

Press Release

Gujarat State Investments Limited

November 24, 2022



Rating Reaffirmed & Partly Withdrawn

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|---|---------------------|------------------------------------|-------------------|
| Non Convertible Debentures (NCD) | 2000.00 | ACUITE AA Reaffirmed & Withdrawn | - |
| Non Convertible Debentures (NCD) | 3000.00 | ACUITE AA Stable Reaffirmed | - |
| Total Outstanding Quantum (Rs. Cr) | 3000.00 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 2000.00 | - | - |

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE AA**' (read as **ACUITE double A**) on the Rs.3000.00 crore Non-Convertible Debentures of Gujarat State Investments Limited (GSIL). The outlook is '**Stable**'.

Acuite has also withdrawn the long-term rating '**ACUITE AA**' (read as **ACUITE double A**) on the Rs. 2000.00 crore Non-convertible Debentures of Gujarat State Investments Limited (GSIL). The withdrawal is on account of written request received from the client, confirmation of redemption of the debentures from the trustee and as per Acuite's policy on withdrawal of ratings.

Rationale for rating reaffirmation

The rating continues to be driven by the strong parentage, strategic importance of GSIL towards the Government of Gujarat (GoG) indicated by timely support for servicing its coupon payment and redemption of NCD. GSIL has been receiving revenue grants from GoG for servicing its coupon.

About the Company

Gujarat State Investments Limited (GSIL) was incorporated on January 29, 1988 and is wholly owned by Government of Gujarat (GoG). GSIL is the investment arm of GoG and has both quoted and unquoted investments. The company is managed by a Board, which comprises senior bureaucrats from Government of Gujarat. Presently, Mr. J P Gupta IAS is the Chairman and Mr. Milind Torawane IAS Secretary (Economic Affairs) to the Government of Gujarat is the Managing Director. GSIL is registered with RBI as a Core Investment Company (CIC). The rated Non-Convertible Debentures (NCDs) amounting to Rs.6000.00 Cr., issued by Gujarat State Petroleum Corporation (GSPC) were transferred to GSIL through the Novation method. Currently the NCDs of Rs. 3000 Cr. are outstanding.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of GSIL while also taking into account a strong support from Government of Gujarat (GoG) through state

budgetary support for servicing of the rated NCDs in addition to the 100% ownership of GSIL. The analytical approach has been revised from a Credit Enhancement (CE) to a standalone rating with a notch up based on implicit support from GoG. This is done to bring the analytical approach in line with Acuité's revised rating criteria regarding credit enhancements.

Key Rating Drivers

Strengths

Direct Support from GoG for servicing of NCDs

As per the Financial Realignment Plan of Gujarat State Petroleum Corporation Limited (GSPC) which is approved by GoG and GSPC via Government Resolution (GR) dated 26 July, 2018 and the latter's board resolution dated 31 July, 2018 respectively, the NCDs amounting to Rs. 6000 Cr. have been transferred to GSIL. GSIL has executed the call option for the perpetuity NCDs and hence the maturity along coupon rate has been revised. As per the GR, GoG will support GSIL for payment towards interest and principal repayment on the rated NCDs and necessary budgetary provision in the state budget for meeting these requirements in the coming years will be made by the Department of Energy & Petrochemicals. The rating assigned on the NCDs factors in such strong and direct support from the state government. Being a registered CIC, GSIL's revenue is highly dependent on the performance of the companies wherein GSIL has invested. The revenue stream of GSIL is by way of dividends or interest received from the invested companies. Hence, the rating centrally factors in the support from GoG to GSIL for servicing the interest and principal repayment of the NCDs being transferred from GSPC.

Acuité believes that the support from GoG to GSIL for the said debt servicing will be available in the form of grants or loans and advances made through state budgetary allocations in the subsequent years.

Strategic Importance of GSIL to Government of Gujarat

GSIL, wholly owned by Government of Gujarat, is a holding company for various investments of Government of Gujarat. The company is registered as a CIC by Reserve Bank of India (RBI). It has investments in several listed state PSUs like Gujarat Narmada Valley Fertilizers Company Limited (GNFC), Gujarat Alkalies & Chemicals Limited (GACL), and Gujarat State Fertilizers & Chemicals Company Limited (GSFC) to name a few. The Board of Directors of GSIL comprises senior bureaucrats from the state government. GSIL has an investment portfolio of Rs. 7010.59 Cr. as per the book value as on March 31, 2022. GSIL has earned dividends and interest income worth Rs.82.92 Cr. in FY2022 as against Rs. 57.43 Cr. in the previous year. Further, GSIL has been receiving revenue grants from GoG for servicing its coupon towards the outstanding NCDs.

