

Gujarat Urja Vikas Nigam Limited (REVISED)

Instrument	Amount	Rating Action
Long Term Fund Based - Cash Credit	Rs 226 crore	Reaffirmed at [ICRA]A+ (stable)
Long Term Fund Based - Term Loans	Rs 200 Crore (reduced from Rs. 685 crore)	Reaffirmed at [ICRA]A+ (stable)
Short Term Non-Fund Based Limits	Rs 2820 Crore	Reaffirmed at [ICRA]A1+

ICRA has reaffirmed the long term rating on the Rs 200 crore (reduced from Rs 685 crore) term loans and the Rs 226 crore fund based facilities of Gujarat Urja Vikas Nigam Limited (GUVNL)¹ at [ICRA]A+ (pronounced ICRA A plus). The outlook on the long term rating is 'Stable'. ICRA has also reaffirmed the short term rating on the Rs 2820 crore non-fund based limits of GUVNL 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.

The Government of Gujarat unbundled and restructured the Gujarat Electricity Board with effect from 1st April, 2005. The Generation, Transmission and Distribution businesses of the erstwhile Gujarat Electricity Board were transferred to seven successor companies. The seven successor companies were formed on functional lines into four distribution companies (i.e. formed on regional lines), one transmission entity, one generating entity and holding company as listed below:

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

Holding Company	Gujarat Urja Vikas Nigam Limited (GUVNL)
Subsidiary: Generation	Gujarat State Electricity Corporation Limited (GSECL)
Subsidiary: Transmission	Gujarat Energy Transmission Corporation Limited (GETCO)
Subsidiaries: Distribution	Dakshin Gujarat Vij Company Limited (DGVCL) Madhya Gujarat Vij Company Limited (MGVCL) Uttar Gujarat Vij Company Limited (UGVCL) Paschim Gujarat Vij Company Limited (PGVCL)

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, company 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.

Gujarat State Electricity Corporation Limited (GSECL) - GSECL was an independent power producer (IPP) of the Gujarat Government but since the restructuring, it is a 100% subsidiary of GUVNL. It is now the state generation utility and supplies 100% of the power generated to GUVNL.

Gujarat Energy Transmission Corporation Limited (GETCO) was incorporated as the state transmission utility as part of the re-organisation exercise. It is also responsible for load dispatch functions within the state for all government and private electricity entities in Gujarat. GETCO has entered into a joint "Transmission Service Agreement" with GUVNL and the discoms for power transmission.

Dakshin Gujarat Vij Company Limited (DGVCL) - The Company is a wholly owned subsidiary of GUVNL; It is engaged in distribution of electricity in 7 districts of namely Bharuch, Narmada, Surat (except part of Surat City), Tapi, Dangs, Navsari and Valsad in South Gujarat.

Paschim Gujarat Vij Company Limited (PGVCL) - The Company is a wholly owned subsidiary of GUVNL; PGVCL is engaged in distribution of electricity in 8 districts namely Rajkot, Jamnagar, Junagadh, Porbandar, Bhuj, Bhavnagar, Surendranagar and Amreli in Western Gujarat.

Madhya Gujarat Vij Company Limited (MGVCL) - The Company is a wholly owned subsidiary of GUVNL; MGVCL is engaged in distribution of electricity in 5 districts namely Panchmahal, Dahod, Vadodara, Anand and Kheda in Central Gujarat.

Uttar Gujarat Vij Company Limited (UGVCL) - The Company is a wholly owned subsidiary of GUVNL; UGVCL is engaged in distribution of electricity in 6 districts namely Ahmedabad, Sabarkantha, Banaskantha, Patan, Mehsana and Gandhinagar

Recent Results

During 2014-15, GUVNL on standalone basis reported total income of Rs. 33,773 crore and PAT of Rs. 79.71 crore (before prior period items). During FY 2013-14, GUVNL reported total income of Rs. 29,623 crores and net profit of Rs. 13.68 crores.

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