

## Rajasthan Rajya Vidyut Utpadan Nigam Limited

January 05, 2022

### Rating

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	1,297.90	<b>CARE D (Single D)</b>	<b>Final Rating; Revised from Provisional CARE BBB+ (CE); Negative [Provisional Triple B Plus (Credit Enhancement)]; Outlook: Negative]</b>
Long Term Bank Facilities	8,730.45	<b>CARE D (Single D)</b>	<b>Revised from CARE BBB+ (CE); Negative [Triple B Plus (Credit Enhancement)]; Outlook: Negative]</b>
Long Term Bank Facilities*	200.00	<b>CARE BBB+ (CE); Negative [Triple B Plus (Credit Enhancement)]; Outlook: Negative]</b>	<b>Reaffirmed</b>
Short Term Bank Facilities*	185.00	<b>CARE A3+ (CE) [A Three Plus (Credit Enhancement)]</b>	<b>Reaffirmed</b>
<b>Total Bank Facilities</b>	<b>10,413.35 (Rs. Ten Thousand Four Hundred Thirteen Crore and Thirty-Five Lakhs Only)</b>		

Details of facilities in Annexure-1

\*The ratings for said facilities are based on credit enhancement in the form of irrevocable, continuing and without any condition guarantee by Government of Rajasthan (GoR) for its timely debt servicing

<b>Un Supported Rating<sup>2</sup></b>	<b>CARE D (Single D), CARE D (Single D) [Reaffirmed, Reaffirmed]</b>
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Note: Unsupported Rating does not factor in the explicit credit enhancement

### Detailed Rationale & Key Rating Drivers for the credit enhanced debt

The ratings assigned to the bank facilities of Rajasthan Rajya Vidyut Utpadan Nigam Limited (RVUN) are based on the credit enhancement in the form of an irrevocable, continuing and without any condition guarantee extended by Government of Rajasthan (GoR) for its timely debt servicing.

The revision in the rating assigned to the credit enhanced term loans is on account of instances of delays in servicing of debt obligations on various dates in December 2021, as indicated by the Default, if any statement submitted by RVUN. As per the revised default recognition policy of CARE Ratings Ltd. for rating of facilities/ instruments backed by a guarantee, when there are delays in repayment of such facilities/ instrument, CARE Ratings Ltd. would recognize default on the said facility/instrument even if the guarantee is not invoked. Earlier, default was recognized only when the payments were not made after the invocation of guarantee. Hence, as the company reported default in term loans, the ratings for term loans are revised to 'CARE D'. This revision in ratings is only pursuant to change in analytical approach by CARE Ratings Ltd. and should not be construed as deterioration in the credit profile of GoR.

### Detailed Rationale & Key Rating Drivers of Guarantor, GoR

The state's GSDP contracted by 7% in FY21 (refers to the period April 01 to March 31) as against the 5% growth in the previous year owing to the disruptions caused by the Covid-19 pandemic. Barring agriculture all other sectors witnessed a contraction in output during the year.

The state's finances have been increasingly pressured in FY21 owing to the weakness in the state's economy. The state has incurred a high revenue and fiscal deficit in FY21 and has been unable to abide by the fiscal consolidation norms of the Finance Commission. It is also faced with a high debt burden and has been facing liquidity pressures. At the same time, the state's revenue receipts in FY21 were higher than that in FY20 and 57% of the revenues were from its own sources. Also, the state has been focusing on capital asset creation that would aid the state's growth potential.

The recovery in the national and state's economy in FY22 is expected to lead to an improvement in the state's finances in FY22.

### Key Rating Drivers of RVUN for Unsupported Rating:

The unsupported ratings of RVUN based on its standalone credit assessment takes cognizance of on-going delays in debt servicing of financial institutions (not rated by CARE Ratings Ltd.) and instances of delays in debt obligations of bank

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

<sup>2</sup> As stipulated vide SEBI circular no SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019

facilities rated by CARE Ratings Ltd. due to its poor liquidity arising from stretched receivables from the power distribution companies (discoms) of Rajasthan.

