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CARE ASSIGNS 'CARE A' AND 'PR1' RATINGS TO THE BANK FACILITIES OF MADHYA GUJARAT VIJ COMPANY LTD.

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	300.00	'CARE A' (Single A)	Assigned
Short-term Bank Facilities	120.00	'PR1' (PR One)	Assigned
Total Facilities	420.00		

Rating Rationale

The ratings take into account the strong parentage of MGVCCL 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, relatively developed area under operation, 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, 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 operated 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

MGVCCL 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)

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

MGVCL is in the business of distribution and supply of electricity through the network spread over 23854 sq. kms. covering five districts viz. Kheda, Panchmahal, Dahod, Anand and Vadodara. MGVCL caters to the electricity requirement of 46 towns and 4404 villages for around 24.05 lakh consumers through 4 circle offices and 18 division offices. Customer base of MGVCL is characterized by relatively favourable demographic profile with agricultural (subsidized) power sales accounting for around 16% of total units sold during FY10. AT & C losses have come down to 20.89% in FY10 from 24.43% in FY09. MGVCL has envisaged to execute projects of Rs.1157 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, MGVCL reported total operating income of Rs.2597 crore (FY09: Rs.2469 crore) with PBILDT and PAT of Rs.144 crore (FY09: Rs.95 crore) and Rs.24 crore (FY09: Rs.5 crore) respectively.

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