

## Rajasthan Rajya Vidyut Utpadan Nigam Limited

December 08, 2022

### Ratings

Facilities/Instruments	Amount (₹ crore)	Ratings <sup>1</sup>	Rating Action
Long Term Bank Facilities	10,028.35	CARE D (Single D)	Reaffirmed
Long Term Bank Facilities	200.00	CARE BBB+ (CE); Stable [Triple B Plus (Credit Enhancement); Outlook: Stable]	Reaffirmed; Outlook revised from Negative
Short Term Bank Facilities	185.00	CARE A3+ (CE) [A Three Plus (Credit Enhancement)]	Reaffirmed
<b>Total Bank Facilities</b>	<b>10,413.35</b> <b>(₹ Ten Thousand Four Hundred Thirteen Crore and Thirty-Five Lakhs Only)</b>		

Details of facilities/instruments in Annexure-1.

<b>Unsupported Ratings<sup>2</sup></b>	<b>CARE D (Single D), CARE D (Single D) [Reaffirmed, Reaffirmed]</b>
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Note: Unsupported ratings do not factor in the explicit credit enhancement.

### Detailed rationale and key rating drivers for the credit enhanced debt

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

### Detailed rationale and key rating drivers of the Guarantor, GoR

The revision in the outlook is on account of recovery in the economy of the state in terms of growth in the gross state domestic product (GSDP) by around 18% in FY22 (refers to the period April 01 to March 31) over FY21 post the disruptions caused by the COVID-19 pandemic and expectation of further improvement as reflected in the budgeted growth in GSDP by around 12% in FY23.

The ratings derive strength from reduction in the stress on the state's finances in FY22 as compared with FY21 owing to the recovery in the state's economy. Despite increase in the debt levels, the state revenue deficit and fiscal deficit has declined in FY22 over FY21, as per the revised estimates (RE), and is budgeted to further decline as per the budget estimates (BE) of FY23, which is mainly due to higher increase in the revenue receipts than revenue expenditure. The state is moderately self-reliant with nearly 55% of its revenues comprising own revenue sources and is seen to be focusing on asset creation to enhance its future economic potential. The ratings also take comfort from reduction in the committed expenditure as a percentage of revenue receipts and revenue expenditure, presence of guarantee redemption fund (GRF) for meeting its guarantee obligations and moderate liquidity profile. The ratings take cognisance from the state's favourable ranking in ease of doing business, availability of other infrastructure marked by high per capita power consumption, moderate rail and road density, moderate availability of national resources and significantly improved irrigation potential over the years.

The rating strengths are tempered due to non-adherence to fiscal consolidation targets of the Finance Commission, sizeable and sustained revenue deficit, high level of outstanding debt, absence of consolidated sinking fund (CSF), high levels of outstanding guarantees and increase in the guarantees. The state's financial position would continue to be constrained in FY23 owing to discontinuation of goods and service tax (GST) compensation from June 30, 2022. The ratings are also constrained due to weak demographic profile in terms of low literacy, urbanization and gender ratio, below-average per capita income and high infant mortality and unemployment.

### Rating sensitivities of the Guarantor, GoR

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

- Significantly lower than budgeted revenue deficit and fiscal deficit
- Significantly higher than budgeted self-reliance
- Significant reduction in (debt + guarantees) to GSDP

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

- Significantly higher than budgeted revenue deficit and fiscal deficit
- Sustained non-adherence to the fiscal consolidation targets prescribed by the Finance Commission for fiscal deficit and debt parameters

<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/ MIRS/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019. As per this circular, the suffix 'CE' (Credit Enhancement) is assigned to the ratings with explicit external credit enhancement, against the earlier used suffix 'SO' (Structured Obligation).

- Further worsening of (debt + guarantees) to GSDP

### Key rating drivers of RVUNL for Unsupported Ratings

The unsupported ratings of RVUNL, based on its standalone credit assessment, take cognizance of on-going delays in debt servicing of financial institutions (not rated by CARE Ratings Limited) and instances of delays in debt obligations of bank facilities rated by CARE Ratings Limited due to its poor liquidity arising from stretched receivables from the power distribution companies (Discoms) of Rajasthan.

