structure which was expected to ensure timely payment of the bond holders' dues. Acuite also notes that the state government guarantee has not been invoked by the trustee as per the stipulated structure.

About the Company

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. As on March 31, 2021, the company had 3492 owned, and 864 hired buses across 56 depots, Its buses travel more than 7.55 lakhs kilometers per day, with more than 3.25 lakh passengers on board.

Analytical Approach

To arrive at the rating, Acuite has considered the standalone business and financial risk profiles of RSRTC. While a Credit Enhancement (CE) was applied earlier based on a structured payment mechanism and a GoR guarantee, the same has been removed.

Key Rating Drivers

Strengths

Criticality of RSRTC to the State Government of Rajasthan (GoR)

The public road transport system in the state of Rajasthan is significantly dependent on RSRTC.

Its large fleet of over 4500 buses is the 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 more than 14,000 permanent employees. RSRTC is wholly owned by the Government of Rajasthan (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 political and socio-economic implication for the GoR. Acuité, therefore believes that RSRTC holds a fairly high strategic importance for GoR.

Weaknesses

Continuing losses and weak financial position

RSRTC has reported total income of Rs. 1454.62 Cr for FY21 (Provisional) as against Rs.2034.66 Cr for FY20 due to the impact of the pandemic. However, the corporation has reported operating profit of Rs.6.35 Cr for FY21 (Provisional) as against operating loss of Rs.50.67 Cr in FY20 on account of the decline in power cost and license charges and taxes. The corporation continues to report net losses and this have resulted in an erosion of net worth, thereby leading to a deterioration in the financial risk profile. The entity has witnessed some recovery in financial performance during 9MFY22, wherein RSRTC has reported total operating income of Rs.1043.32 Cr in during 9MFY22 as against Rs. 516.93 Cr during 9MFY21. On operational front, revenue per Km has increased from Rs.32.57 in 9MFY21 to Rs.36.15 in 9MFY22. The net loss, however has increased to Rs. 223.27 Cr as against Rs.186.50 Cr in the nine month period.

Inability of the corporation to redeem its bond on due date

The company has made timely payment of half yearly interest at a rate of 9.70% due to its bondholders of bond issue size of Rs.311.80 Cr due on Nov 1, 2022. However, due to the adverse cash flow position, the Corporation is not able to redeem the last principal installment of 40% amounting to Rs. 124.72 Cr due on the same date for one of its bond programmes. The consent of the bond holders is sought for extension of bond redemption date to May 2023. However the same is yet to be received, leading to the crystallization of the default.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

- Timely arrangement of funds for redemption of NCDs.
- Improvement in credit profile of GoR and timely support to RSRTC.
- Improvement in the operational metrics and financial position of RSRTC

Material covenants

None

Liquidity Position

Stretched

RSRTC has a stretched liquidity position on a standalone basis on account of continuous losses in its operations. The entity is not in a position to repay the principal due on the outstanding bonds although it has continued to service the interest due in a timely manner. This scenario is likely to continue in the near to medium term unless there is a significant increase in the funding support provided by the GoR.

Outlook : Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 21 (Provisional)	FY 20 (Actual)
Operating Income	Rs. Cr.	1454.62	2034.66
PAT	Rs. Cr.	(125.66)	(151.88)
PAT Margin	(%)	(8.64)	(7.46)
Total Debt/Tangible Net Worth	Times	(0.46)	(0.46)
PBDIT/Interest	Times	0.22	(0.38)

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

None

Any other information

None

Applicable Criteria

- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.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
15 Jul 2022	Non Convertible Debentures	Long Term	175.00	ACUITE BBB- (CE) Stable (Reaffirmed)
15 Jul 2021	Non Convertible Debentures	Long Term	175.00	ACUITE BBB- (CE) Stable (Upgraded from ACUITE BB+(CE))
	Proposed Term Loan	Long Term	200.00	ACUITE BBB- (Withdrawn)
24 Nov 2020	Non Convertible Debentures	Long Term	175.00	ACUITE BB+(CE) (Ratings Under Watch)
	Proposed Term Loan	Long Term	200.00	ACUITE BB+(CE) Stable (Assigned)
10 Nov 2020	Non Convertible Debentures	Long Term	175.00	ACUITE BB+(CE) (Ratings Under Watch)
25 Aug 2020	Non Convertible Debentures	Long Term	175.00	ACUITE BBB (CE) (Downgraded from ACUITE A (CE) Stable)
04 May 2020	Non Convertible Debentures	Long Term	175.00	ACUITE A (CE) Stable (Reaffirmed)
06 May 2019	Non Convertible Debentures	Long Term	175.00	ACUITE A (SO) Stable (Reaffirmed)
04 May 2018	Non Convertible Debentures	Long Term	175.00	ACUITE A (SO) Stable (Upgraded from ACUITE BB Stable)
18 Oct 2016	Non Convertible Debentures	Long Term	175.00	ACUITE BB Stable (Downgraded from ACUITE A (SO) Stable)
12 Oct 2015	Non Convertible Debentures	Long Term	175.00	ACUITE A (SO) Stable (Reaffirmed)
24 Jun 2013	Non Convertible Debentures	Long Term	175.00	ACUITE A (SO) (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	INE700N08015	Non-Convertible Debentures (NCD)	Not Applicable	Not Applicable	Not Applicable	175.00	ACUITE C Downgraded (from ACUITE BBB-CE)

Contacts

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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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