Gujarat Industries Power Company Limited

July 02, 2025

Facilities/Instruments	Amount (₹ crore)	Ratings[1]	Rating Action
Long-term bank facilities	4,892.01 (Enhanced from 3,387.83)	CARE AA-; Stable	Reaffirmed
Long-term / Short-term bank facilities	668.70 (Reduced from 677.88)	CARE AA-; Stable / CARE A1+	Reaffirmed
Short-term bank facilities	720.00 (Reduced from 810.00)	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings on bank facilities of Gujarat Industries Power Company Limited (GIPCL) factors in satisfactory operational performance from its 500 MW lignite-based capacity, as reflected by moderate plant load factor (PLF) of ~72% on a blended basis and key operating parameters such as actual station heat rate (SHR) and auxiliary consumption being in line with FY24 levels. CARE Ratings Limited (CareEdge Ratings) notes that gas-based power capacity of 310 MW continues to remain non-operational as high natural gas prices render operations uneconomical. The performance of renewable portfolio of ~374 MW remains satisfactory.

Ratings continue to derive strength from the long-term power purchase agreements (PPAs) for GIPCL's entire power generation capacity. Its thermal power portfolio benefits from a cost-plus tariff structure. CareEdge Ratings also notes the company has well-established operations for its lignite-based power plants and faces low fuel supply risk owing to its captive lignite mines with sufficient reserves. The credit profile is supported by company's strong parentage by virtue of its strong promoters such as Gujarat Urja Vikas Nigam Limited (GUVNL; rated 'CARE AA+; Stable/CARE A1+'), Gujarat Alkalies and Chemicals Limited (GACL; rated 'CARE AA; Stable/CARE A1+'), and Gujarat State Fertilizers and Chemicals Limited (GSFC; rated 'CARE AA+; Stable/CARE A1+'), which collectively own ~55% of the company. Majority power generated by the company is consumed by these entities resulting in low counterparty credit risk. Even though the company has not had a cash flow mismatch in the last few years, if required, CareEdge Ratings believes that funding support would be forthcoming given GIPCL's strategic and economic importance. GIPCL's healthy profitability, low leverage, strong debt coverage indicators, and strong liquidity profile are other credit positives.

However, ratings are constrained by GIPCL's large capital expenditure plans in the renewable energy segment, considering construction of the Khavda solar park infrastructure and GIPCL's share of 1,100 MW_{AC} solar capacity within the park is currently underway. The company plans to commission 600 MW_{AC} solar capacity by September 2025, followed by 500 MW_{AC} by December 2026. CareEdge Ratings notes that project cashflows for renewable power capacity, including that being developed in Khavda, remains susceptible to adverse variations in weather conditions.

Ratings continue to be constrained by subdued operating performance of its gas-based power plants due to uncertainty prevailing over supply of natural gas at competitive rates. Cost under recovery risk associated with its lignite-based power plants, considering lower-than-normative plant parameters, persists.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Successful commissioning of GIPCL's 1,100 MW solar capacity in Khavda solar park.
- Improvement in operating performance with plant availability factor (PAF) remaining above normative parameters on a sustained basis.
- Significant improvement in leverage and debt coverage indicators on a sustained basis.

Negative factors

- Delay in project execution resulting in material cost/time overrun for GIPCL's 1,100 MW solar capacity in Khavda solar park.
- Non-achievement of normative PAF on a sustained basis leading to under-recovery of capacity charges.

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

- Significant elongation in receivables, impacting GIPCL's liquidity and leverage profile.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects GIPCL's steady financial performance, long-term PPAs with strong counterparties and low fuel supply risk considering captive lignite mines, and CareEdge Ratings' opinion that the 1,100 MW solar capacity in Khavda solar park would be commissioned within the scheduled timeline.

Detailed description of key rating drivers

Key strengths

Long-term PPAs in place for the entire power generation capacity and cost-plus tariff for its thermal power portfolio leading to assured return on equity (ROE)

GIPCL entered long-term PPAs with GUVNL. These agreements cover GIPCL's 500 MW lignite-based power plants and operate on a cost-plus tariff model which ensures recovery of actual fixed costs, energy charges, and an assured average ROE of 13.50%, on achievement of normative parameters such as PAF), SHR, and auxiliary consumption.