Acuité believes that GSIL is of strategic importance to GoG given its investment portfolio of PSUs and its status as a funding vehicle for various investments and commitments of the state government.

Healthy fiscal profile of Government of Gujarat

Gujarat has one of the strongest fiscal profiles among the states of India. It has demonstrated a strong ability to attract investments from foreign as well as domestic companies. The state's annual GDP growth from 2012-13 to 2019-20 at current prices averaged above 13 per cent. This growth has been supported by agricultural growth which is supported by crops such as cotton, and oilseeds, among others. Gujarat state's GSDP accounts for ~7 per cent Nation's GDP. Gujarat is also one of the leading states in terms of industrial development with a contribution of ~20 per cent to the country's industrial output. The revenue surplus stood at Rs.1006 Cr. in FY2022-23 (BE) against Rs. 714 Cr in FY2021-22 (RE). The Debt to GSDP for the state stood at 15.88 per cent for FY2022-23 (BE) vis-à-vis 16.50 per cent for FY2021-22 (RE). The per capita income at current prices is estimated to be at Rs.2,13,936 for FY 2019-20. The state has attracted investments worth ~Rs. 2,01, 966 Cr. in the form of FDI in for period October 2019- March 2022 third highest in the country after Maharashtra and Karnataka. Gujarat is also one of the states which has shown significant progress in power sector reforms and has reduced the commercial losses in the power sector, thereby lowering the fiscal burden on the state.

Acuité believes that Government of Gujarat will maintain its fiscal profile in near to medium

term given its fairly diversified economy and its economic infrastructure as compared to most of other states in India.

Weaknesses

Susceptibility to any changes in the fiscal profile of Gujarat

GSIL's rating is driven by continued support from GoG. Hence the fiscal profile of Gujarat will be a key rating sensitivity factor influencing the rating. Any significant changes in the rating of GoG due to factors such as prolonged slowdown in industrial activities or challenges faced by Gujarat state in attracting investment due to factors such as socio-economic changes or other such events can have an impact in its fiscal indicators. The influence of adverse macro-economic factors such as cutbacks in capex plans by corporates, and hardening of interest rates may impinge on the investment flows into the state in the near term thereby increasing the pressure on the Government to step up its expenditure plans. This in turn could impact its future fiscal profile & hence influence the rating on the instruments like GSIL's NCDs which are primarily driven by the rating of Government of Gujarat. Further, timely budget allocation and timely receipt of revenue and capital grants from GoG for servicing the coupon and redemption of the NCDs is another rating sensitivity factor.

Rating Sensitivities

Credit profile of GoG

Material covenants

None

Liquidity Position: Adequate

GSIL has received revenue grants of Rs. ~464.10 Cr. in FY2022 for timely servicing of coupon payments. Further, the liquidity is expected to be supported by GoG in the form of Grants and/or loans for debt servicing of NCDs that has been transferred to GSIL. As per the Government Resolution (GR) dated 26 July 2018, Government of Gujarat (GoG) through state budgetary will support for servicing of the rated NCDs.

Outlook: Stable

Acuité believes that the outlook on GSIL will remain 'Stable' on account of strong support from GoG driven by both strategic importance and moral obligation. The outlook may be revised to 'Positive' in case of any improvement in the fiscal profile of the state government. Conversely, the outlook may be revised to 'Negative' in case of any deterioration in the fiscal risk profile of GoG and/or impeding its ability for timely budgetary provisions by the state.

Other Factors affecting Rating

None

About the Rated Entity - Key Financials

| Particulars | Unit | FY2022 (Actual) | FY2021 (Actual) |
|--|------------|--------------------|--------------------|
| Operating Income | Rs. Cr. | 82.92 | 57.43 |
| Profit after Tax (PAT) | Rs. Cr. | 71.14 | 55.26 |
| PAT Margin | % | 85.79 | 96.21 |
| PBDIT/ Interest | Times | 1.17 | 1.11 |
| Total Debt/ Total Tangible Networth | Times | 3.20 | 3.24 |

