June 10, 2025

Gujarat State Electricity Corporation Limited: Long-term rating upgraded to [ICRA]AA (Stable); short-term rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term - Fund-based limits	525.00	525.00	[ICRA]AA (Stable); upgraded from [ICRA]AA- (Stable)
Long term - Non-fund based limits	346.00	346.00	[ICRA]AA (Stable); upgraded from [ICRA]AA- (Stable)
Short term - Fund-based limits	500.00	500.00	[ICRA]A1+; reaffirmed
Short term - Non-fund based limits	934.15	934.15	[ICRA]A1+; reaffirmed
Long term/Short term - Unallocated limits	10,593.95	10,593.95	[ICRA]AA (Stable)/ [ICRA]A1+; Long-term rating upgraded from [ICRA]AA-(Stable); Short-term rating reaffirmed
Total	**12,899.10**	**12,899.10**	

**Instrument details are provided in Annexure I*

Rationale

The upgrade of the long-term rating assigned to Gujarat Urja Vikas Nigam Limited (GUVNL), at a consolidated level, factors in the strong financial and operating performance of the company on a sustained basis over the years. This is reflected in its low leverage level (total debt/OPBDITA of 0.3 times in FY2024), strong debt coverage metrics (interest coverage of 13.6 times in FY2024) and a healthy liquidity position (cash and cash equivalents of ~Rs. 24,500 crore as on March 31, 2025 and fully unutilised working capital limits). The ratings take comfort from the healthy operating efficiencies achieved by the state power transmission and distribution utilities under GUVNL, the cost reflective tariffs with timely pass-through of cost variations to the consumers and a high collection efficiency. ICRA expects this performance to sustain, going forward. While the company has large capex plans across the three segments of its operations, which would be partly funded through debt, the company's debt coverage metrics are expected to remain comfortable, supported by the aforementioned factors.

On the operational front, the distribution loss levels of the four distribution companies (discoms) under GUVNL have largely remained within the regulatory approved levels over the years, due to several measures undertaken to improve billing efficiency, reduce technical losses through network upgrades and bring down theft and unmetered sales. The operating efficiencies in the transmission segment also remain satisfactory in terms of high line availability and low transmission losses. Further, ICRA takes comfort from the adequate budgetary allocation towards power subsidy, timely subsidy payments by the Government of Gujarat (GoG) to GUVNL, timely tariff revisions by the state electricity regulator, including through the fuel and power purchase cost adjustment (FPPCA) mechanism and regular infusion of equity/grant by the state government for capex.

The ratings are, however, constrained by GUVNL's sizeable dependence on subsidy (~11-12% of GUVNL's consolidated revenues in FY2024 and FY2025), making the timely receipt of subsidy from the GoG critical. GUVNL also remains exposed to the possibility of under-recoveries due to the increase in subsidy requirement against the budgetary allocation, in case of any adverse monsoon trend or if the company's operational efficiencies weaken. Any significant delays or inadequacy in the release of subsidy payments from the GoG continues to be a key rating sensitivity. Notwithstanding this, ICRA notes that the company has adequate buffer in its cash flow to withstand certain delays in subsidy payments and meet its debt servicing obligations and equity requirements towards the capex.

The ratings also factor in the regulatory risks associated with the business, wherein any delays in the pass-through of cost variation to the consumers would adversely impact the company's profitability. Herein, comfort is drawn from the timely issuance of tariff orders with regular pass-through of cost variations in the past. Also, the discoms remain exposed to the risk of losing commercial and industrial (C&I) customers to open access, with the advent of renewable power projects offering discounts to grid tariffs. The ability of the discoms to retain the C&I customers, who pay relatively higher tariffs, and cross-subsidise the lower tariffs charged to other consumer segments remains important. Additionally, the utilities remain exposed to project risks associated with the sizeable capital expenditure plans. ICRA also notes that the efficiency levels in the power generation segment remain lower than the normative targets set by the regulator. The lower generation and the higher operating overheads due to the vintage of the plants affect GUVNL's overall returns. The generation plants rank lower in the merit order owing to the high variable cost of generation.

The Stable outlook on the long-term rating reflects ICRA's expectations that GUVNL will continue to demonstrate a robust financial and operating performance over the medium term, supported by strong operating efficiencies, a timely pass-through of cost variations and healthy cash collections.

Key rating drivers and their description

Credit strengths

Strong operating performance, driven by healthy collections and reduction in transmission and distribution (T&D) loss over the years - The cash collections in FY2024 improved to Rs. 85,536 crore from Rs. 74,721 crore in FY2023, driven by the increase in sales volumes across categories {mainly industrial low tension (LT) and water works} and higher average tariff realisations supported by the increase in FPPCA charges for a large part of the fiscal to compensate for the higher power procurement costs incurred during the preceding period. Further, the cash collections in FY2025 stood at Rs. 87,346 crore (provisional numbers). GUVNL's efficiency parameters have improved over the years with the overall T&D loss level of the discoms at 13.37% in FY2024 (14.75% in FY2023) from 20.35% in FY2016. Also, the aggregate technical and commercial (AT&C) losses of the discoms remain significantly lower than the national average and within the regulatory approved target.