The company has a memorandum of understanding (MoU) with GUVNL, GACL, GSFC, and GAIL (India) Limited (GAIL; rated 'CARE AAA; Stable / CARE A1+') for the supply of power generated from its gas-based power plant with a capacity of 145 MW (VS-I) for their captive consumption. GIPCL had a PPA with GUVNL for 165-MW gas-based power plant capacity (VS-II), which was renewed in March 2019 for five years. Currently, GIPCL is in talks with GUVNL to extend the VS-II PPA for another five years. GIPCL also has outstanding PPAs with GUVNL and its subsidiaries for 182-MW solar power capacity and 112.40-MW wind power capacity, and with Solar Energy Corporation of India (SECI) for 80-MW solar power capacity. Availability of long-term PPAs provides stable revenue visibility to GIPCL.

Established operations of its lignite-based power plants

Attaining normative PAF is relatively difficult in lignite-based power plants compared to coal-based power plants considering challenges involved in handling lignite, which results in disruption in operations of some plants due to higher boiler tube leakages. GIPCL's healthy operating efficiency is reflected from its ability to achieve normative PAF historically. In FY25, SLPP-I and SLPP-II achieved lower than normative PAF considering technical issues faced by GIPCL primarily owing to high moisture content of lignite. However, the company has managed this issue by blending high quality imported coal (~10% blending ratio). The PLF of SLPP-I and SLPP-II stood at 69% in FY24 (FY24: 67%) and 75% (FY24: 74%), respectively.

SHR and auxiliary consumption have remained relatively high compared to the normative levels per the PPA largely considering ageing of plant and machinery. However, benefit of captive lignite mines and healthy operating efficiency has led to competitive tariff of the plants, which ensures revenue visibility and stable profitability.

Low fuel supply risk due to availability of captive lignite mines with adequate mineable reserves

GIPCL has captive lignite mines at Vastan, Valia, and Mangrol (in Gujarat), which have been allocated by the Government of Gujarat (GoG) for its lignite-based power plants. Mineable reserves are adequate to support the current capacity for the entire economic lifespan of thermal plants. The company has mineable reserves of ~194 million metric tonnes (MMT) as on March 31, 2025, which is sufficient to cater the current capacity through the economic life of plants. The mine was leased to GIPCL in 1996 for 30 years with the option of extension. GIPCL consumed ~3 MMT of lignite in FY25. Captive mines ensure uninterrupted supply of lignite for operations.

Healthy profitability, moderate leverage, and strong debt coverage indicators

GIPCL reported total operating income (TOI) of ₹1,256 crore in FY24 (FY24: ₹1,349 crore), which is aligned with the previous year owing to moderation of tariff realisation pursuant to decrease in fuel prices. The company's profitability has remained stable with earnings before interest, taxation, depreciation, and amortisation (EBITDA) margin of 32% in FY25 (FY24: 29%) and profit after tax (PAT) margin of 17% (FY24: 15%), which is largely due to assured recovery of fixed cost considering the cost-plus tariff structure under its PPAs for the thermal power portfolio and also due to compulsory off-take of power from its renewable capacity of 374.40 MW. GIPCL's lignite-based plants have an assured average ROE of 13.5% per their PPAs. However, GIPCL's actual ROE has been lower historically due to under-recovery of the fixed cost.

The company's capital structure witnessed a notable shift in the year. Total debt increased substantially to ₹2,027 crore as on March 31, 2025 (FY24: ₹614 crore), primarily due to higher term borrowings, which rose to ₹1,805 crore (FY24: ₹391 crore). GIPCL's total debt to EBITDA rises sharply from ~1.6x in FY24 to ~8.2x in FY26 due to debt-funded capex for Khavda. However, operational debt to EBITDA (excluding project loans not yet generating returns) offers a truer picture, which is expected to rise from ~1.3x in FY25 to ~5.8x in FY26 before stabilising at ~6.2x in FY27.

