

## GSPC Pipavav Power Company Limited

July 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term / Short-Term Bank Facilities	280.00	CARE BBB; Stable / CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings reaffirmation on the bank facilities of GSPC Pipavav Power Company Limited (GPPCL), which is operating a 702 MW gas-based power plant and a 5 MW solar power plant in Gujarat, derives comfort from its strong parentage of the Government of Gujarat (GoG) and its undertakings, who collectively holds ~100% stake in the company. The ratings favourably factor in the consistent track record of support from GoG-owned entities, namely Gujarat State Petroleum Corporation Limited (GSPC) (CARE AA RWP /CARE A1+), Gujarat Power Corporation Limited (GPCL), Gujarat Urja Vikas Nigam Limited (GUVNL) (CARE AA+; Stable/CARE A1+), and Gujarat State Financial Services Limited (GSFS). Both the gas and solar power plants of GPPCL have been operational for over 10 years, and have long-term (20-25 years) power purchase agreements (PPAs) signed with GUVNL, who is a strong counterparty and has track record of timely payments.

However, the ratings strengths are constrained due to weak viability for gas-based plant, which impacts its operational performance and financial risk profile as reflected in subdued plant load factor (PLF) and coverage metrics. CARE Ratings Limited (CARE Ratings) notes that GUVNL is reimbursing the total costs incurred (including debt repayments) but without any Return on equity (ROE), which leads to weak debt protection metrics. Further, there has been instances in the past where company was not able to recover the entire costs due to higher Station heat rate (SHR), which being contested by the company. However, the gas plant has long-term (20 years) gas supply agreement (GSA) signed with GSPC, the prices remain variable which impact the overall cost dynamics and hence the demand. Moreover, large outstanding capital creditors from Bharat Heavy Electricals Ltd (BHEL) and any substantial amount of liability materialising in the near term, resulting in additional borrowing would continue to be a key monitorable.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- True up of capital cost or passage of return on equity component to GUVNL, leading to improving gross cash accrual.
- Improvement in operational performance as reflected by sustained increase in PLF along with collection cycle remaining below 45 days leading to healthy debt coverage indicators and liquidity profile

#### Negative factors

- Weakening of linkages with GoG and its undertakings
- Any underperformance in generation or sustained elongation in receivables, or increase in debt level or interest rates adversely impacting coverage metrics and liquidity profile.

**Analytical approach:** Standalone, along with factoring support from GoG and its undertakings.

#### Outlook: Stable

The stable outlook reflects operational and financial benefits of support derived from GoG and its undertakings.

### Detailed description of key rating drivers:

#### Key strengths

##### Strong linkages with GoG entities with demonstrated track record of support

GPPCL is owned by GSPC (holding 97.47%) and GPCL (holding 2.53%). Through GSPC, GoG infused substantial equity in the past to support debt servicing of GPPCL and cost overrun in its project. GSPC also acts as seller for traded gas, which GPPCL procures in exchange. The state government has initiated distribution of gas to all bidders on a pro-rata basis, where GSPC has recommended GPPCL to participate in the bidding for gas and subsequently sell it to them. GPCL has provided land for the project and received equity stake as a consideration, making it a joint promoter in the project. GUVNL, the state utility to manage power generation, transmission and distribution in Gujarat, is the sole power off-taker for GPPCL's gas and solar projects. GUVNL has consistently reimbursed the total costs incurred by GPPCL in a timely manner to support GPPCL's liquidity. Another GoG promoted

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

entity, GSFS is the present lender of the project and has been instrumental in replacing high-cost project loans availed by the company from several banks in the past.

#### **Long-term PPA for its gas and solar plant, with a strong counterparty**

The company has entered a long-term PPA with GUVNL for its gas and solar plants. The agreement spans 20 years for the gas plant and 25 years for the solar plant. GUVNL is a strong counterparty and has track record of timely payments over past 10 years of association. As per the terms of PPA, GUVNL is required to make payments within 60 days from the date of invoice, however, GUVNL has been consistently paying GPPCL before the due date, which is about 30 days.

