

Gujarat State Electricity Corporation Limited

March 18, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	525.00	CARE AA+; Stable	Upgraded from CARE AA; Positive
Long Term / Short Term Bank Facilities	346.00	CARE AA+; Stable / CARE A1+	LT rating upgraded from CARE AA; Outlook revised from Positive and ST rating reaffirmed
Short Term Bank Facilities	1,434.15	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) considered a consolidated approach for rating bank facilities of the following entities Gujarat Urja Vikas Nigam Limited (GUVNL), Gujarat State Electricity Corporation Limited (GSECL), Gujarat Energy Transmission Corporation Limited (GETCO), Dakshin Gujarat Vij Company Limited (DGVCL), Madhya Gujarat Vij Company Limited (MGVCL), Paschim Gujarat Vij Company Limited (PGVCL), and Uttar Gujarat Vij Company Limited (UGVCL), herein referred to as the GUVNL Group. The consolidated approach has been applied considering presence of ultimate ownership of the Government of Gujarat (GoG), common management with integrated finance function, and deep integration across the entire power value chain – generation, transmission, and distribution.

The rating upgrade is driven by the satisfactory operating performance for a sustained period, as evidenced by aggregate technical and collection (AT&C) losses remaining below the national average and the transmission and distribution (T&D) losses at an aggregate level remaining well within levels approved by the Gujarat Electricity Regulatory Commission (GERC). These factors led to steady growth in its total operating income (TOI) and profitability resulting in healthy cashflows. Consequently, the company's operations are funded by internal accruals leading to low debt levels and a comfortable leverage position. Ratings also factor in improved generation performance under GSECL's capacities as reflected by a higher plant availability factor (PAF), robust cash collections by discoms at an aggregate level, strong cash flow fungibility demonstrated through inter-company sales and loans, and improvement in liquidity position.

Ratings continue to derive strength from its strong parentage, its regulated operations based on 'cost-plus' tariff structure with conducive regulatory environment for the power sector in Gujarat as evident from track record of timely tariff revisions and presence of a fuel and power purchase price adjustment (FPPPA) mechanism, which is being implemented effectively.

Need-based equity infusion and timely subsidy receipts from the GoG are other credit positives. CARE Ratings notes that GUVNL reduced its debt significantly in FY24, which has subsequently resulted in comfortable leverage levels and enhanced company's financial flexibility. Ratings also derive strength from the efficient working capital management with unutilised working capital limits and timely payments to creditors for power purchase, resulting in significant earnings through rebates on prompt payments.

However, these strengths are tempered by its subsidy dependence from GoG, which is largely adjusted against electricity duty and the balance is received regularly. CARE Ratings notes that the net funding dependence of the GUVNL group on the state government as measured in terms of net receipts (subsidy received less electricity duty and dividend paid) as part of total revenue is limited. Given the strategic nature of GUVNL's role in the state, CARE Ratings does not foresee delays in receipt of subsidies. In case there are significant delays, it would be a negative sensitivity.

CARE Ratings notes that movement in power purchase cost impacts profitability, which is offset to some extent by the FPPPA component, enabling the company to recover power cost spikes, although with a delay. Ratings also remain constrained due to modest operational performance of the power generation business, which has witnessed sizeable under-recovery of capacity charge in the past. CARE Ratings notes that the group may be required to invest in new projects going forward, which may result in increase in the leverage position and expose the company to execution related bottlenecks.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Maintaining strong leverage profile on a sustained basis.
- Significantly improving operational performance of entities on a sustained basis.
- Significantly improving credit profile of GoG or significantly reducing the subsidy dependence on GoG.

Negative factors

- Delay in receiving equity and subsidy support from the GoG on a sustained basis.
- Adverse changes in regulatory environment governing the power sector in Gujarat.
- Materialising of large liabilities in relation to disputes with independent power producers (IPPs).

Analytical approach

CARE Ratings has taken a consolidated view of GUVNL and its six subsidiaries while arriving at their ratings since they all operate on common management and operational platform with GUVNL, the holding company, managing cash flows at a consolidated level. Entities consolidated are listed under Annexure-6.

Outlook: Stable

The stable outlook reflects CARE Ratings' expectations that GUVNL and its subsidiaries will continue to demonstrate strong operational efficiency and financial performance in the medium term. CARE Ratings also expects regulatory environment to remain conducive for operations of GUVNL and its subsidiaries.

