

MARCH 26, 2015

CARE REVISES RATINGS ASSIGNED TO THE BANK FACILITIES OF GUJARAT URJA VIKAS NIGAM LTD.

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	226.00	CARE A+ (Single A Plus)	Revised from CARE A (Single A)
Short-term Bank Facilities	3504.95	CARE A1+ (A One Plus)	Revised from CARE A1 (A One)
Total Facilities	3730.95	-	-

Rating Rationale

The revision in the ratings of Gujarat Urja Vikas Nigam Ltd. (GUVNL) take into account regular infusion of equity and timely disbursement of subsidy by Government of Gujarat (GoG) with regulatory initiatives leading to strong performance of GUVNL and its subsidiaries, significant improvement in operating profile of all the power distribution subsidiaries, growth in generation capacity, transmission capacity and distribution network while maintaining comfortable financial risk profile over a period of time and continued adherence to fuel cost pass through mechanism leading to improved liquidity position.

The ratings continue to take into account the strong parentage of GUVNL being wholly owned by Government of Gujarat (GoG), strong financial flexibility of GUVNL and its subsidiaries, conducive power regulatory framework in the state, regulated operations based on 'cost-plus' tariff scheme and Multi Year Tariff (MYT) regulations providing revenue visibility and increased revenue with regular tariff revisions.

The long-term rating is largely constrained on account of moderate profitability, cap on agricultural subsidy from GoG to be given to Distribution companies for subsidised power supply to agricultural category, high power tariff regime in vogue limiting the scope for further increase in tariff in Gujarat and large-size projects in generation and transmission businesses which are predominantly debt funded.

Timely implementation of the on-going projects in generation, transmission and distribution companies, improvement in power trading business, ability to pass through fixed cost pay out to gas based plants and ability to pass through higher power purchase payout to IPPs as per CERC directions shall be key rating sensitivities.

CARE continues to take a consolidated view of GUVNL and its subsidiaries while reviewing their assigned ratings since they all operate on a common management and operational platform with GUVNL, the holding company monitoring the cash flows at a consolidated level.

Background

Gujarat Urja Vikas Nigam Limited (GUVNL) is formed as a holding company to carry out the power generation, transmission and distribution business of erstwhile Gujarat Electricity Board (GEB) as a part of domestic power sector reform post unbundling exercise in compliance with Electricity Act 2003. Consequent to Gujarat Electricity Industry (Reorganization and Regulation) Act, 2003, the erstwhile GEB was reorganized (w.e.f. April 1, 2005) into seven company's viz. GUVNL and its six subsidiaries as follows;

1. Gujarat State Electricity Corporation Ltd. (GSECL-Generation company)
2. Gujarat Energy Transmission Corporation Ltd. (GETCO-Transmission company)
3. Uttar Gujarat Vij Company Ltd. (UGVCL-Distribution company)
4. Dakshin Gujarat Vij Company Ltd. (DGVCL-Distribution company)
5. Madhya Gujarat Vij Company Ltd. (MGVCL-Distribution company)
6. Paschim Gujarat Vij Company Ltd. (PGVCL-Distribution company)

Operations of GUVNL mainly includes purchase of power from power producers including GSECL and selling to Distribution Companies (Discoms) and power distribution licensees in Gujarat by using transmission lines of GETCO. Besides its own generation through GSECL, GUVNL has a share in power generated by Central utilities like Nuclear Power Corporation and NTPC. Also, it has entered into long-term PPAs with Independent Power Producers (IPPs). Equity requirement in all ongoing and proposed projects in generation, transmission and distribution companies is being met by GoG by way of

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

equity infusion in GUVNL which in turn infuses the required funds in subsidiaries. On behalf of subsidiaries, GUVNL handles the treasury function and manages the working capital requirement and capex funding requirement of all the entities.

During FY14 (refers to the period April 1 to March 31), GUVNL reported a total operating income of Rs.29634 crore (FY13: Rs.29340 crore) with a PAT of Rs.13 crore (FY13: Rs.14 crore).

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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CIN - L67190MH1993PLC071691