

**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/<br>Instrument**           | Amount<br>(₹ Cr) |               | Tenure                              | Rating*                |                        |                                      |
|---------------------------------------|------------------|---------------|-------------------------------------|------------------------|------------------------|--------------------------------------|
|                                       | Previous         | Present       |                                     | Previous<br>(Feb 2019) | Previous<br>(Sep 2019) | Present                              |
| NCD/Bonds –<br>(Multiple<br>Tranches) | 500.00           | 500.00        | Long<br>Term                        | BWR A+(SO)<br>(Stable) | BWR A+(CE)<br>(Stable) | BWR A-(CE)<br>(Stable)<br>Downgraded |
| <b>Total</b>                          | <b>500.00</b>    | <b>500.00</b> | <b>INR Five Hundred Crores Only</b> |                        |                        |                                      |

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

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

The suffix SO has been replaced with CE in compliance with the guidelines of SEBI regarding ratings deriving credit enhancement from third party support.

**The Rating is based on Credit Enhancement (CE) in the form of “Unconditional and Irrevocable Guarantee” provided by Government of Rajasthan for the bonds and bank loan facilities.**

**Unsupported (Standalone) rating as assessed by BWR without considering the Credit Enhancement is BWR BB (Stable).**

**RATING ACTION / OUTLOOK**

The rating revision has, inter alia, factored the stressed financial position of the Government of Rajasthan (GoR), which has extended the unconditional & irrevocable guarantee for the Bonds/NCD. State's own tax revenues are 6.72% of GSDP in 2018-19 (RE) which is higher than the actuals of 6.15% in 2017-18. This implies that growth in collection of taxes has been marginally slower than the growth in the economy. Total receipts for 2019-20 are budgeted 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 budgeted 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 budgeted 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 Outstanding liabilities are expected at 37.22% of the GSDP or Rs.3,43,909 Crs. Guarantees outstanding stood at 6.68% of GSDP, which is above the prescribed levels as per FRBM.

The rating continues to factor, track record of the management, support from GoR, corporate guarantee furnished by and structured payment mechanism in place for transfer of funds to the designated account prior to the due date. The rating draws further comfort from the fact that the corporation plays a critical role in providing transport services in the state of Rajasthan and the

financial flexibility enjoyed by it by virtue of being a state-owned entity with regular capital support from the GoR.

However, the rating is constrained by continuous deterioration in the corporation's financial performance till FY19, both in terms of operating income and profitability, increasing debt levels, operating cost remaining high with poor liquidity and inadequate coverage indicators. The financial performance also suffered due to the inadequacy of tariff revision with the rising operating costs (primarily fuel and employee expenses) coupled with the reduced passenger load factor. However, during FY19, losses has been reduced on account of outsourcing of buses owned by private operators, and improvement in load factor. A significant decrease in operating profit during the last couple of years has increased the RSRTC's dependence on Government grants/subsidy/equity, loan from state govt. and external borrowings for meeting higher operating expenses, including fixed cost.

Outlook for the company, remains stable, considering the stable revenue generation from passenger earnings, improving operational performance, including consistent utilization of buses and load factor and generation of adequate cash accruals from current operations.

Going forward, the ability of the company to improve its load factor and fleet utilization on a sustained basis, improve its profitability, reduce operating expenses and ensure sustained comfortable gearing levels and adequate cash generation 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. The Outlook may be revised to "Positive" if Fleet utilization and load factor improves, increase in tariff, there is increase its operating revenues and profitability and increase in available fleet with route optimization providing higher revenues and cash accruals or it may be revised to "Negative", if the company fails to show profitability, there is reduction in fleet utilization and load factor, there are delays in receipt of GoR funding, generates lower than estimated revenues and there is further deterioration in the fiscal profile and debt levels for the state.

## KEY RATING DRIVERS

### **Credit Strengths:**

**GoR support due to strategic importance of state transport:** GoR has demonstrated continued support to the state government entities including RSRTC. Also, GoR has been supporting the Corporation by way of regular equity infusion, providing interest free loans and providing guarantee for substantial portion of the debt of the corporation. Also, corporation is strategically important to the state government, providing passenger transport services in the state.

**Improvement in Operational performance:** Its load factor has improved to 76.2% in H1 FY20 (from 71.1% in FY18) with a total kilometers operated at 5438.00 lac kms in FY19 (from 6184.81 lac kms in FY18). Its Fleet utilization increased marginally to 78% in FY19 from 77% in FY18 due to outsourcing of the services to private buses.

**Parent Support and Liquidity Position:** The company is 100% owned by the Government of Rajasthan (GoR) and gets time to time support from the State Govt. in terms of Grants and equity support to fulfil its funding requirements. The company is not generating adequate cash accruals to funds its debt repayment and interest servicing and shows high dependence upon GoR towards debt

servicing. It has received Rs.383.81 Crs as of FY19 by way of grants towards operational losses from GoR.