Strong financial position with low leverage and healthy debt coverage metrics - The consolidated financial performance of GUVNL remains strong with a healthy growth in revenues and profitability in FY2024, backed by the growth in sales volume, pass-through of cost variations and sizeable non-operating income on the free cash balances, which is likely to sustain in FY2025. Further, GUVNL's debt has reduced over the years, aided by regular repayments and prepayments in some of the fiscals, thereby keeping the leverage level low as well as leading to strong debt coverage metrics. Going forward, the debt coverage metrics are expected to remain comfortable.

Regulatory clarity from timely issuance of tariff orders; regular tariff revisions ensure adequate pass-through of cost variations - The annual finalisation of accounts, filing of tariff petitions, issuance of tariff orders and implementation of the tariff revisions continue to be done in a timely manner for the Gujarat power utilities. The tariff order for FY2024 was published on March 31, 2023, while the tariff order for FY2025 was published on June 01, 2024. There was a slight delay in publishing the tariff order for FY2025 owing to the national elections held in May 2024 and the Model Code of Conduct in place. The multi-year tariff (MYT) order for determination of aggregate revenue requirement (ARR) for the 4th control period (FY2026 to FY2030) and the tariff for FY2026 along with the true-up for FY2024 was issued recently in March 2025. No tariff hike has been approved for FY2026 in the tariff order as the power procurement is expected to remain in line with the previous year. The automatic adjustment of increase in fuel and power purchase costs through the FPPCA route in a timely manner also ensures a smooth and profitable functioning of the utilities. As per the recent MYT order, FPPCA charges are now to be revised monthly (lag of two months allowed to determine the charges) compared to the quarterly revision stipulated in the previous MYT order.

Timely subsidy release by GoG to GUVNL, as per budgetary allocation for the year - The subsidy receipts continue to be timely for GUVNL. The total subsidy allocation by the GoG was Rs. 9,854 crore in FY2025 compared with Rs. 10,630 crore in FY2024

and Rs. 9,005 crore in FY2023. The ratio of the subsidy booked to the total collections stood at ~11.3% in FY2025 compared with ~12.4% in FY2024 and ~12.1% in FY2023. The subsidy arrears, which stood at Rs. 4,445 crore as on March 31, 2021, reduced to ~Rs. 1,622 crore as on April 01, 2022 and were entirely cleared in FY2023 and the company does not have any subsidy arrears in FY2024 and FY2025.

Credit challenges

Sizeable subsidy dependence on state - GUVNL's subsidy dependence on the GoG remained sizeable at Rs. 9,854 crore in FY2025 (~11.2% of the revenue; provisional numbers) compared with Rs. 10,630 crore in FY2024 (~12.2% of the revenue) and Rs. 9,005 crore in FY2023 (~11.2% of the revenue). While the subsidy receipt has been timely so far, the continuation of the same remains a key monitorable for GUVNL.

Exposed to project risks and higher leverage due to large capex plans - In FY2024, GUVNL incurred a capital expenditure of Rs. 12,307 crore compared with Rs. 8,647 crore in FY2023, with 52% incurred by Gujarat State Electricity Corporation Limited (GSECL) and Gujarat Energy Transmission Corporation Limited (GETCO) and the balance by the discoms. This was towards the setting up of new capacities under GSECL and infrastructure expansion by GETCO and the discoms. Going forward, a bulk of the capex is expected to be undertaken by GSECL (towards renewable capacity addition and flue gas desulfurisation to comply with the revised emission norms), GETCO (for setting up transmission lines and strengthening the system) and Paschim Gujarat Vij Company Limited (PGVCL, loss reduction). The funding of the capex would be through a mix of internal accruals, equity, grants and debt. While the large capex plans are likely to increase the company's leverage level over the medium term, the debt coverage metrics are expected to remain comfortable.

Weak operating efficiency of generation units dampens overall returns - The operational efficiency parameters (in terms of plant availability factor, plant load factor, auxiliary consumption and station heat rate) of a large number of GSECL's power stations remain lower than the normative targets set by the regulator due to the vintage of the plants. The lower generation and the higher operating overheads affect GUVNL's overall returns. The plants rank lower in the merit order owing to the higher variable cost of generation.