### Rating sensitivities of RVUNL for Unsupported Ratings

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

- Sustained track record of timely debt servicing for the period of at least 90 days

#### Negative factors – Factors that could lead to negative rating action/downgrade: Not Applicable

### Detailed description of the key rating drivers – GoR

#### 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 FY22 are expected to be Rs.1,89,431 crore i.e., 41% higher than the revenue receipts of FY21. Despite restrictions during Q1FY22 due to COVID-19 2nd wave, all the components (i.e., commercial taxes, excise, stamp and registration, motor vehicle and other taxes) logged growth in FY22 over FY21.

**Moderate self-reliance:** The state has moderate degree of self-reliance with 54% of the revenues being derived from its own sources in FY22 (RE).

**Focus on asset creation:** Capital outlay constitutes 30% share of the state's total capital expenditure in FY22 (RE) and is budgeted to grow by 24% in FY23 (BE). The focus areas of capital outlay are water supply, sanitation and housing (25%), irrigation, flood control, energy and petroleum (28%) and transport (16%).

**Maintenance of GRF to meet its guarantee obligations:** The state has been maintaining a GRF with a corpus of Rs.6,072 crore as on December 2021 which is more than the stipulated norm of 3% of the outstanding guarantees by the Finance Commission.

#### Key rating weaknesses

**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, gross fiscal deficit (GFD)/GSDP at less than 3% and Debt/GSDP not surpassing 25%). As per the revised estimates for FY22, the state's revenue deficit is estimated to be 2.98% of the GSDP, and its fiscal deficit as a proportion of GSDP is estimated to be 5.18%, well above the target of 3%. In addition, the debt to GSDP ratio at 39.80% is significantly higher than the target of 25%. The state's interest/revenue receipts ratio too has remained above the 15% norm since FY17.

**Sizeable and sustained revenue deficit:** The state has been sustaining revenue deficit since FY14. As per the revised estimates for FY22, the state's revenue deficit is estimated to be Rs.35,690 crore (Rs.11,940 crore higher than the budget estimate). The high revenue deficit in FY22 is on account a sharp increase in the revenue expenditure. However, the revenue deficit as percentage of GSDP has reduced to 2.98% in FY22 (RE) vis-à-vis 4.34% in FY21.

**High level of outstanding debt:** The state's outstanding debt in FY22 (RE) is estimated to be at Rs.4,72,844 crore, 15% increase over the previous year. Although the debt to GSDP ratio of the state has declined to 39.53% in FY22 (RE) from 40.51% in the previous year, it continues to remain well above the target of 25%.

**Absence of CSF:** The state does not have a CSF for the amortization of its debt obligations.

**High levels of outstanding guarantees and increase in the guarantees:** The guarantees extended by state government to the state entities have increased consistently over the years. The outstanding guarantees of the state stood at Rs.84,896 crore as on December 2021, 2.76% higher than the previous year.

#### Liquidity: Adequate

The state has been availing special drawing facility (SDF) and ways and means advances (WMA) facility from the Reserve Bank of India (RBI) to meet its temporary mismatches in receipts and expenditure. It has, however, not availed the overdraft (OD) facility.

## Analytical approach

**For Credit Enhanced Ratings:** Assessment of the Guarantor, GoR.

CARE Ratings has analyzed RUVNL's credit profile by considering credit enhancement provided by irrevocable, continuing and without any condition guarantee extended by GoR to the bank facilities of RVUNL

**For Unsupported Ratings:** Standalone

## Applicable criteria

[Rating Outlook and Credit Watch](#)

[Policy on Default Recognition](#)

[Policy On Curing Period](#)

[Rating Credit Enhanced Debt](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Short Term Instruments](#)

[Consolidation](#)

[Factoring Linkages Government Support](#)

[Power Generation Projects](#)

[State Governments](#)

[Financial Ratios – Non-Financial Sector](#)