Detailed description of key rating drivers

Key strengths

Strong parentage of GoG

GUVNL was incorporated as a government company with 100% equity share capital being held by GoG on unbundling the erstwhile Gujarat Electricity Board (GEB) as part of domestic power sector reforms. It is the holding company of power generation, transmission, and distribution companies of Gujarat. Post unbundling of the erstwhile GEB, GoG demonstrated considerable support to GUVNL and its subsidiaries, mainly in the form of timely equity infusion and disbursement of capital grants and subsidies.

Robust regulatory environment in Gujarat with cost-reflective tariffs

Since unbundling the erstwhile GEB, there has been timely filing of tariff petitions based on multi-year tariff (MYT) regulations issued by GERC. Simultaneously, tariff orders have been issued on time every year before the financial year commences. In addition, true-up and tariff orders by the GERC are also issued in a timely manner. This conducive regulatory framework has provided a level-playing field for power sector companies of the GUVNL group. Presence of FPPPA mechanism has helped the GUVNL group, where power purchase cost is reviewed on a quarterly basis and required revision in FPPPA is made applicable from the next quarter, without regulator intervention if the increase in fuel surcharge is up to ₹10 paise per unit, and with regulatory approval for increase in fuel surcharge above ₹10 paise per unit compared to FPPPA recovery rate of the previous quarter. This mechanism is followed on a sustained basis, reducing revenue gap at the time of true-up.

Long-term power purchase agreements (PPAs) at competitive rates with continuing power supply by IPPs

As a power purchaser on behalf of its discoms in Gujarat, GUVNL has signed long-term PPAs with power generators at reasonably low prices. Post unbundling the erstwhile GEB, GUVNL renegotiated all existing PPAs with different IPPs, resulting in substantial savings for the group. GUVNL as a single point of contact for power purchase also provides significant economies of scale in the business. PPAs have been allocated by GUVNL among its discoms in a way that each discom is sustainable on a long-term basis. GUVNL also procures power through renewable sources by floating tenders through competitive bidding, to achieve fulfilment of its renewable power purchase obligation (RPO) and procure clean power on a long-term basis for energy security. GUVNL has been able to discover tariffs at highly competitive rates in its last two solar power auctions, depicting confidence of developers and bidders on GUVNL's credit profile given its track record of making prompt payments to its creditors.

To amicably resolve pending disputes and litigations, GUVNL had signed a settlement deed with Adani Power (Mundra) Limited APMuL. Subsequently, supply from 1,234 MW capacity under Bid-02 PPA has been restored and supplementary PPAs (SPPAs) have been signed for both PPAs – Bid-01 PPA and Bid-02 PPA, aggregating to 2,434 MW, allowing fuel cost pass-through in a prudent and transparent manner. GUVNL has also signed an SPPA with Essar Power Gujarat Limited (EPGL), allowing fuel cost pass-through on a prudent basis. Discussions are ongoing with The Tata Power Company Limited (TPCL; rated 'CARE AA+; Stable) for finalization of SPPA with its coastal Gujarat project in Mundra.

Consistently improving operating and financial performance of group

Operating parameters for discoms and GETCO have been consistently improving in the last three years, which were also better than parameters approved by the regulator. AT&C losses of discoms have also been significantly lower than the national average. The credit risk profile has been healthy, with comfortable solvency and a strong liquidity position. GETCO's operational performance and discoms were stable in FY24. AT&C losses of discoms significantly declined in FY24 over FY23 on an aggregate basis.

On a consolidated basis, GUVNL's operating and financial performance was stable in FY24. The TOI increased by ~11% in FY24, mainly due to increasing average realisation rate on the back of increase in power procurement cost due to high demand. Due to significant prepayment of debt, interest coverage also significantly improved and with additional equity infusion, the overall gearing stood stable at 0.06x as on March 31, 2024, and total debt to gross cash accruals (TD/GCA) ratio stood at 0.31x in FY24.

GUVNL's strong financial flexibility with common treasury management of power sector entities

There has been common treasury management by GUVNL on behalf of its six subsidiaries. GUVNL must make payments to GSECL for power purchase and to GETCO for transmission charges, whereas it collects power cost from discoms. Accordingly, excess funds in one company are channelised to other companies where it is required, leading to significant savings in interest expenses. GoG infuses the required equity in GUVNL for project financing of utilities that are disbursed by GUVNL, depending on project progress. GUVNL also has an option to reach out to Gujarat State Financial Services Limited (GSFS) for additional funds if needed. GSFS is wholly owned by GoG and is registered with the Reserve Bank of India (RBI) as a non-banking finance company (NBFC), where borrowing cost is reasonably lower compared to the bank finance. This provides additional liquidity to the group and is a source for refinancing its higher interest bank debt.

