

FEBRUARY 20, 2015

CARE REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES OF RAJASTHAN RAJYA VIDYUT PRASARAN NIGAM LIMITED

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long term Bank Facilities	20.00	CARE BBB- (Triple B Minus)	Reaffirmed
Total Facilities	20.00		

Rating Rationale

The rating continues to take into account the ownership of Rajasthan Rajya Vidyut Prasaran Nigam Ltd. (RVPN) by Government of Rajasthan (GoR) with sustained support, its position of being the sole transmission utility in the State of Rajasthan, strategic importance of the utility to GoR, low business risk arising from the regulated nature of its operations and satisfactory operating efficiency indicators. The rating also considers allowance of Return on Equity (RoE) to RVPN from FY15 (refers to the period April 1 to March 31) and approval of revised Financial Restructuring Plan (FRP) of power distribution companies (the primary obligor of RVPN) of Rajasthan in line with the scheme notified by Government of India (GoI).

The rating, however, continues to be constrained by deteriorating financial profile of power distribution companies (Discoms) in the state, high leverage, risk associated with implementation of large sized predominantly debt-funded capex plans and revision in tariff determination process leading to reduction in total income. The rating is further constrained due to significant increase in employee cost upon adoption of Accounting Standard -15 and amortization of transferred terminal benefits liability of the erstwhile Rajasthan State Electricity Board (RSEB).

Timely receipt of transmission charges from Discoms, continued financial support from GoR for meeting increased retirement benefit liability and adherence to laid down efficiency parameters would be the key rating sensitivities.

Background

Rajasthan Rajya Vidyut Prasaran Nigam Ltd. (RVPN) is an unbundled state power transmission company wholly owned by GoR. As per the Rajasthan Power Sector Reforms Act, 1999 of GoR, the erstwhile RSEB was unbundled into a Generation Company, a Transmission Company and three Distribution Companies (Discoms) w.e.f. July 19, 2000. Rajasthan Rajya Vidyut Utpadan Nigam (RVUN) was incorporated as a sole generation company, RVPN was incorporated as a sole transmission company and three Discoms were incorporated in the form of Jaipur Vidyut Vitran Nigam Ltd. (JVVN), Ajmer Vidyut Vitran Nigam Ltd. (AVVN) and Jodhpur Vidyut Vitran Nigam Ltd. (JoVVN) to cater to the electricity requirement of their allocated regions.

The wheeling and load dispatch charges being billed by RVPN to the Discoms are fixed by Rajasthan Electricity Regulatory Commission (RERC) in such a way that the company achieves cost break-even. The transmission tariff for Discoms and long-term open access consumers of RVPN is revised by RERC from Rs.156.96/kwh/month for FY14 (refers to the period from April 1 to March 31) to Rs.148.91/kwh/month for FY15.

During FY14 (refers to the period April 1 to March 31), RVPN reported a total operating income of Rs.2093.41 crore (FY13: 2526.28 crore) with a PAT of Rs.45.57 crore (FY13: Rs.41.29 crore).

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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