## About the company

RVUNL 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 GoR, the erstwhile RSEB was unbundled into a Generation Company, a Transmission Company and three Distribution Companies (Discoms) w.e.f. July 19, 2000. RVUNL was incorporated as the sole generation company, Rajasthan Rajya Vidyut Prasaran Nigam Limited (RVPNL) was incorporated as the sole transmission company and three Discoms were incorporated in the form of Ajmer Vidyut Vitran Nigam Limited (AVVNL; rated CARE BBB+ (CE); Stable / Unsupported Rating: CARE BB), Jodhpur Vidyut Vitran Nigam Limited (JoVVNL; rated CARE BBB+ (CE); Stable / Unsupported Rating: CARE BB) and Jaipur Vidyut Vitran Nigam Limited (JVVNL; rated CARE BBB+ (CE); Stable / Unsupported Rating: CARE BB). RVUNL is engaged 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 (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (UA)
Total operating income	15,288	16,834	NA
PBILDT	6,034	5,328	NA
PAT	(1,287)	(1,968)	NA
Overall gearing (times)	9.86	14.23	NA
Interest coverage (times)	1.29	1.03	NA

A: Audited; UA: Unaudited; NA: Not Available; The above financials have been adjusted as per CARE Ratings' criteria

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

**Any other information:** Not applicable

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

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

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

**Annexure-1: Details of instruments/facilities**

Name of the Instrument/Bank Facilities	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	200.00	CARE BBB+ (CE); Stable
Fund-based - LT-Term Loan	-	-	-	September 2028	3,441.45	CARE D
Fund-based - LT-Term Loan	-	-	-	**	1,918.56	CARE D
Fund-based - LT-Term Loan	-	-	-	July 2026	4,668.34	CARE D
Non-fund-based - ST-BG/LC	-	-	-	-	185.00	CARE A3+ (CE)
Un Supported Rating-Un Supported Rating (Long Term)	-	-	-	-	0.00	CARE D
Un Supported Rating-Un Supported Rating (Short Term)	-	-	-	-	0.00	CARE D

\*\*Proposed term loan

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1.	Fund-based - LT-Term Loan	LT	4,668.34	CARE D	-	1)CARE D (05-Jan-22) 2)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)
2.	Fund-based - LT-Cash Credit	LT	200.00	CARE BBB+ (CE); Stable	-	1)CARE BBB+ (CE); Negative (05-Jan-22) 2)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)
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)
4.	Fund-based - LT-Term Loan	LT	3,441.45	CARE D	-	1)CARE D (05-Jan-22) 2)CARE BBB+ (CE); Negative	1)CARE BBB+ (CE); Negative (16-Dec-20)	1)CARE BBB+ (CE); Stable (07-Oct-19) 2)CARE A-(CE); Stable

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
						(11-Aug-21)	2)CARE BBB+ (CE); Negative (07-Jul-20) 3)CARE BBB+ (CE); Negative (30-Apr-20)	(02-Jul-19) 3)CARE A-(SO); Stable (05-Jun-19)
5.	Fund-based - LT-Term Loan	LT	1,918.56	CARE D	-	1)CARE D (05-Jan-22) 2)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 Guarantee	LT/ST*	-	-	-	-	1)CARE BBB+ (CE); Negative / CARE A3+ (CE) (30-Apr-20) 2)Withdrawn (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 Guarantee	-	-	-	-	-	-	-
8.	Un Supported Rating-Un Supported Rating (Long Term)	LT	0.00	CARE D	-	1)CARE D (05-Jan-22) 2)CARE D (11-Aug-21)	1)CARE D (16-Dec-20) 2)CARE D (07-Jul-20) 3)CARE D / CARE D (30-Apr-20) 4)CARE D (30-Apr-20)	-
9.	Non-fund-based - ST-BG/LC	ST	185.00	CARE A3+ (CE)	-	1)CARE A3+ (CE) (05-Jan-22) 2)CARE A3+ (CE) (11-Aug-21)	1)CARE A3+ (CE) (16-Dec-20) 2)CARE A3+ (CE) (07-Jul-20)	-
10.	Un Supported Rating-Un Supported Rating (Short Term)	ST	0.00	CARE D	-	1)CARE D (05-Jan-22) 2)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 the covenants of the rated instruments/facilities

Not applicable

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

Sr. No.	Name of the Instrument/Bank Facilities	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

### Annexure-5: Bank/Lender details for this company

To view the lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings 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](mailto:care@careedge.in) for any clarifications.

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#### About us:

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