### Rating Sensitivities

#### Positive Factors - Factors that could lead to positive rating action/upgrade:

- Higher growth in revenue receipts
- Self-reliance
- Focus on asset creation
- Adherence to fiscal consolidation norms

#### Negative Factors- Factors that could lead to negative rating action/downgrade:

- High revenue and fiscal deficit
- Increase in debt and guarantees

### Outlook: Negative

The outlook continues to be negative given the constrained financial position of the state and the concerns associated with the recovery in the economy. The outlook can be revised to stable if the state is in adherence to the stipulated fiscal consolidation norms and the recovery in the economy is in line with the expectation.

### Detailed description of the key rating drivers

#### Key Rating Strengths

##### Growth in revenue receipts

The state's revenue receipts have depicted an increasing trend over the years. The state's revenue receipts for FY21 is estimated to be Rs.1,47,980 crore, 5.6% higher than the receipts of FY20. This growth is mainly on account of higher own tax revenues from sales tax (21% growth), stamps & registration fees (31%) state excise duties (20%), and electricity duties (24%).

##### Moderate self-reliance

The state has moderate degree of self-reliance with 57% of the revenues being derived from its own sources in FY21 (RE).

##### Focus on asset creation

Capital outlay constitutes a 28% share in the state's total capital expenditure. It is estimated to grow by 22% in FY21 (RE) after recording negative growth in FY19-FY20. The focus areas of capital outlay are water supply, sanitation and housing (34% share), irrigation, flood control, energy and petroleum (21%) and transport (19%).

##### Maintenance of GRF to meet its guarantee obligation

The state has been maintaining a Guarantee Redemption Fund (GRF) with corpus of Rs.5,454 crore in FY21 which is more than the stipulated norm of 3% of outstanding guarantees by the Finance Commission.

#### Key Rating Weaknesses

##### De-acceleration of economic growth

The state's economy witnessed negative growth in FY21. The state's GSDP contracted by 7% in FY21 as against the 5% growth in the previous year. In terms of sectoral performance in FY21, all sectors witnessed a contraction in output from that in FY20, except the primary sector which continued to grow, albeit at a slower pace. The tertiary sector (42% share in GVA) is estimated to see the sharpest contraction of 11% over the growth of 4% in FY20. The secondary sector (28% share) is projected to decline by 8% following the 2% growth in the previous year. The primary sector (29% share) is estimated to grow by 3% over the 10% growth of FY20.

##### Non-adherence to fiscal consolidation targets

The state has been unable to adhere to the fiscal consolidation norms of the Finance Commission (i.e., maintaining a zero revenue deficit, GFD/GSDP at less than 3% and Debt/GSDP not surpassing 25%). As per the revised estimates for FY21, the state's revenue deficit is estimated to be 4.4% of GSDP, and its fiscal deficit as a proportion of GSDP is estimated to widen to 6.12%, well above the budget estimate of 3%. In addition, the debt to GSDP ratio at 43% is significantly higher than the target of 25%. The state's interest/RR ratio too has remained above the 15% norm since FY17.

##### Sustained Revenue deficit

The state has been sustaining revenue deficit since FY14. As per the revised estimates for FY21, the state's revenue deficit is estimated to be Rs.41,722 crore (Rs.29,376 crore higher than the budget estimate). The high revenue deficit for FY21 is on account a sharp fall in revenue receipts coupled with an increase in revenue expenditure. The revenue deficit as percentage of GSDP has widened to 4.36% in FY21 (RE) vis-à-vis 2.26% in FY20.

##### High levels of debt

The state's outstanding debt in FY21 (RE) is estimated to be at Rs.4,09,196 crore, 16% increase over the previous year. The debt to GSDP ratio of the state has increased to 43% in FY21 (RE) from 35% in the previous year well above the target of 25%.

