

Rajasthan State Road Transport Corporation (RSRTC)

Brickwork Ratings revises the ratings for the Bonds/ Non-Convertible Debentures issue of Rs. 500.00 Crs of Rajasthan State Road Transport Corporation (RSRTC)

Particulars

Facilities/ Instrument**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Dec 2019)	Present
NCD/Bonds – (Multiple Tranches)	500.00	500.00	Long Term	BWR A- (CE)* (Stable)	BWR D Downgraded
Total	500.00	500.00	INR Five Hundred Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank Loan facilities/NCD/Bonds/Commercial Paper is provided in Annexures-I

The A-(CE) Rating was based on Credit Enhancement (CE) in the form of “Unconditional and Irrevocable Guarantee” provided by the Government of Rajasthan for the bonds.

RATING ACTION / OUTLOOK

The downward revision in the ratings reflects delay in payment of the principal instalment due on the NCDs due for redemption on 01.11.2020. The Corporation had made a request to the investors for an extension of payment for six months i.e. to 01 May 2021, on 27.10.2020. However the corporation has not received the required consent from all the investors. The interest was serviced on 1.11.2020. The principal payment was not made on the due date i.e. 01.11.2020 in anticipation of the approval from the investors.

However the guarantee issued by the Government of Rajasthan for the above said bonds has not been invoked so far.

The rating also factors in the ongoing challenges faced by the corporation in maintaining adequate liquidity buffers for their debt obligations. RSRTC’s operations have been severely impacted on account of the ongoing COVID – 19 crisis. Due to the pandemic, they had to close down their operations during the country wide lockdown and are still not operating at their full capacity. This has severely affected the cash flow and liquidity of the corporation.

The principal payment of Rs. 56.46 Crs (30% of NCDs of Rs. 188.20 Crs) and interest for the bonds issue of Rs. 188.20 Crs was due on 17.07.2020. The corporation had made a request to the investors for an extension of payment for six months i.e. 17.01.2021, before the due date through letter dtd 15.07.2020. The principal payment of Rs. 56.46 Crs and interest for the said bonds issue was due on 17

.07.2020. The corporation has received consent from the majority of the investors. The Corporation has also not made the principal payments for these bonds. The interest for the same is being serviced on time. In view of the relaxations granted by SEBI under circular dated 30.3.2020, regarding default recognition for companies facing stress due to Covid, the rating was not changed.

KEY RATING DRIVERS

Credit Risks:

Delay in Servicing of Debt Obligations by RSRTC: RSRTC has defaulted in the principal payment due on 01st Nov 2020 amounting to Rs. 95.54 Crs (30% of NCDs of Rs. 311.80 Crs). The Corporation had made a request to the investors for an extension of payment for six months i.e. 01 May 2021, before the due date through letter dtd 27.10.2020. But the corporation has not received the required consent from the investors. The interest was serviced on time but the principal payment was not made on the due date i.e. 01.11.2020. The guarantee of the Government of Rajasthan is yet to be invoked

The corporation has not made the principal payment of Rs. 56.46 Crs (30% of Rs. 188.20 Crs) on the bonds issue of Rs. 188.20 Crs was due on 17.07.2020. The corporation had made a request to the investors for an extension of payment for six months i.e. 17.01.2021, before the due date through letter dtd 15.07.2020. The corporation has received the consent of the majority of the investors. No principal payment was made for these bonds. In view of the relaxations granted by SEBI under circular dated 30.3.2020, regarding default recognition for companies facing stress due to Covid, the rating was not changed.

Deteriorating Financial and Operational Profile:

The operational performance had slightly improved in FY19 and FY18 as compared to FY17. Losses have come down from Rs.2117.57 Crs in FY17 to Rs.79.50 Crs in FY19. Total Borrowings increased to Rs.1357.51 Crs in FY19 from Rs.1286.16 Crs in FY18, as the funds requirement is being funded by GoR in the form of state grant/loans.

The operations of the corporations have been severely impacted on account of the ongoing COVID – 19 crisis and the corporation is relying mainly on grants and interest-free loans from the GoR to manage its fixed costs and overheads. RSRTC's operations have been severely impacted on account of the ongoing COVID – 19 crisis. Due to the pandemic, they had to close down during the country wide lockdown and they are still not operating at the full capacity. This has severely affected the cash flow and liquidity of the corporation

No Tariff revision:

The tariff revision was completed by the GoR in FY14. Post that the company was unable to hike the tariffs, due to which the company is making operating losses. However, it was partially compensated by GoR in the form of grants and loans to the corporation.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale). BWR has taken a view on the operational and financial performance of the company while arriving at the rating.

