

March 10, 2014

**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	95 (Reduced from 120)	CARE BBB- (Triple B Minus)	Reaffirmed
Total Facilities	95		

Rating Rationale

The rating continues to take into account the ownership of the Government of Rajasthan (GoR) and its sustained support to Rajasthan Rajya Vidyut Prasaran Nigam Ltd. (RVPN), 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 the upward revision in tariff of RVPN for FY14 (refers to the period from 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 the Government of India (GoI).

The rating, however, continues to be constrained by the deteriorating financial profile of power distribution companies (Discoms) in the state, its no-profit-no-loss operating model, high leverage and the risk associated with implementation of large sized predominantly debt-funded capex plans. The rating is further constrained due to the 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, *rated CARE BB*) and Jodhpur Vidyut Vitran Nigam Ltd. (JoVVN, *rated CARE BB*) 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 was increased by RERC from Rs.136.08/kwh/month for FY12 to Rs.147.28/kwh/month for FY13 and further to Rs. 156.96/kwh/month for FY14.

During FY13, RVPN reported a total operating income of Rs.2526.28 crore (FY12: 2052.73 crore) with a PAT of Rs.41.28 crore (FY12: net loss of Rs.35.93 crore).

¹Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publications

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