

## Press Release

### Rajasthan State Road Transport Corporation

March 15, 2023

### Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	175.00	ACUITE BB-   Stable   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	175.00	-	-

### Rating Rationale

Acuite has upgraded its long term rating from **ACUITE C (read as ACUITE C) to ACUITE BB- (read as ACUITE double B Minus)** on the Non Convertible Debentures of Rs.175.00 Cr of Rajasthan State Road Transport Corporation (RSRTC). Outlook is 'Stable.'

#### Rationale for Upgrade

The rating action factors in the full redemption of one of its NCD of Bond Size Rs 311.80 with ISIN 700N09021 (not rated by ACUITE). The last instalment of the aforementioned NCD amounting to Rs 124.72 Cr was paid on February 10, 2023 against its due date of 1<sup>st</sup> November 2022.

The corporation continues to remain regular in servicing the interest obligations on NCD bearing ISIN 700N08015 (Rated by Acuite) and total Bond Size Rs 175 crore stands redeemed to the extent of Rs. 105 Cr. (In two instalments of Rs. 52.50 Cr. each) latest being on 20<sup>th</sup> February 2023 from its internal collections. The next instalment on the NCD falls due on 20<sup>th</sup> February 2024.

The rating action further factors the increase in the corporation's operating income, support from State Government in terms of financial assistance, government guarantee to the corporation's borrowings and equity infusion.

However, the above factors are underpinned by the continued losses incurred by the corporation, delayed support from GoR resulting into delayed redemption of aforesaid bond. Hence, timely support from the Government of Rajasthan remains a key monitorable.

#### 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, It's buses travel more than 7.55 lakhs kilometers per day, with more than 3.25 lakh passengers on board.

#### Standalone (Unsupported) Rating

ACUITE B/Stable

#### Analytical Approach

Acuite has taken a standalone approach while assessing the business and financial profile of RSRTC. Support from Government of Rajasthan is considered to provide government notch up

while arriving at the final Rating.

## **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 and hence will continue to get support from the GoR.

### **Weaknesses**

#### **Continuing losses and weak financial position**

The financial risk profile continues to remain weak due to accumulation of losses in reserves resulting in erosion of tangible net worth over the years. The tangible net worth remained at Rs. (3236.30) crore as on March 31, 2021 (Prov.) as against Rs.(3155.65) crore as on March 31, 2020. The debt- equity ratio continues to remain negative during FY21. However, interest coverage ratio remained at 0.27 times in FY21 as against (0.38) times in FY20. The total debt of the entity remained at Rs.1345.38 crore as on March 31, 2021 (Prov.) as against Rs.1336.22 crore as on March 31, 2020. The debt service coverage ratio continues to remain below unity. Nevertheless, the entity has been refinancing the loan for the redemption of existing NCDs. The other debt coverage indicator such as total outstanding liability to tangible net worth, which continues to remain negative. The debt-EBITDA also remained at higher level at 61.10 times during FY21. The same is on account of negative tangible net worth and continuous losses incurred by the entity.

#### **ESG Factors Relevant for Rating**

Not Applicable

### **Rating Sensitivities**

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. However, its liquidity position is supported by strong operational and financial support from the Government of Rajasthan. The corporation has paid off its pending dues as on February 2023 and likely to serve debt obligations going ahead. The entity has been raising term debt for the redemption of NCD and the same has also been backed by Government of Rajasthan.

### **Outlook: Stable**

Acuité believes that the outlook on RSRTC's rated facilities will remain 'Stable' over the medium term given the current redemption of debt in Feb 23, and the expectation of 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, and subsequently, the corporation

## Key Financials

Particulars	Unit	FY 21 (Provisional)	FY 20 (Actual)
Operating Income	Rs. Cr.	1456.32	2034.66
PAT	Rs. Cr.	(120.14)	(151.88)
PAT Margin	(%)	(8.25)	(7.46)
Total Debt/Tangible Net Worth	Times	(0.46)	(0.46)
PBDIT/Interest	Times	0.27	(0.38)

### 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-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.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](http://www.acuite.in).

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Nov 2022	Non Convertible Debentures	Long Term	175.00	ACUITE C (Downgraded from ACUITE BBB- (CE)   Stable)
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)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	INE700N08015	Non-Convertible Debentures (NCD)	20 Feb 2014	10.25	20 Feb 2024	Simple / Complex	175.00	ACUITE BB-   Stable   Upgraded

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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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