

Rajasthan Rajya Vidyut Utpadan Nigam Limited

June 01, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	10,028.35	CARE C	Revised from CARE D

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in the rating assigned to the bank facilities of Rajasthan Rajya Vidyut Utpadan Nigam Limited (RVUNL) takes into account the demonstration of default-free track record of more than 90 days in case of facilities rated by CARE Ratings Limited (CARE Ratings).

The rating assigned to the bank facilities of RVUNL is constrained due to on-going delays in servicing of debt obligations in case of facilities not rated by CARE Ratings. The rating is also constrained due to the moderate operational performance in terms of lower-than-normative plant availability factor (PAF) in its power plants in FY22 leading to under-recovery of annual fixed charges (AFC) and consequent impact on the profitability of RVUNL, counterparty risk due to weak credit profile of its counterparties, viz., power distribution companies of Rajasthan (Rajasthan Discoms) and poor liquidity profile on account of delay in receipt of payments from the Rajasthan Discoms. The rating is also tempered due to leveraged capital structure, weak debt coverage indicators and envisaged debt-funded capex plans for setting-up of additional thermal and renewable power capacities and installation of flue gas desulfurisation (FGD) system in its thermal power plants.

The rating, however, derives comfort from RVUNL being a wholly-owned subsidiary of Government of Rajasthan (GoR), which has demonstrated support in the form of equity infusion and government guaranteed debt and the strategic importance of being the state power generating company. The rating also factors in presence of long-term power purchase agreements (PPAs) with the Rajasthan Discoms operating under the regulated cost-plus tariff mechanism and fuel supply agreements (FSA) in place for all its thermal power plants.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained delay free track record of debt servicing in case of all the facilities.
- Material improvement in the credit profile of the off-takers along with substantial reduction in the average collection period on a sustained basis.
- Improvement in the financial profile of GoR along with stronger support philosophy for RVUNL.
- Improvement in the operational performance and profitability on a sustained basis, leading to improved leverage and coverage metrics.

Negative factors

- Delays in debt servicing of the rated facilities.
- Reduction in shareholding of GoR and/or support from GoR to RVUNL.
- Further weakening of the credit profile of the off-takers resulting in an elongation of the collection period.
- Significant delays in realisation of receivables resulting in further deterioration in the liquidity position for the company.

Analytical approach: Consolidated. The company has operational synergies with its subsidiaries and joint ventures; hence, a consolidated approach has been considered. The list of entities getting consolidated is as per **Annexure-6**.

Outlook: Not applicable

Key weaknesses

Delays in debt servicing in case of facilities not rated by CARE Ratings

While RVUNL has been regular in servicing the rated debt (as confirmed by the bankers of the company) for more than 90 days, there are on-going delays in debt servicing of facilities availed from other lenders (not rated by CARE Ratings) as per the monthly declaration given by the company.

Moderate operational and financial performance

The PAF of the thermal power plants of RVUNL remained lower than the normative levels in FY22 mainly on account of technical issues / accidents in its old thermal power plants and stabilisation issues in its new thermal power plants. This has adversely impacted the ability of the company to recover the AFC. The PAF of RVUNL's thermal power plants declined to 74.08% in FY22 as against 90.29% in FY21. The overall plant load factor (PLF) of the plants remained moderate at 51.10% in FY22 vis-à-vis 49.38% in FY21.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Moderate credit risk profile of its off-takers and high receivable levels; albeit moderation in FY23

RVUNL has executed long-term PPAs with the Rajasthan Discoms for supply of power generated by its power plants. With Rajasthan Discoms being the sole off-taker, RVUNL faces high counterparty risk with its cash flows being dependent on the financial health of its off-takers. The credit profile the Rajasthan Discoms is constrained on account of its weak operating performance marked by high aggregate technical & commercial (AT&C) losses, high average cost of supply - average revenue realised (ACS-ARR) gap and weak capital structure resulting in reduced financial flexibility. The liquidity profile of the Rajasthan Discoms is weak, which is managed through high utilisation levels of fund-based working capital limits and deferring of payments to creditors, including RVUNL. The significant increase in the receivables has resulted in stressed liquidity. Furthermore, RVUNL has large amount of outstanding overdue payments resulting into very high average overdue to monthly average billing. As on March 31, 2022, the outstanding receivables of RVUNL stood at around ₹20,883 crore.