Liquidity position: Strong

The liquidity profile of GUVNL is strong, marked by healthy cash flow from operations and the large cash and liquid investments maintained by the company. This apart, the company has unutilised working capital limits of Rs. 3,000 crore. The cash flow from operations is expected to remain strong at ~Rs. 9,000 crore in FY2026 against a debt repayment obligation of ~Rs. 500 crore during the year. The free cash and liquid investments were healthy at ~Rs. 24,500 crore as on March 31, 2025.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the credit profile of the GoG improves and if there is a significant reduction in subsidy dependence on the state government, along with a continuation of healthy operating and financial performance.

Negative factors – Pressure on the ratings could arise if the credit profile of the GoG deteriorates, or if there is any under-recovery of costs through tariffs or a sustained increase in the AT&C loss levels for the distribution utilities of GUVNL, thereby weakening the debt coverage metrics or liquidity profile.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power- Distribution Power Transmission

Analytical Approach	Comments
	Power - Thermal
Parent/Group support	Not applicable
Consolidation/Standalone	To arrive at the ratings, ICRA has taken a consolidated view of the state-owned power sector utilities of Gujarat, which consists of GUVNL (holding company) and its six subsidiaries - Gujarat State Electricity Corporation Limited (GSECL), Gujarat Energy Transmission Corporation Limited (GETCO), Dakshin Gujarat Vij Company Limited (DGVCL), Madhya Gujarat Vij Company Limited (MGVCL), Uttar Gujarat Vij Company Limited (UGVCL) and Paschim Gujarat Vij Company Limited (PGVCL) - given the close business, financial and managerial linkages among them (details in Annexure II)

About the company

Gujarat Urja Vikas Nigam Ltd (GUVNL) is the holding company of all unbundled entities and is responsible for the bulk purchase of electricity and sale to the four state discoms. In addition, the company is responsible for the overall coordination and supervision of its subsidiary companies, including raising working capital funding and managing the overall loan portfolio on behalf of subsidiaries.

The Government of Gujarat unbundled and restructured the Gujarat Electricity Board with effect from April 1, 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 one holding company as listed below:

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)

Dakshin Gujarat Vij Company Limited (DGVCL) - The company is a wholly-owned subsidiary of GUVNL. It is engaged in the distribution of electricity in seven districts, 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. It distributes electricity in 12 districts - Rajkot, Jamnagar, Junagadh, Porbandar, Bhuj, Bhavnagar, Surendranagar, Amreli, Botad, Morbi, Devbhumi Dwarka and Gir Somnath - in western Gujarat.

Madhya Gujarat Vij Company Limited (MGVCL) - The company is a wholly-owned subsidiary of GUVNL and is engaged in the distribution of electricity in the seven districts of Panchmahal, Dahod, Vadodara, Anand, Kheda, Mahisagar and Chhotaudepur in central Gujarat.

Uttar Gujarat Vij Company Limited (UGVCL) - The company is a wholly-owned subsidiary of GUVNL and is engaged in the distribution of electricity in eight districts - Ahmedabad, Sabarkantha, Banaskantha, Patan, Mehsana, Gandhinagar, Palanpur and Himmatnagar.

Gujarat State Electricity Corporation Limited (GSECL) - GSECL was an independent power producer (IPP) of the Gujarat government but since 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.

Key financial indicators (audited)

GUVNL (Consolidated)	FY2023	FY2024
Operating income	80,500	87,345
PAT	1,468	6,172
OPBDIT/OI	9.6%	17.7%
PAT/OI	1.8%	7.1%
Total outside liabilities/Tangible net worth (times)	1.3	1.2
Total debt/OPBDIT (times)	0.6	0.3
Interest coverage (times)	11.1	13.6

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Jun 10, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund-based limits	Long term	525.00	**[ICRA]AA (Stable)**	Apr 09, 2024	[ICRA]AA-(Stable)	Apr 10, 2023	[ICRA]AA-(Stable)	Apr 11, 2022	[ICRA]AA-(Stable)
Term loan	Long term	0.00	-	Apr 09, 2024	-	Apr 10, 2023	[ICRA]AA-(Stable)	Apr 11, 2022	[ICRA]AA-(Stable)
Non-fund based limits	Long term	346.00	**[ICRA]AA (Stable)**	Apr 09, 2024	[ICRA]AA-(Stable)	Apr 10, 2023	[ICRA]AA-(Stable)	Apr 11, 2022	[ICRA]AA-(Stable)
Fund-based limits	Short Term	500.00	**[ICRA]A1+**	Apr 09, 2024	[ICRA]A1+	Apr 10, 2023	[ICRA]A1+	Apr 11, 2022	[ICRA]A1+
Non-fund based limits	Short Term	934.15	**[ICRA]A1+**	Apr 09, 2024	[ICRA]A1+	Apr 10, 2023	[ICRA]A1+	Apr 11, 2022	[ICRA]A1+
Unallocated limits	Long Term/ Short Term	10,593.95	**[ICRA]AA (Stable)/ [ICRA]A1+**	Apr 09, 2024	[ICRA]AA-(Stable)/ [ICRA]A1+	Apr 10, 2023	[ICRA]AA-(Stable)/ [ICRA]A1+	Apr 11, 2022	[ICRA]AA-(Stable)/ [ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term - Fund-based limits	Simple
Long term - Non-fund based limits	Very Simple
Short term - Fund-based limits	Simple
Short term - Non-fund based limits	Very Simple
Long term/Short term - Unallocated limits	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long term - Fund-based limits	NA	NA	NA	525.00	[ICRA]AA (Stable)
NA	Long term - Non-fund based limits	NA	NA	NA	346.00	[ICRA]AA (Stable)
NA	Short term - Fund-based limits	NA	NA	NA	500.00	[ICRA]A1+
NA	Short term - Non-fund based limits	NA	NA	NA	934.15	[ICRA]A1+
NA	Long term/Short term - Unallocated limits	NA	NA	NA	10,593.95	[ICRA]AA (Stable)/ [ICRA]A1+