### Absence of consolidated sinking fund

The state does not have a consolidated sinking fund for the amortization of its debt obligations.

### Increase in guarantees

The guarantees extended by state government to state entities have increased consistently over the years. The outstanding guarantees of the state stood at Rs.82,661 crore in FY21 (upto Dec'20), 17% higher than the previous year.

### Liquidity - Adequate

The state has been availing WMA facility from the RBI to meet its temporary mismatches in receipts and expenditure. As per data from the RBI, the state availed WMA of Rs.12,619 crore and Rs.1,50,169 crore under SDF facility in December 2020. It has however not availed the overdraft (OD) facility.

### Analytical Approach:

**CE ratings:** Assessment of the Guarantor, GoR

CARE Ratings Ltd. has analysed RVUN's credit profile by considering credit enhancement provided by irrevocable, continuing and without any condition guarantee extended by GoR to the bank facilities of RVUN.

**Un-supported rating:** Consolidated

The company has operational synergies with its subsidiaries and joint ventures; hence, consolidated approach has been considered. List attached as Annexure-5

### Applicable Criteria

[Rating Outlook and Credit Watch](#)

[Policy on default recognition](#)

[Short Term Instruments](#)

[Rating Credit Enhanced Debt](#)

[Factoring Linkages Government Support](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Power Generation Projects](#)

[Thermal Power](#)

[Financial Ratios – Non financial Sector](#)

### About the Company

RVUN is an unbundled state power generation company of the erstwhile Rajasthan State Electricity Board (RSEB). As per the Rajasthan Power Sector Reforms Act, 1999 of Government of Rajasthan (GoR), the erstwhile RSEB was unbundled into a Generation Company, a Transmission Company and three Distribution Companies (Discoms) w.e.f. July 19, 2000. RVUN was incorporated as the sole power generation company, Rajasthan Rajya Vidyut Prasaran Nigam Limited was incorporated as the sole transmission company & three Discoms were incorporated in the form of Jaipur Vidyut Vitran Nigam Limited, Jodhpur Vidyut Vitran Nigam Limited and Ajmer Vidyut Vitran Nigam Limited. RVUN is into generation of power through its power plants located across the state of Rajasthan under its standalone operations as well as under its subsidiaries.

Brief Financials (Rs. crore)	31-03-2019 (A)	31-03-2020 (A)	31-03-2021 (Prov.)	9MFY22 (UA)
Total operating income	14,597	16,493	16,350	NA
PBILDT	4,956	6,083	NA	NA
PAT	138	144	438	NA
Overall gearing (times)	7.69	7.42	NA	NA
Interest coverage (times)	1.60	1.48	NA	NA

A: Audited; Prov.: Provisional; UA: Unaudited; NA: Not Available

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

**Annexure-1: Details of Instruments / Facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	March 2028	4864.40	CARE D
Fund-based - LT-Cash Credit	-	-	-	-	200.00	CARE BBB+ (CE); Negative
Fund-based - LT-Term Loan	-	-	-	October 2027	3866.05	CARE D
Fund-based - LT-Term Loan	-	-	-	-	1297.90	CARE D
Un Supported Rating-Un Supported Rating (Long Term)	-	-	-	-	0.00	CARE D
Non-fund-based - ST-BG/LC	-	-	-	-	185.00	CARE A3+ (CE)
Un Supported Rating-Un Supported Rating (Short Term)	-	-	-	-	0.00	CARE D