Key weaknesses

Moderate operational performance of GSECL in FY24, although rise in share of power purchase from other state utilities and power exchanges

The PAF of GSECL's plants has been lower, considering that majority plants are ~35-40 years old. However, the PAF of GSECL's thermal plants improved from 64% in FY23 to 73% in FY24, and further to 81% in 6MFY25, continuing the improvement post maintenance activities undertaken in some of its plants. PLF for FY24 is in line with the previous year at 42%. However, PLF has improved to 47% for 6MFY25. GSECL's thermal plants have cost-plus PPAs with GUVNL, where they can recover fixed costs from GUVNL. GSECL's renewable plants have been operating under must-run category. GUVNL continues to purchase power from gas-based power plants of GSECL and other IPPs, where it already has an established practice of making payments for bare minimum fixed cost even without corresponding power off-take due to their higher variable cost of power generation.

GUVNL is in the process of lowering its overall cost of power purchase by increasing the share of low-cost renewable sources of power in its overall mix. GUVNL also expects to sign PPAs with developers for procuring power mainly from renewable energy projects.

Reliance on subsidy support from GoG although primarily set-off against electricity duty collected by discoms

The total subsidy assessed (after netting-off with electricity duty) as a percentage of its TOI was relatively stable in the range of 3-5% in past three years. GUVNL received a total subsidy of ₹9,829 crore in FY24 against the total subsidy requirement for agricultural power sales in FY24 of ~₹10,629 crore (₹9,005 crore for FY23), of which, ~₹7,929 crore (₹6,938 crore for FY23) was adjusted against electricity duty collected by discoms and payable to GoG.

As major portion of the subsidy requirement of GUVNL is adjusted against electricity duty, it provides liquidity to the Group and insulates it from delays in the release of subsidy from GoG. Outstanding subsidy receivable from GoG as on January 31, 2025, stood nil with past arrears having been cleared by GoG for 10MFY25.

Ongoing capex programme, largely augmenting renewable capacity

Efficient functioning of operations requires a robust transmission and distribution system and expansion in generation capacity. Hence, GUVNL's subsidiaries are involved in new projects and renovation of existing plants. On a consolidated basis, GUVNL incurred a capex of ~₹8,597 crore in FY24 towards projects. Two solar power projects of GSECL are under implementation: one at Khavda (Kutch) having a total capacity of 3,325 MW, and another project of 2,500 MW on the government wasteland near GETCO substations (in four phases).

Moreover, GSECL is also planning to incur capex in the flue-gas desulfurisation (FGD) system. GETCO has also proposed to incur capex of ~₹20,343 crore from FY25-FY27 to augment its transmission capacity. The four discoms together have envisaged a total capex of ~₹25,524 crore in from FY25-FY27. However, historically the GUVNL Group has shown a track record of funding large part of its capex through equity infusion from GoG, capital grants, consumer contributions and internal accruals. GoG infused equity of ₹4,331 crore in GUVNL in FY24.

Apart from inherent risk of project implementation and its stabilisation, dependence on the government for subsidies, capital grants, and equity capital also poses a risk to an extent. However, the GUVNL group has vast experience in executing similar projects and there is demonstrated support from the GoG for funding majority portion of total capex, reducing project risk to an extent.

Liquidity: Strong

GUVNL receives payments from discoms and pays it to power generation companies, including GSECL. The total working capital limit is handled by GUVNL on behalf of all its subsidiaries with certain portions allocated to subsidiaries for their management. Also, fund-based working capital limits of ₹3,000 crore distributed among GUVNL and its six subsidiaries, which are largely unutilised, act as a buffer in managing cashflow mismatches. GUVNL earned ₹1,100 crore in FY24 towards rebate for prompt payments from IPPs. Demonstrated timely support by GoG through equity infusions, subsidies, and grants also aids its liquidity. On a consolidated level, GUVNL had free cash and bank balance of ~₹24,069 crore as on March 31, 2024, and ~₹25,987 crore as on January 31, 2025.