#### **Firm-fuel supply arrangement**

GPPCL has signed a GSA with GSPC for a 20-year tenure vide which GSPC whereby gas prices are linked to international prices, ensuring consistent gas supply as per need basis

#### **Key weaknesses**

##### **Weak viability for gas-based plant, which impacts its operational performance and financial risk profile**

Considering high gas prices (adversely impacting its merit order position) recently, the gas plant received lower generation schedule, which led to plant load factor (PLF) of less than 10% in the last three years. Consequently, GUVNL is currently paying actual costs incurred only and without and ROE component leading to sub-optimal profitability of the project. The fixed charge comprises interest on loans at actual, principal repayment obligation at actuals and minimum O&M expenses only. GUVNL neither pays return on equity (ROE) component nor the theoretical normative O&M expenses, leading to weak debt protection metrics.

Auxiliary consumption and station heat rate of the plant was also impacted adversely due to low base effect (i.e small volume sales). As a result, there was under-recovery of fuel costs in the past, which is contested by the company. The intermittent scheduling (leading to frequent start/ stop) of the plant only during peak load period has led to fuel cost under-recovery and is contemplating to claim compensation from GUVNL. Going forward, minimizing fuel cost under-recovery will be crucial for the plant from credit perspective.

#### **Large capital creditor**

Bharat Heavy Electricals Ltd (BHEL) is the EPC contractor for the gas-based project. While the project has been commissioned, certain critical components required for full operational readiness are still pending completion as per the tender specifications. The contract will be formally closed upon completion of these remaining works. Consequently, GPPCL has withheld ~₹350 crore in dues to BHEL. In case a substantial amount of liability materialises in the near term, GPPCL may have to resort to additional borrowing. The recovery of this cost through future tariff adjustments will be a key credit monitorable.

#### **Liquidity: Adequate**

The company had cash and cash equivalent of ~₹27 crore as on March 31, 2025. Further, the company's working capital limits of ₹280 crore were utilised at an average utilisation of 25%-30% for 12-months ended March 2025, providing cushion to the liquidity profile. However, fixed cost reimbursement for the gas plant marginally meets its debt obligations and remain dependent on timely receipt of payments from GUVNL.

#### **Applicable criteria**

- [Definition of Default](#)
- [Liquidity Analysis of Non-financial sector entities](#)
- [Rating Outlook and Rating Watch](#)
- [Financial Ratios – Non financial Sector](#)
- [Infrastructure Sector Ratings](#)
- [Short Term Instruments](#)
- [Solar Power Projects](#)
- [Notching by Factoring Linkages with Government](#)

#### **About the company and industry**

##### **Industry classification**

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power Generation

GPPCL is jointly promoted by GSPC and GPCL. GPPCL has implemented a green-field 702 MW (2 x 351 MW) gas-based combined cycle power plant (CCPP) at Pipavav, Gujarat at a total cost of around ₹2,800 crore. Unit-I achieved CoD on April 12, 2013, and Unit II achieved CoD on February 04, 2014. Besides, GPPCL has commissioned a 5 MW solar power plant in Dec 2011. GPPCL has entered a PPA with GUVNL for supply of its entire power generated.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	591.44	708.38
PBILDT	138.03	180.74
PAT	-29.63	23.23
Overall gearing (times)	0.40	0.17
Interest coverage (times)	5.11	8.63

A: Audited UA: Unaudited; 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	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	280.00	CARE BBB; Stable / CARE A3

#### 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	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	280.00	CARE BBB; Stable / CARE A3	-	1)CARE BBB; Stable / CARE A3 (20-Jun-24)	-	-

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 rated

Sr. No.	Name of the Instrument	Complexity Level
1	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple

### **Annexure-5: Lender details**

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

**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](mailto:care@careedge.in) for clarifications.

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