**Moderate financial risk profile of the State (GoR):**

Total receipts for 2019-20 have been budgeted 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 have been estimated to fall short of the budget estimate by Rs.3,031 Crs (1.46%). Total expenditure for 2019-20 is budgeted at Rs.2,31,655 Crs, a 9.14% increase over the revised estimate of 2018-19. Revenue deficit for the next financial year is budgeted at Rs.23,304 Crs, or 2.52% of the GSDP. Fiscal deficit is budgeted at Rs.32,678 Crs (3.54% of GSDP). Rajasthan State total GST revenue (including central transfers) is estimated to be Rs 29,000 Crs in 2019-20, an increase of 23.40% over the revised estimate of 2018-19. GST to total tax revenues increased to 39.23% as compared to 37.96% 2019 RE. Revenue deficit/GSDP deteriorated further (-2.67%) in 2019 RE from (-2.22%) in 2018 Actuals.

**State's Socio, economic and demographic Profile:**

Rajasthan is home to 7.41 crore people (estimated as on 2016) accounting for ~5.5% of India's population and seventh largest by population. The State's population density has risen from 165 in 2001 to 200 in 2011, indicating an CAGR increase of about 2.16%. The labour Force Participation Rate is 40.50% and of the total workers in the State. The literacy rate of the State is 67% in 2011 which is lower the National average of 74.04 percent. The total road network of NH (8,972 kms), SH, and district roads is about 2,26,854 km, with a density of 66.29 km per 100 sq. kms. The total power generation capacity is 21,832.94 MW, of which 7,573.83 MW under state owned and 3,017.10 MW is from the central sector and rest of 11,242.01 MW from private sector projects. AT&C losses are at ~27.44% for the state as of Oct'19.

**Credit Risks:**

**Declining Financial Profile:** There was deterioration in operating performance during FY17 which has shown slight improvement during FY18 & FY19, where losses came down from Rs.2117.57 Crs in FY17 to Rs.79.50 Crs in FY19. There was an increase in operating expenses on account of provision of Rs.2496.92 Crores for gratuity and pension fund, which is why Corporation has booked huge losses in FY17. Further, it had received Rs.383.81 Crs of govt. grants in FY19 towards operational losses. 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. Further its Net-worth is positive in case the revaluation reserves done in FY14 is considered as a part of the Net-worth.

**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.

**High level of outstanding liabilities indicating comply fiscal consolidation targets:**

States outstanding liabilities are estimated at 37.22% of the GSDP or Rs.3,43,909 Crs and its guarantees outstanding stood at 6.68% of GSDP, higher than the FRBM norms. Guarantees including Debt to GSDP stood at 39.90% in 2019 R.E.

**Widening Revenue deficit:**

State's revenue deficit widened in FY19 (~50% increase over last year) and fiscal deficit is at 3.19% of GSDP. State's Revenue deficit for the next financial year is estimated at Rs 23,304 Crs, or 2.52% of the GSDP. Fiscal deficit is budgeted at Rs 32,678 Crs (3.54% of GSDP).

**High AT&C losses for the state:**

Overall AT&C losses stood at 27.44% for the State of Rajasthan as of Oct'19 and ACS-ARR gap is Rs.0.64/unit.

**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). Apart from considering the "Unconditional and Irrevocable Guarantee" provided by Government of Rajasthan for the bonds and the fiscal profile of the state, 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 improve its load factor and fleet utilization on a sustained basis, improve its profitability, reduce operating expenses and ensure sustained comfortable gearing levels 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 will be other key factors.

**Positive:** The Outlook may be revised to "Positive", if Fleet utilization and load factor improves, increase in tariff, there is increase its operating revenues and profitability and improvement of fleet availability with route optimization providing higher revenues and cash accruals.

**Negative:** The Outlook may be revised to "Negative", if the company fails to improve profitability, there is reduction in fleet utilization and load factor, there are delays in receipt of GoR funding, company generates lower than estimated revenues and there is further deterioration in the fiscal profile and debt levels for the state.

**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. Therefore, it has high dependence on GoR towards meeting its debt obligations. The cash and cash equivalents as on FY19 were remain at Rs.171.76 Crs.

**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 has been established by 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. It has 3,647 busses as on Sep'19 (a compared to 4,330 busses in Dec'18) in its fleet with 52 depots operating across the state and 3 depots operating outside the state (i.e. Indore, Ahmedabad and Delhi). It also has 959 private buses as of Sep'19 as a part of its fleet.

**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 Unconditional and Irrevocable guarantee of Government of Rajasthan.

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NA**

## RATING HISTORY

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

## COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://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**

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

**For print and digital media**

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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