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|-------------|--------------------------------|-----------|-----------------|---|
| 25 Nov 2021 | Non Convertible Debentures | Long Term | 1000.00 | ACUITE AA (CE) Stable (Reaffirmed) |
| | Non Convertible Debentures | Long Term | 1000.00 | ACUITE AA (CE) Stable (Reaffirmed) |
| | Non Convertible Debentures | Long Term | 2000.00 | ACUITE AA (CE) Stable (Reaffirmed) |
| | Non Convertible Debentures | Long Term | 1000.00 | ACUITE AA (CE) Stable (Reaffirmed) |
| 27 Nov 2020 | Non Convertible Debentures | Long Term | 1000.00 | ACUITE AA(CE) (Withdrawn) |
| | Non Convertible Debentures | Long Term | 1000.00 | ACUITE AA(CE) Stable (Reaffirmed) |
| | Non Convertible Debentures | Long Term | 1000.00 | ACUITE AA(CE) Stable (Reaffirmed) |
| | Non Convertible Debentures | Long Term | 1000.00 | ACUITE AA(CE) Stable (Reaffirmed) |
| | Non Convertible Debentures | Long Term | 2000.00 | ACUITE AA(CE) Stable (Reaffirmed) |
| 04 Dec 2019 | Non Convertible Debentures | Long Term | 1000.00 | ACUITE AA(CE) Stable (Assigned) |
| | Non Convertible Debentures | Long Term | 1000.00 | ACUITE AA(CE) Stable (Assigned) |
| | Non Convertible Debentures | Long Term | 1000.00 | ACUITE AA(CE) Stable (Assigned) |
| | Non Convertible Debentures | Long Term | 1000.00 | ACUITE AA(CE) Stable (Assigned) |
| | Non Convertible Debentures | Long Term | 2000.00 | ACUITE AA(CE) Stable (Assigned) |
| | Non Convertible Debentures | Long Term | 1000.00 | ACUITE Provisional AA Stable (Reaffirmed) |
| | Non Convertible Debentures | Long Term | 1000.00 | ACUITE Provisional AA Stable (Reaffirmed) |

| | | | | |
|-------------|----------------------------|-----------|---------|---|
| 17 May 2019 | Non Convertible Debentures | Long Term | 2000.00 | ACUITE Provisional AA Stable (Reaffirmed) |
| | Non Convertible Debentures | Long Term | 1000.00 | ACUITE Provisional AA Stable (Reaffirmed) |
| | Non Convertible Debentures | Long Term | 1000.00 | ACUITE Provisional AA Stable (Reaffirmed) |
| 22 Apr 2019 | Non Convertible Debentures | Long Term | 1000.00 | ACUITE Provisional AA Stable (Reaffirmed) |
| | Non Convertible Debentures | Long Term | 2000.00 | ACUITE Provisional AA Stable (Reaffirmed) |
| | Non Convertible Debentures | Long Term | 1000.00 | ACUITE Provisional AA Stable (Reaffirmed) |
| | Non Convertible Debentures | Long Term | 1000.00 | ACUITE Provisional AA Stable (Reaffirmed) |
| | Non Convertible Debentures | Long Term | 1000.00 | ACUITE Provisional AA Stable (Reaffirmed) |
| 31 Jan 2019 | Non Convertible Debentures | Long Term | 2000.00 | ACUITE Provisional AA Stable (Reaffirmed) |
| | Non Convertible Debentures | Long Term | 1000.00 | ACUITE Provisional AA Stable (Reaffirmed) |
| | Non Convertible Debentures | Long | | ACUITE Provisional AA Stable (Reaffirmed) |
| | Non Convertible Debentures | Long Term | 1000.00 | ACUITE Provisional AA Stable (Reaffirmed) |
| | Non Convertible Debentures | Long Term | 1000.00 | ACUITE Provisional AA Stable (Reaffirmed) |
| | Non Convertible Debentures | Long Term | 1000.00 | ACUITE Provisional AA Stable (Reaffirmed) |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Complexity Level | Quantum (Rs. Cr.) | Rating |
|----------------|--------------|----------------------------------|---------------------|-------------|---------------------|------------------|-------------------|------------------------------------|
| Not Applicable | INE08EQ08056 | Non-Convertible Debentures (NCD) | May 28 2019 12:00AM | 9.45 | Mar 22 2025 12:00AM | Simple / Complex | 1000.00 | ACUITE AA Stable Reaffirmed |
| Not Applicable | INE08EQ08031 | Non-Convertible Debentures (NCD) | May 28 2019 12:00AM | 9.03 | Mar 22 2028 12:00AM | Simple / Complex | 2000.00 | ACUITE AA Stable Reaffirmed |
| Not Applicable | INE08EQ08023 | Non-Convertible Debentures (NCD) | May 28 2019 12:00AM | 9.45 | Oct 1 2022 12:00AM | Simple / Complex | 1000.00 | ACUITE AA Reaffirmed & Withdrawn |
| Not Applicable | INE08EQ08049 | Non-Convertible Debentures (NCD) | May 28 2019 12:00AM | 9.45 | Sep 28 2022 12:00AM | Simple / Complex | 1000.00 | ACUITE AA Reaffirmed & Withdrawn |

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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