However, RVUNL has started receiving payments from the Rajasthan Discoms under the Ministry of Power's Late Payment Surcharge (LPS) Rules. The cut-off date for the amount of outstanding dues was June 03, 2022. The outstanding dues shall be payable in 30 instalments. Till date, Rajasthan Discoms have paid 10 installments to RVUNL starting from August 2022. The Rajasthan Discoms have also paid eight instalments in advance, and the funds received have been used to repay the outstanding debt obligations. Based on the instalments received, as on March 31, 2023, the outstanding receivables of RVUNL stood at around ₹10,600 crore. Apart from the same, RVUNL is also realising its current dues from the Rajasthan Discoms in maximum 45 days from the due date as stated by the company.

Leveraged capital structure and weak debt coverage indicators

RVUNL's capital structure continued to remain highly leveraged with overall gearing of 14.23x as at FY22-end (FY21: 9.86x) on account of significant debt levels to fund the capex and support the operations of the company pending receipt of dues from the Rajasthan Discoms.

The debt coverage indicators stood weak with PBILDT interest coverage of 1.03x in FY22 (FY21: 1.29x). The total debt to gross cash accruals (GCA) and total debt to PBILDT also stood high in FY22 at 436.10x (FY21: 36.07x) and 8.66x (FY21: 8.21x), respectively.

On-going debt-funded capex

RVUNL has envisaged capex for setting-up of additional thermal and renewable power capacities and installation of FGD system in its thermal power plants. The total envisaged capex over the next 2 years is around ₹10,000 crore, which is envisaged to be funded through a mix of both debt and equity.

Key strengths**Parentage of GoR with support and strategic importance**

RVUNL is a government company with 100% equity share capital being held by GoR upon unbundling of the erstwhile Rajasthan State Electricity Board (RSEB) as a part of domestic power sector reforms. By virtue of strategic importance of being the state power generating company, GoR has demonstrated support to RVUNL mainly in the form of equity infusion and extending guarantees for the debt raised by RVUNL post unbundling of the RSEB. The company is managed by board of directors appointed by the government having relevant experience. The GoR has infused equity of ₹232 crore in FY21 and ₹161 crore in FY22 into RVUNL.

Presence of long-term PPAs under cost-plus tariff mechanism

RVUNL has tied-up its entire power generation capacity with the Rajasthan Discoms under long-term PPAs which mitigate the demand risk. These long-term PPAs have been signed under the regulated cost-plus tariff mechanism which allows the company to pass on the entire costs to the Rajasthan Discoms, subject to adherence to normative operating parameters. The per unit capacity and energy charges are determined by the Rajasthan Electricity Regulatory Commission (RERC), considering post tax return on equity (RoE) of 15.50%.

Fuel supply arrangements in place for thermal power plants:

Out of the total installed power generation capacity of 8,868.35 MW of RVUNL, around 7,580 MW is thermal. RVUNL has entered into long-term FSAs with South Eastern Coalfields Limited (SECL) and Northern Coalfields Limited (NCL), to cater to the fuel requirements of all its thermal power plants. RVUNL has also been allocated captive coal mines in the state of Chhattisgarh, namely, Parsa East and Kanta Basan coal blocks.

Liquidity: Poor

The liquidity position of RVUNL stood poor marked by elongated receivables period on account of significant delays in receipt of dues and large outstanding receivables from the Rajasthan Discoms for the power supplied to them. The operating cycle stood high on account of high receivables days of around 497 days at FY22-end as against 559 days at FY21-end. The company has sanctioned fund-based working capital limits of ₹1,100 crore and the average utilisation of the same stood at around 89% during the 11 months ended February 2023 with maximum utilisation of around 94%.