RATING SENSITIVITIES

Going forward, the ability of the company to repay its debt obligations on time, improve its liquidity profile and timely receipt of funding support from GoR will be the key rating sensitivities. Also, improvement of the fiscal position and indebtedness of Rajasthan Government as against the GSDP will be other key factors.

Positive: The ratings may be upgraded if the corporation repays its debt obligations on time and improves its liquidity position. Also timely support of the Government of Rajasthan to RSRTC will be a positive .

LIQUIDITY POSITION

The Liquidity of the company remains poor with negative cash accruals of Rs.24.29 Crs generated during FY19. However, there was no repayment due in FY19. The Corporation has a high dependence on GoR for meeting its debt service obligations. Corporation’s operations were severely hampered due to Covid pandemic (country wide lockdown and other operational challenges due to the Covid) which has further deteriorated its liquidity position.

COMPANY PROFILE

Rajasthan State Road Transport Corporation (RSRTC) is the largest provider of intercity bus transportation in the state of Rajasthan. It is headquartered in Jaipur Rajasthan. The corporation was established by the Government of Rajasthan on 1 October 1964 under the Road Transport Act 1950. RSRTC has incorporated Ordinary, Express, Deluxe, A.G. Gandhi Rath, A.C., A.G. Sleeper, Volvo-Mercedes, Volvo-Pantry, Volvo-LCD, Volvo-LCD-Pantry bus services in its fleet for all categories of passengers.

KEY FINANCIAL INDICATORS (in INR Crs)

Total Operating revenues have declined by 7.15% to Rs.1725.66 Crs in FY19 from Rs.1858.28 Crs in FY18, due to low passenger earnings. However, the company’s losses have declined from a loss of Rs.115.06 Crs in FY18 to a loss of Rs.79.50 Crs in FY19, on account of high operating and interest costs. The corporation incurred losses at the EBITDA level which further deteriorated to Rs.381.75 Crs in FY19 from Rs.305.74 Crs in FY18. Total Debt stood at Rs.1357.51 Crs (increased from Rs.1286.16 Crs as on FY18), with Net-worth of Rs.4214.88 Crs as on FY19 (after including revaluation reserves of Rs.7259 Crs on account of land value appreciation in FY14).

FINANCIAL INDICATORS – ISSUER

Key Parameters	Units	FY18	FY19
Result Type		Audited	Audited
Operating Income	Rs. Crs	1858.28	1725.66
EBITDA	Rs. Crs	-305.74	-381.75
PAT	Rs. Crs	-115.06	-79.50
Tangible Net-Worth	Rs. Crs	4252.38	4214.88
D: E Ratio	Times	0.32	0.30
Current Ratio	Times	0.07	0.10

KEY FINANCIAL INDICATORS (in INR Crs) – GoR (Guarantee Provider)

Rajasthan Govt.’s total receipts for 2019-20 are estimated to be Rs 2,26,314 Crs, an increase of 10.25% as compared to the revised estimate of 2018-19. In 2018-19, total receipts are estimated to fall short of the budget estimate by Rs 3,031 Crs (1.46%). Total expenditure for 2019-20 is budgeted to be Rs 2,31,655 Crs, a 9.14% increase over the revised estimate of 2018-19. Revenue deficit for the next financial year is targeted at Rs 23,304 Crs, or 2.52% of the GSDP. Fiscal deficit is budgeted at Rs 32,678 Crs (3.54% of GSDP).

State’s own tax revenues are at 6.72% of GSDP in 2018-19 (RE) which is higher than the actuals of 6.15% in 2017-18. Rajasthan’s total GST revenue (including central transfers) is budgeted to be Rs 29,000 Crs in 2019-20, an increase of 23.40% over the revised estimate of 2018-19.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED

The Bonds are backed by an Unconditional and Irrevocable guarantee of the Government of Rajasthan.

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NA

RATING HISTORY

Instrument	Current Rating			Rating History				
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	Dec 2019	Sep 2019	Feb 2019	Feb 2018	Dec 2016
Bonds/NCD	Long Term	500.00	BWR D	BWR A-(CE) (Stable)	BWR A+(CE) (Stable)	BWR A+(SO) (Stable)	BWR A+(SO) (Stable)	BWR A+(SO) (Stable)
Total		500.00	INR Five Hundred Crores Only					

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)

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Rajasthan State Road Transport Corporation (RSRTC)

ANNEXURE I

INSTRUMENT (NCD/Bonds) DETAILS

Instrument	Issue Date	Amount in Crs. (Outstanding)	Coupon Rate	Maturity Date	ISIN Particulars
NCD/ Bonds	17 Jul 2012	188.20	9.70%	17 Oct 2022	INE700N09021
NCD/ Bands	01 Nov 2012	311.80	9.70%	01 Nov 2022	INE700N09013
Total		500.00	INR Five Hundred Crores Only		

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