Applicable criteria

- [Consolidation](#)
- [Definition of Default](#)
- [Factoring Linkages Government Support](#)
- [Liquidity Analysis of Non-financial sector entities](#)
- [Rating Outlook and Rating Watch](#)
- [Thermal Power](#)
- [Financial Ratios – Non financial Sector](#)
- [Infrastructure Sector Ratings](#)
- [Solar Power Projects](#)
- [Short Term Instruments](#)
- [Power- Transmission](#)
- [Power Distribution](#)
- [Wind Power Projects](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power generation

GSECL was incorporated in 1993 for generating power in Gujarat. GSECL took over the power generation plants of erstwhile GEB as part of domestic power sector reforms post unbundling exercise in compliance with the Electricity Act, 2003. Consequent to the Gujarat Electricity Industry (Reorganization and Regulation) Act, 2003, the erstwhile GEB was reorganised (from April 01, 2005) into seven companies – GUVNL, the parent entity of GSECL, and its six subsidiaries as follows:

1. Gujarat State Electricity Corporation Limited (GSECL - Generation Company)
2. Gujarat Energy Transmission Corporation Limited (GETCO - Transmission Company)

3. Dakshin Gujarat Vij Company Limited (DGVCL - Distribution Company)
4. Madhya Gujarat Vij Company Limited (MGVCL - Distribution Company)
5. Paschim Gujarat Vij Company Limited (PGVCL - Distribution Company)
6. Uttar Gujarat Vij Company Limited (UGVCL - Distribution Company)

GSECL's operations mainly include generating power and selling it to GUVNL on a long-term PPA. Equity requirement in all ongoing and proposed projects is met by GoG by infusing equity through GUVNL. GSECL has a total power generation capacity of 7,360 MW as on January 31, 2025, including a mix of coal, lignite, gas, hydro, and renewable sources.

Brief financials of GUVNL (Consolidated)

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	74,410	82,465
PBILDT	1,635	10,554
PAT	1,518	6,225
Overall gearing (times)	0.08	0.06
Interest coverage (times)	2.34	9.30

A: Audited. These financials have been adjusted per CARE Ratings' criteria.

Note: These are latest financial results available.

Brief financials of GSECL

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	13,113	13,968
PBILDT	1,154	1,540
PAT	28	208
Overall gearing (times)	0.04	0.03
Interest coverage (times)	36.19	52.86

A: Audited. These financials have been adjusted per CARE Ratings' criteria.

Note: These are latest financial results available.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instruments/facilities: Annexure-3

Complexity level of instruments/facilities rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument/Bank Facilities	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	525.00	CARE AA+; Stable
Fund-based - ST-Bill Discounting/ Bills Purchasing		-	-	-	500.00	CARE A1+
Non-fund-based - LT/ ST-Deferred Payment Guarantees		-	-	-	346.00	CARE AA+; Stable / CARE A1+
Non-fund-based - ST-BG/LC		-	-	-	934.15	CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	525.00	CARE AA+; Stable	1)CARE AA; Positive (02-Apr-24)	-	1)CARE AA; Stable (21-Mar-23)	1)CARE AA; Stable (07-Mar-22)
2	Non-fund-based - ST-BG/LC	ST	934.15	CARE A1+	1)CARE A1+ (02-Apr-24)	-	1)CARE A1+ (21-Mar-23)	1)CARE A1+ (07-Mar-22)
3	Term Loan-Long Term	LT	-	-	-	-	1)Withdrawn (21-Mar-23)	1)CARE AA; Stable (07-Mar-22)
4	Non-fund-based - LT/ ST-Deferred Payment Guarantees	LT/ST	346.00	CARE AA+; Stable / CARE A1+	1)CARE AA; Positive / CARE A1+ (02-Apr-24)	-	1)CARE AA; Stable / CARE A1+ (21-Mar-23)	1)CARE AA; Stable / CARE A1+ (07-Mar-22)
5	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	500.00	CARE A1+	1)CARE A1+ (02-Apr-24)	-	1)CARE A1+ (21-Mar-23)	1)CARE A1+ (07-Mar-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not applicable

Annexure-4: Complexity level of instruments/facilities rated

Sr. No.	Name of the Instrument/Bank Facilities	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - ST-Bill Discounting/ Bills Purchasing	Simple
3	Non-fund-based - LT/ ST-Deferred Payment Guarantees	Simple
4	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated into GUVNL

Sr. No.	Name of Entity	Extent of Consolidation	Rationale for Consideration
1.	Gujarat State Electricity Corporation Limited	Full	Wholly owned subsidiary
2.	Gujarat Energy Transmission Corporation Limited	Full	Wholly owned subsidiary
3.	Dakshin Gujarat Vij Company Limited	Full	Wholly owned subsidiary
4.	Madhya Gujarat Vij Company Limited	Full	Wholly owned subsidiary
5.	Paschim Gujarat Vij Company Limited	Full	Wholly owned subsidiary
6.	Uttar Gujarat Vij Company Limited	Full	Wholly owned subsidiary

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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