

May 24, 2011

**CARE ASSIGNS 'CARE A' AND 'PR1' RATINGS TO THE BANK FACILITIES OF  
DAKSHIN GUJARAT VIJ CO LTD.**

**Ratings**

Facilities/Instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	225.00	<b>'CARE A' (Single A)</b>	Assigned
Short-term Bank Facilities	147.50	<b>'PR1' (PR One)</b>	Assigned
<b>Total Facilities</b>	<b>372.50</b>		

**Rating Rationale**

The ratings take into account the strong parentage of DGVCL being 100% owned by Govt. of Gujarat (GoG), steady improvement in financial risk profile of DGVCL as well as other power sector utilities operating in the fold of Gujarat Urja Vikas Nigam Limited (GUVNL), effective implementation of feeder renovation programme to reduce T & D losses, wide experience in creation of distribution network, status of being the sole distribution utility in designated areas, regulated operations based on 'cost-plus' tariff scheme & Multi Year Tariff (MYT) regulations providing revenue visibility, low level of working capital limit utilizations, increasing revenue with regular tariff revisions, strategic importance of the power sector entities to the GoG as is reflected from the growing focus on investment in this sector in the State and need-based equity infusion by GoG. The ratings are largely constrained on account of ageing of distribution infrastructure and high power tariff regime in vogue limiting the scope for further increase in tariff in Gujarat. While assigning the rating, CARE has taken a consolidated view of GUVNL and its subsidiaries including GETCO since they all operate on a common management and operational platform with GUVNL, the holding company managing the cash flow at a consolidated level.

Timely maintenance of existing distribution infrastructure, reduction in T & D losses, implementation of on-going projects as envisaged, continued need based financial support from GoG, timely disbursement of govt. grants & subsidy and Govt. policy with regard to infrastructure development are the key rating sensitivities.

**Company Profile**

DGVCL was incorporated in April, 2005 with the objective of carrying out the power distribution activity in dedicated areas of erstwhile Gujarat Electricity Board (GEB) in the form of a separate company as a part of domestic power sector reform vis-à-vis 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 companies. viz. Gujarat Urja Vikas Nigam Limited (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)

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

DGVCL is in the business of distribution and supply of electricity through the network spread over 23307 sq. kms. covering seven districts viz. Bharuch, Narmada, Surat (except part of Surat city), Tapi, Dang, Navsari & Valsad of southern part of Gujarat. DGVCL caters to the electricity requirement of 37 towns and 3512 villages for around 20.44 lakh population through 3 circle offices and 17 division offices. Customer base of DGVCL is characterized by relatively favourable demographic profile with agricultural (subsidized) power sales accounting for around 6% of total units sold during FY10 which is the lowest among all 4 Discoms of Gujarat. AT & C losses have marginally declined to 20.48% in FY10 compared to 20.62% in FY09. DGVCL has envisaged executing projects of Rs.1590 crore during FY12 to FY16 to be funded predominantly by way of consumer contribution and grants. Balance shall be funded by way of Debt–equity in the ratio of 7:3.

During FY10, DGVCL reported total operating income of Rs.4522 crore (FY09: Rs.4283 crore) with PBILDT and PAT of Rs.290 crore (FY09: Rs.176 crore) and Rs.26 crore (FY09: Rs.6 crore) respectively.

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