Promotors having strong financial risk profile and low counter-party credit risk for GIPCL

GIPCL's promoters, state public sector undertakings (PSUs) of Gujarat, including GUVNL, GACL and GSFC, have a strong financial risk profile. The low counter party credit risk is signified by GIPCL's long-term PPAs with GUVNL and its subsidiaries for the purchase of power from its lignite-based (500 MW under SLPP-I and SLPP-II), wind power (112.40), and solar power plants (182 MW), and with SECI for power off-take from its solar power plants (80 MW). GIPCL previously had a power purchase agreement (PPA) with GUVNL for its VS-II plant (165 MW), which was renewed in March 2019 for five years. Currently, GIPCL is negotiating with GUVNL to extend this PPA by another five years. GIPCL also has an MoU with GUVNL, GACL, and GSFC for supply of power being generated by VS-I (145 MW).

Key weaknesses

Subdued operating performance of gas-based power plants

Although GIPCL's gas-based plants have become debt free, operations of these plants have been affected due to uncertainty prevailing over supply of natural gas at competitive rates. GIPCL operates its gas-based power plants based on availability of natural gas under the administered price mechanism (APM). Earlier, decline in operating efficiency of gas-based power plants was mainly due to the lower off-take of power from VS-II plant by GUVNL since it operates on a need basis. Both plants did not operate in FY25 owing to high natural gas prices.

Large upcoming capital expenditure plans in renewable energy segment

GIPCL has been awarded land for implementing 2,375 MW_{AC} solar park in Khavda, Kutch, which is to be developed in the next 2-3 years. However, GIPCL plans to develop ~50% of this capacity by itself, while the balance would be sub-let to other developers. GIPCL currently has operational capacity of 1,184.40 MW. CareEdge Ratings notes that with the completion of the proposed solar projects, GIPCL would double its operational capacity, of which majority would be renewable capacity.

As articulated by the management, total cost of developing the solar park is estimated at ~₹1,250 crore, of which 30% would be funded through subsidy from the MNRE and user development charges (UDC) of ~₹298 crore from third-party project developers, while the balance cost is expected to be funded by internal accruals. The solar power projects of 1,100 MW_{AC} out of GIPCL's share of 1,175 MW_{AC} (~50% of total planned capacity) are being developed in two phases – 600 MW_{AC} and 500 MW_{AC} – with the total cost, estimated at ~₹5,105 crore, expected to be funded in a debt-to-equity ratio of 80:20. Entire equity requirement for the solar capacities would be met through internal accruals. The company has made considerable progress on the project with completion of 95–100% of civil infrastructure and 60–70% of pooling substation, and financial closure for both phases has been achieved with disbursement aligned to construction progress. While initial delays were observed in the commissioning of the first 100 MW due to geopolitical disruptions near the project site, GIPCL has resumed execution and remains on track to commission 600 MW by September 2025 and the full 1,100 MW by December 2026. The balance 75 MW_{AC} will be taken up with a potential wind component post operationalisation of the 1,100 MW capacity under construction.

GIPCL is exposed to significant project execution risks associated with these projects, including time and cost overruns. CareEdge Ratings will continue to monitor GIPCL's ability to complete this project within the envisaged time and cost parameters and subsequently generate returns, which will be crucial from a credit perspective.

Susceptibility of its renewable capacity to inherent risk of changes in climatic conditions, despite currently operating at stable PLFs

Operations of wind and solar projects are susceptible to inherent risk of weather fluctuations such as variations in wind patterns and solar radiation levels which can affect its PLFs. Renewable energy generation projects are susceptible to seasonal variations. Despite this, GIPCL's solar and wind projects are operating at satisfactory PLF levels.

Liquidity: Strong

GIPCL maintains a strong liquidity position, characterised by healthy cash accruals, sufficient cash and bank balances, minimal use of fund-based working capital limits, and a low average collection period. This is due to timely payments from GUVNL, which has a robust financial risk profile and is GIPCL's largest off-taker. For FY26, GIPCL has scheduled debt repayment of ~₹71 crore, against which it has envisaged gross cash accruals (GCA) of ~₹418 crore. GIPCL has fund-based working capital limits of ₹145 crore, average utilisation, of which was negligible at 0.57% from April 2024 to March 2025. It has adequate unencumbered cash & bank balance to the tune of ~₹396 crore as on March 31, 2025, and ₹412 crore as on June 09, 2025.