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	4864.40	CARE D	1)CARE BBB+ (CE); Negative (11-Aug-21)	1)CARE BBB+ (CE); Negative (16-Dec-20) 2)CARE BBB+ (CE); Negative (07-Jul-20) 3)CARE BBB+ (CE); Negative (30-Apr-20)	1)CARE BBB+ (CE); Stable (07-Oct-19) 2)CARE A-(CE); Stable (02-Jul-19) 3)CARE A-(SO); Stable (05-Jun-19)	1)CARE A-(SO); Stable (06-Nov-18)
2	Fund-based - LT-Cash Credit	LT	200.00	CARE BBB+ (CE); Negative	1)CARE BBB+ (CE); Negative (11-Aug-21)	1)CARE BBB+ (CE); Negative (16-Dec-20) 2)CARE BBB+ (CE); Negative (07-Jul-20) 3)CARE BBB+ (CE); Negative (30-Apr-20)	1)CARE BBB+ (CE); Stable (07-Oct-19) 2)CARE A-(CE); Stable (02-Jul-19) 3)CARE A-(SO); Stable (05-Jun-19)	1)CARE A-(SO); Stable (06-Nov-18)
3	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BBB+ (CE); Negative (30-Apr-20) 2)Withdrawn (30-Apr-20)	1)CARE BBB+ (CE); Stable (07-Oct-19) 2)CARE A-(CE); Stable (02-Jul-19) 3)CARE A-(SO); Stable (05-Jun-19)	1)Provisional CARE A-(SO); Stable (06-Nov-18)

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
4	Fund-based - LT-Term Loan	LT	3866.05	CARE D	1)CARE BBB+ (CE); Negative (11-Aug-21)	1)CARE BBB+ (CE); Negative (16-Dec-20) 2)CARE BBB+ (CE); Negative (07-Jul-20) 3)CARE BBB+ (CE); Negative (30-Apr-20)	1)CARE BBB+ (CE); Stable (07-Oct-19) 2)CARE A-(CE); Stable (02-Jul-19) 3)CARE A-(SO); Stable (05-Jun-19)	1)Provisional CARE A-(SO); Stable (06-Nov-18)
5	Fund-based - LT-Term Loan	LT	1297.90	CARE D	1)Provisional CARE BBB+ (CE); Negative (11-Aug-21)	1)Provisional CARE BBB+ (CE); Negative (16-Dec-20) 2)Provisional CARE BBB+ (CE); Negative (07-Jul-20) 3)Provisional CARE BBB+ (CE); Negative (30-Apr-20)	1)Provisional CARE BBB+ (CE); Stable (07-Oct-19) 2)Provisional CARE A-(CE); Stable (02-Jul-19) 3)Provisional CARE A-(SO); Stable (05-Jun-19)	-
6	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST*	-	-	-	1)Withdrawn (30-Apr-20) 2)CARE BBB+ (CE); Negative / CARE A3+ (CE) (30-Apr-20)	1)CARE BBB+ (CE); Stable / CARE A3+ (CE) (07-Oct-19) 2)CARE A-(CE); Stable / CARE A2+ (CE) (02-Jul-19)	-
7	Non-fund-based - LT/ ST-Bank Guarantees	-	-	-	-	-	-	-
8	Un Supported Rating-Un Supported Rating (Long Term)	LT	0.00	CARE D	1)CARE D (11-Aug-21)	1)CARE D (16-Dec-20) 2)CARE D (07-Jul-20) 3)CARE D (30-Apr-20) 4)CARE D / CARE D (30-Apr-20)	-	-
9	Non-fund-based - ST-BG/LC	ST	185.00	CARE A3+ (CE)	1)CARE A3+ (CE) (11-Aug-21)	1)CARE A3+ (CE) (16-Dec-20)	-	-

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
						2)CARE A3+ (CE) (07-Jul-20)		
10	Un Supported Rating-Un Supported Rating (Short Term)	ST	0.00	CARE D	1)CARE D (11-Aug-21)	1)CARE D (16-Dec-20) 2)CARE D (07-Jul-20)	-	-

\* Long Term / Short Term

**Annexure-3: Detailed explanation of covenants of the rated instruments / facilities**

Not Applicable

**Annexure-4: Complexity level of various instruments / facilities rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple
4	Un Supported Rating-Un Supported Rating (Long Term)	Simple
5	Un Supported Rating-Un Supported Rating (Short Term)	Simple

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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### About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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