

## Gujarat Energy Transmission Corporation Limited <sup>(REVISED)</sup>

Instrument	Amount	Rating Action
Long Term Fund Based Limits	Rs. 200 crores	[ICRA]A+ (stable) reaffirmed
Long Term Loans	Rs. 9124.00 crores (reduced from Rs. 9955.45 crores)	[ICRA]A+ (stable) reaffirmed
Long Term Non-Fund Based Limits	Rs. 374 crores (reduced from Rs.410 crores)	[ICRA]A+ (stable) reaffirmed
Short Term Non-Fund Based Limits	Rs. 782 crores (reduced from Rs. 792 crores)	[ICRA]A1+ reaffirmed

ICRA has reaffirmed the long term rating assigned to the Rs. 9124.00 crores<sup>1</sup> (reduced from Rs. 9955.45 crores) term loan facility, Rs. 200.0 crores fund based facility and Rs.374.0 crore (reduced from Rs.410 crores) non-fund based facility of Gujarat Energy Transmission Corporation Limited (GETCO)<sup>2</sup> at [ICRA]A+ (pronounced ICRA A plus). The outlook on the long-term rating is 'Stable'. ICRA has also reaffirmed the short term rating assigned to the Rs. 782.0 crores (reduced from Rs. 792.0 crores), short term non-fund based limits of GETCO 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:

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating definition, please refer to ICRA Website [www.icra.in](http://www.icra.in) or any of the ICRA Rating Publications

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 FY 2014-15, GSECL reported an operating income of Rs. 8453.81 crores and net profit of Rs. 159.37 crores as against an operating income of Rs. 6197.39 crores and net profit of Rs. 120.21 crores during FY 2013-14.

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*For further details please contact:*

Analyst Contacts:

**Mr. Anjan Ghosh** (Tel. No. +91-22- 6114 3407)  
aghosh@icraindia.com

Relationship Contacts:

**Mr. L. Shivakumar**, (Tel. No. +91 22 6114 3406)  
shivakumar@icraindia.com



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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

3rd Floor, Electric Mansion  
Appasaheb Marathe Marg, Prabhadevi  
Mumbai—400025,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax:  
+91-79-25569231

**Pune****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range  
Hills Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-  
25561231

**Hyderabad****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500