Applicable criteria

[Rating Outlook and Rating Watch](#)
[Policy on Default Recognition](#)
[Policy On Curing Period](#)
[Liquidity Analysis of Non-Financial Sector Entities](#)
[Short Term Instruments](#)
[Consolidation](#)
[Factoring Linkages Government Support](#)
[Infrastructure Sector Ratings](#)
[State Governments](#)
[Financial Ratios – Non-Financial Sector](#)
[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Utilities	Power	Power	Power Generation

RVUNL is an unbundled state power generation company of the erstwhile 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)
Total operating income	15,288	16,834
PBILDT	6,034	5,328
PAT	(1,287)	(1,968)
Overall gearing (times)	9.86	14.23
Interest coverage (times)	1.29	1.03

A: Audited; UA: Unaudited; The above financials have been adjusted as per CARE Ratings' criteria.

Note: 'the above results are latest financial results available'

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 the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments/facilities rated: Annexure-4

Lender details: Annexure-5

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-Term Loan	-	-	-	July 2026	4,668.34	CARE C
Fund-based - LT-Term Loan	-	-	-	September 2028	3,441.45	CARE C
Fund-based - LT-Term Loan	-	-	-	**	1,918.56	CARE C

**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 2023-2024	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
1.	Fund-based - LT-Term Loan	LT	4,668.34	CARE C	-	1)CARE D (08-Dec-22)	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)
2.	Fund-based - LT-Cash Credit	LT	200.00	CARE BBB+ (CE); Stable	-	1)CARE BBB+ (CE); Stable (08-Dec-22)	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)
3.	Fund-based - LT-Cash Credit	LT	-	-	-	-	-	1)CARE BBB+ (CE); Negative (30-Apr-20) 2)Withdrawn (30-Apr-20)
4.	Fund-based - LT-Term Loan	LT	3,441.45	CARE C	-	1)CARE D (08-Dec-22)	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)
5.	Fund-based - LT-Term Loan	LT	1,918.56	CARE C	-	1)CARE D (08-Dec-22)	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+

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	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
								(CE); Negative (30-Apr-20)
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)
7.	Un Supported Rating-Un Supported Rating (Long Term)	LT	0.00	CARE D	-	1)CARE D (08-Dec-22)	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)
8.	Non-fund-based - ST-BG/LC	ST	185.00	CARE A3+ (CE)	-	1)CARE A3+ (CE) (08-Dec-22)	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)
9.	Un Supported Rating-Un Supported Rating (Short Term)	ST	0.00	CARE D	-	1)CARE D (08-Dec-22)	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 covenants of the rated instruments/facilities

Not applicable

Annexure-4: Complexity level of the various instruments/facilities rated

Sr. No.	Name of the Instrument/Bank Facilities	Complexity Level
1.	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated into RVUNL

Name of the Entity	Subsidiary / Joint Venture	% Shareholding (As on March 31, 2022)
Chabbra Power Limited	Subsidiary	100.00%
Dholpur Gas Power Limited	Subsidiary	100.00%
Giral Lignite Power Limited	Subsidiary	100.00%
Parsa Kente Collieries Limited	Joint Venture	26.00%
Rajasthan Collieries Limited	Joint Venture	26.00%

Note on the 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 for any clarifications.

Contact us

<p>Media Contact</p> <p>Name: Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Name: Deepak Prajapati Senior Director CARE Ratings Limited Phone: +91-79-4026 5656 E-mail: deepak.prajapati@careedge.in</p>	<p>Analytical Contacts</p> <p>Name: Sudhir Kumar Director CARE Ratings Limited Phone: +91-120-445 2006 E-mail: sudhir.kumar@careedge.in</p> <p>Name: Janki Aswani Assistant Director CARE Ratings Limited Phone: +91-79-4026 5612 E-mail: janki.aswani@careedge.in</p> <p>Name: Shaurya Shah Analyst CARE Ratings Limited E-mail: shaurya.shah@careedge.in</p>
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About us:

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