

Paschim Gujarat Vij Company Limited

Instrument	Amount	Rating Action
Long Term- Term Loans	Rs 355 Crore (reduced from Rs 356 crore)	Reaffirmed at [ICRA]A+ (stable)
Long Term Fund Based- Cash Credit	Rs 575 Crore	Reaffirmed at [ICRA]A+ (stable)
Long Term Non-Fund Based Limits	Rs 84 Crore (reduced from Rs 92 crore)	Reaffirmed at [ICRA]A+ (stable)
Short Term Non-Fund Based Limits	Rs 55 Crore	Reaffirmed at [ICRA]A1+

ICRA has reaffirmed the long term rating on the Rs 355 crore term loans (reduced from Rs 356 crore), Rs 575 crore fund based facilities and the Rs 84 crore non fund based facilities (reduced from Rs 92 crore) of Paschim Gujarat Vij Company Limited (PGVCL)¹ at [ICRA]A+ (pronounced as ICRA A plus). The outlook on the long term rating is 'Stable'. ICRA has also reaffirmed the short term rating on the Rs 55 crore non-fund based limits of PGVCL at [ICRA]A1+ (pronounced as ICRA A one plus).

In arriving at the ratings, ICRA has taken a consolidated view of the state owned power sector utilities in Gujarat. The ratings continue to factor in the continuing profitable operations of the utilities supported by adequate tariffs and an operational fuel price and power purchase cost adjustment (FPPCA) framework, healthy cash collections and improving efficiency levels in distribution segment, which have been in line with regulatory targets. In addition, the leveraging level (Total Debt/TNW) of GUVNL on consolidated basis has improved to 1.14 times as on March 31, 2015 from 1.68 times as on March 31, 2012 supported by profitable operations, significant equity infusion by the State Government and satisfactory record of subsidy receipts.

The ratings are however constrained by the fact that despite an improvement, the large capital expenditure plans by the entities would imply continued reliance on debt; further the utilities are also exposed to refinancing risks to some extent. ICRA further notes that absolute subsidy dependence for the sector as a whole still remains high and has also increased in absolute terms, implying that timely receipts of subsidy from the State Government remains important. Moreover, actual release of subsidy (which is in line with budgetary provisions) has remained lower than the actual claims over the period which has led to a build-up of subsidy dues. While ICRA positively takes a note of additional subsidy allocations made to GUVNL by State Government in the revised budget estimates for FY 2014-15 and FY 2015-16 which has arrested the increase in pending subsidy dues to some extent, any delays or inadequacy in release of subsidy payments from GoG remains a key rating sensitivity. Also, the overall returns for GUVNL on consolidated basis continue to remain affected due to under-recoveries arising from lower efficiency levels in power generation segment as compared with normative targets set by the regulator. However, on a consolidated basis, while the utilities remain exposed to refinancing risks, ICRA takes comfort from the company's strong financial flexibility and also the fact that refinancing requirement has come down over the period.

Company Profile

PGVCL is a State owned electricity distribution company, formed out of restructuring of erstwhile GEB. With unbundling of erstwhile Gujarat State Electricity Board (GEB) w.e.f. April 2005 erstwhile GEB was restructured into seven successor entities on functional lines into four distribution companies (i.e. formed on regional lines), one transmission entity, one generating entity and holding company. Gujarat Urja Vikas Nigam Ltd (GUVNL) is the holding company of all unbundled entities with responsibility for bulk purchase of electricity and sale to four DISCOMs and other private distribution licensees. In addition, GUVNL is responsible for overall co-ordination & supervision of the activities of its subsidiary companies, which also include the raising and managing the overall loan portfolio on behalf of subsidiaries. Four Distribution companies (DISCOMs) are formed on regional basis namely Dakshin Gujarat Vij Company Limited (DGVCL), Paschim Gujarat Vij Company Limited (PGVCL), Madhya Gujarat Vij Company Limited (MGVCL), Uttar Gujarat Vij Company Limited (UGVCL) which are responsible for electricity distribution activities in Southern, Western, Central and Northern parts of Gujarat

¹ For complete rating definition, please refer to ICRA Website www.icra.in or any of the ICRA Rating Publications

100 lakh = 1 crore = 10 million



State. As part of unbundling exercise, GoG approved Financial Restructuring Plan (FRP) for the sector as a whole with basic purpose of allowing clean balance sheets for the successor entities.

During FY2014-15, PGVCL reported operating income of Rs. 11611 crore and PAT (before prior period item) of Rs.113.07 crore. PGVCL purchased 27974 MU and sold 19958 MU in the western region of Gujarat during FY 2014-15.

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