GIPCL has non-fund-based working capital limits of ₹728 crore, average utilisation, of which was 29% from April 2024 to March 2025.

Environment, social, and governance (ESG) risks

Environmental: To mitigate the environmental risk, the company has set-up renewable power generation capacity of 374.40 MW and is in the process of adding solar power generation capacity of 1,100 MW. The company follows a robust waste management practice with the aim of reducing, reusing or recycling the waste generated from its operations. Fly ash is the key waste generated as part of the electricity generation from thermal sources. There are procedures in place where the company captures 100% of the fly ash generated, which is then onward sold to companies in real estate sectors for use in producing green cement / concrete mix.

Social: As part of its corporate social responsibility (CSR) initiatives, GIPCL has undertaken projects in health, education, livelihood, and development of village infrastructure, among others. GIPCL believes in providing equal opportunities to everyone and therefore, it does not discriminate based on race, caste, religion, colour, ancestry, marital status, gender, age, nationality, ethnic origin, disability, or another category.

Governance: From a governance point of view, GIPCL's board is diversified with six out of eleven directors as independent directors. GIPCL's board also includes one women director. Quality of financial reporting and disclosures are adequate.

Applicable criteria

Definition of Default
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
Wind Power Projects

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power generation

GIPCL is a Vadodara-based listed public limited company engaged in power generation with an installed capacity of 1,184.40 MW as on June 30, 2023. It was incorporated in 1985 and is promoted by the state government undertakings of Gujarat, including GUVNL, GACL, and GSFC.

GIPCL operates two gas-based power plants in Vadodara, VS-I and VS-II aggregating 310 MW, two lignite-based power plants in Surat, SLPP-I and SLPP-II aggregating 500 MW, a 5-MW solar power plant in Surat and 257-MW solar power plants in parts of Gujarat (aggregate solar capacity of 262 MW) and wind capacities of 112.40 MW.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	1,349	1256
EBITDA	381	406
PAT	199	211
Overall gearing (times)	0.19	0.58
Interest coverage (times)	10.25	12.72

A: Audited; UA: Unaudited; NA: Not available; Brief financials have been adjusted per CareEdge Ratings' criteria
Note: these are latest available financial results

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 instrument / facility: Annexure-3

Complexity level of instruments 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 along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	145.15	CARE AA-; Stable
Fund-based - ST-Bill Discounting/ Bills Purchasing		-	-	-	720.00	CARE A1+
Non-fund-based - LT/ ST-BG/LC		-	-	-	668.70	CARE AA-; Stable / CARE A1+
Term Loan-Long Term		-	-	March 2035	4746.86	CARE AA-; Stable

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 2025-2026	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
1	Term Loan-Long Term	LT	4746.86	CARE AA-; Stable	-	1)CARE AA-; Stable (14-Nov-24)	1)CARE AA-; Stable (04-Oct-23)	1)CARE AA-; Stable (04-Oct-22)
2	Fund-based - LT-Cash Credit	LT	145.15	CARE AA-; Stable	-	1)CARE AA-; Stable (14-Nov-24)	1)CARE AA-; Stable (04-Oct-23)	1)CARE AA-; Stable (04-Oct-22)
3	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	720.00	CARE A1+	-	1)CARE A1+ (14-Nov-24)	1)CARE A1+ (04-Oct-23)	1)CARE A1+ (04-Oct-22)
4	Non-fund-based - LT/ ST-BG/LC	LT/ST	668.70	CARE AA-; Stable / CARE A1+	-	1)CARE AA-; Stable / CARE A1+ (14-Nov-24)	1)CARE AA-; Stable / CARE A1+ (04-Oct-23)	1)CARE AA-; Stable / CARE A1+ (04-Oct-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-BG/LC	Simple
4	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CareEdge 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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