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company name	GUVNL's ownership	Consolidation approach
Gujarat Urja Vikas Nigam Limited (GUVNL)	Holding entity	-
Dakshin Gujarat Vij Company Limited (DGVCL)	100.00%	Full consolidation
Madhya Gujarat Vij Company Limited (MGVCL)	100.00%	Full consolidation
Uttar Gujarat Vij Company Limited (UGVCL)	100.00%	Full consolidation
Paschim Gujarat Vij Company Limited (PGVCL)	100.00%	Full consolidation
Gujarat State Electricity Corporation Limited (GSECL)	100.00%	Full consolidation
Gujarat Energy Transmission Corporation Limited (GETCO)	100.00%	Full consolidation

Source: GUVNL FY2024 annual report

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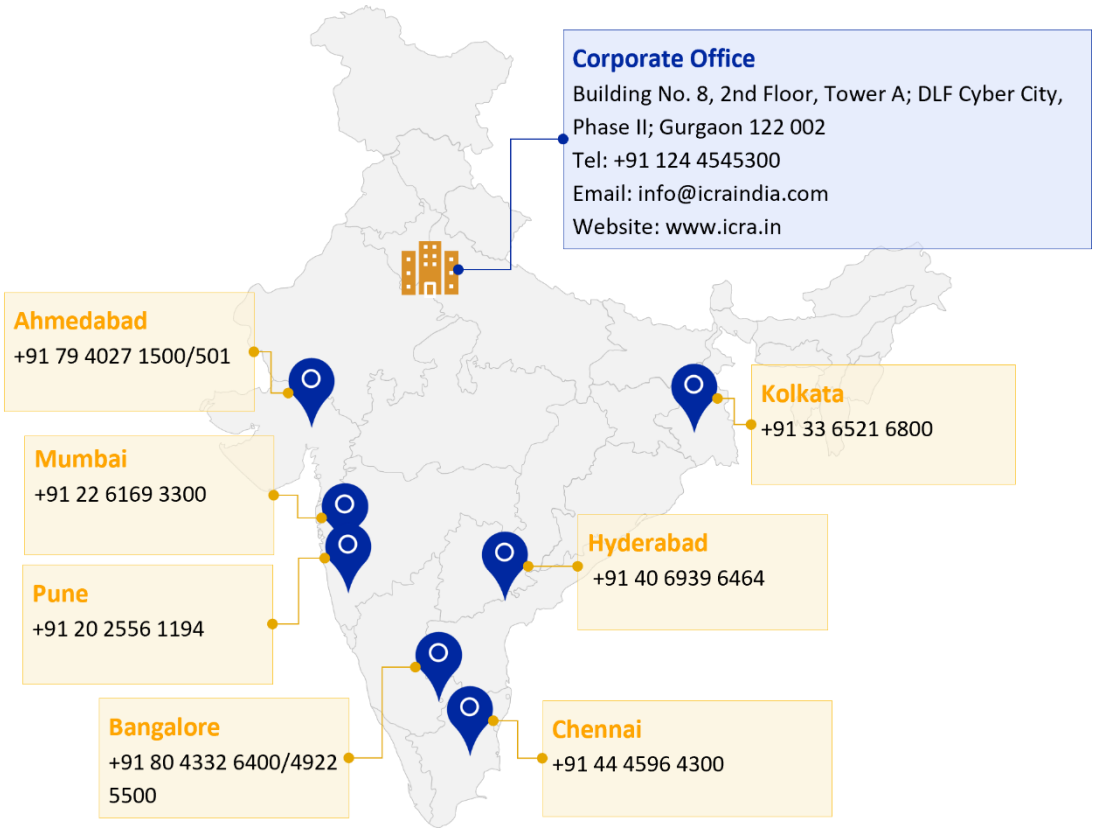

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