



Paschim Gujarat Vij Company Limited

Instrument	Amount	Rating Action
Long Term- Term Loans	Rs 356 Crore (enhanced from Rs 341 crore)	Upgraded to [ICRA]A+ (stable) from [ICRA]A (Stable)
Long Term Fund Based- Cash Credit	Rs 575 Crore (enhanced from Rs 425 crore)	Upgraded to [ICRA]A+ (stable) from [ICRA]A (Stable)
Long Term Non-Fund Based Limits	Rs 92 Crore	Upgraded to [ICRA]A+ (stable) from [ICRA]A (Stable)
Short Term Non-Fund Based Limits	Rs 55 Crore	Upgraded to [ICRA]A1+ from [ICRA]A1

ICRA has upgraded the long term rating on the Rs 356 crore term loans (enhanced from Rs 341 crore), Rs 575 crore fund based facilities (enhanced from Rs 425 crore) and the Rs 92 crore non fund based facilities of Paschim Gujarat Vij Company Limited (PGVCL) to [ICRA]A+ (pronounced as ICRA A plus) from [ICRA]A (pronounced as ICRA A). The outlook on the long term rating is 'Stable'. ICRA has also upgraded the short term rating on the Rs 55 crore non-fund based limits of PGVCL to [ICRA]A1+ (pronounced as ICRA A one plus) from [ICRA]A1 (pronounced as ICRA A one).

In arriving at the ratings, ICRA has taken a consolidated view of the state owned power sector utilities in Gujarat. The upgrade in ratings takes into account 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 1.26 times as on March 31, 2014 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 is also exposed to refinancing risks. 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 budgetary provisions made in the power subsidy by State Government for FY 2014-15 to pay the 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 the reliance on refinancing has been going down steadily.

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

* 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



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 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 FY 2013-14, PGVCL reported operating income of Rs. 10464 crore and PAT (before prior period item) of Rs.13.79 crore. PGVCL purchased 23805 MU and sold 17464 MU in the western region of Gujarat during FY 2013-14.

March 2015

For further details please contact:

Analyst Contacts:

Mr. K. Ravichandran, (Tel. No. +91-44-45964301)

ravichandran@icraindia.com

Relationship Contacts:

Mr. L. Shivakumar, (Tel. No. +91-22-2433 1084)

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: **9871221122**Email: 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: **9821086490**Email: shivakumar@icraindia.com

1802, 18th Floor, Tower 3,
Indiabulls Finance Centre,
Senapati Bapat Marg,
Elphinstone, Mumbai 400013,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**Mobile: **+91 9903394664**Email: 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: **9845022459**Email: jayantac@icraindia.com

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

Bangalore**Bangalore****Mr. Jayanta Chatterjee**Mobile: **9845022459**Email: 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: **989986490**Email: 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: **989986490**Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 99, CTS 3909, Range Hills
Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231

Hyderabad**Mr. Jayanta Chatterjee**Mobile: **9845022459**Email: jayantac@icraindia.com

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