



GUJARAT STATE INVESTMENTS LIMITED

(Govt. of Gujarat Undertaking)

REGISTERED OFFICE:

H.K. HOUSE, 6TH FLOOR, ASHRAM ROAD, AHMEDABAD-380 009

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CIN: U64990GJ1988SGC010307 Web: www.gujsil.in

GSIL/NSE/Rating/2023-2024/

Date: 04th September 2023

To,
Manager Listing Department
National Stock Exchange
“Exchange Plaza” Bandra Kurla Complex,
Bandra (East) Mumbai – 400 051
Fax No : 022 – 26598237/38

Dear Sir,

Sub : Credit Rating

Ref: (a) (1) INE08EQ08031 and (2) INE08EQ08056

(b) our letter no REF:GSIL/SEC/2023-24/ dated 19th May 2023

With reference to captioned subject, we are pleased to inform that, Gujarat State Investments Limited have been received information vide email dated 04th September 2023 from India Ratings and Research Pvt Ltd.

India Ratings and Research (Ind-Ra) has issued rating ‘IND AA-’ for each series of NCD issued by Gujarat State Investments Limited. The Outlook is Stable. The detailed rating action is as follows:

(Amount ₹ in million)

| Instrument Type | ISIN | Date of issuance | Coupon Rate (%) | Maturity Date | Size of Issue | Rating/ Outlook | Rating Action |
|-----------------|--------------|------------------|-----------------|---------------|---------------|-----------------|---------------|
| NCDs | INE08EQ08031 | 28 May 2019 | 9.03 | 22 March 2028 | 20,000 | IND AA- /Stable | Assigned |
| NCDs | INE08EQ08056 | 28 May 2019 | 9.45 | 22 March 2025 | 10,000 | IND AA- /Stable | Assigned |

Rating is available on <https://www.indiaratings.co.in/pressrelease/62952>

This is for your record and information please.

Yours faithfully,

For **Gujarat State Investments Limited**

Company Secretary

M. No. A-25761

India Ratings Assigns Gujarat State Investments' NCDs 'IND AA-'/Stable

Aug 09, 2023 | Investment Company

India Ratings and Research (Ind-Ra) has assigned Gujarat State Investments Limited's (GSIL) non-convertible debentures (NCDs) 'IND AA-'. The Outlook is Stable. The detailed rating action is as follows:

| Instrument Type | ISIN | Date of issuance | Coupon Rate (%) | Maturity Date | Size of Issue (million) | Rating/Outlook | Rating Action |
|-----------------|------------------|------------------|-----------------|------------------|-------------------------|----------------|---------------|
| NCDs | INE08EQ0803 1 | 28 May 2019 | 9.03 | 22 March 2028 | INR20,000 | IND AA-/Stable | Assigned |
| NCDs | INE08EQ0805 6 | 28 May 2019 | 9.45 | 22 March 2025 | INR10,000 | IND AA-/Stable | Assigned |

ANALYTICAL APPROACH: The rating reflects the credit profile of the government of Gujarat (GoG). Ind-Ra has classified GSIL as a dependent public sector entity under its Rating of Public Sector Entities criteria.

The agency has factored in the strong legal and financial linkages between GSIL and the GoG and takes comfort from the GoG's budgetary allocation to GSIL for the debt repayments that will remain in force and effective until the NCDs are fully redeemed.

Key Rating Drivers

Ownership Status and Government Control: Ind-Ra considers the entity's legal status as adequately supportive of its credit quality. GSIL is a wholly owned government entity. The rating considers the significant control exercised by the GoG over its policy objective, and the composition and functioning of the board, which includes senior state government officials as the government-nominated directors. GoG has strong oversight and control on the management and functioning of GSIL. GSIL gets support from the state government in the form of the budgetary allocation for the debt repayments. A statutory auditor is appointed annually on the recommendation of the Comptroller and Auditor General (CAG) apart from the supplementary audit carried out by the CAG.

Government Financial Support: GSIL currently has no borrowings other than the NCDs issued from state government-owned Gujarat State Petroleum Corporation (GSPC) worth INR30,000 million. As per the scheme of arrangement, GSIL received GSPC's shares worth INR60,000 million against the liability of INR60,000 million of GSPC's NCDs. Thus, at the time of maturity, the shares will be sold to the GoG and after receiving the share proceed consideration, the NCDs would be repaid. The annual interest rate payment of the NCDs is a part of the expenditure of the energy and petrochemicals

department (EPD) and included in the GoG's annual budget. GSIL receives the annual interest rate payment of the NCDs as a grant. In its FY24 budget, GoG provided INR2,751 million as interest payment to GSIL. GSIL's own revenue, which mainly comprises dividends from its investments in the state government companies remains very small, leading to it depending on the GoG's budgetary allocation for its debt repayments. Its revenue from such investments stood at INR931.2 million in FY23 (FY22: INR829.1 million).

Liquidity Indicator – Adequate: GSIL receives budgetary support in the form of revenue grants for interest servicing of the outstanding NCDs, as per the scheme of arrangement. Its revenue grant for its interest servicing obligations is budgeted by the GoG in its budget for EPD. The GoG makes the allocation of the entire debt payment requirement in its budget such that funds are available before the due date. GSIL received INR24,162 million (interest and principal repayment) from the GoG in FY23 (FY22: INR4,641 million interest repayment), which was adequate for the timely debt servicing. The entity has interest servicing worth INR2,750 million due for FY24. The GoG allocated INR2,751million in its FY24 budget. GSIL has not availed any working capital line. Cash and bank balances stood at INR9.66million in FY23 (FY22: INR2.28million). GoG agrees to purchase the shares executed between it and EPD, while GSIL agreed to extend grants to GSIL at least 15 days prior to the debt servicing date.

Gujarat's Strong Economic Performance: During FY12-FY22, the gross state value added (GSVA, at FY12 prices) of Gujarat expanded at a CAGR of 7.7% (national growth rate 5.5%) to INR11,607 billion in FY22, led by the industry sector, which increased at a CAGR of 9.1% during FY12-FY22 as against the national growth of 5.1%. The services sector in the state rose at a CAGR of 7.7%, higher than that of 6.3% for all-India. The GSVA growth rebounded to 9.8% in FY22 after a contraction of 3.6% in the pandemic-hit FY21. Solid economic growth over the years indicates that the state has been able to augment its contribution to the national income (FY22: 7.9%; FY12: 6.8%).

State's Healthy Fiscal Position: Gujarat's fiscal performance has been fairly good, due to persistent surplus in revenue account and a meagre fiscal deficit over the years. As per the revised estimates (RE) for FY23, the state's revenue surplus stood at 0.3% of gross state domestic product (GSDP; INR66.94 billion), much better than the budgeted estimate (BE) of 0.05% of GSDP (INR10.06 billion; FY22: 0.3%; INR64.08 billion). The revenue receipts grew at 17.6% yoy, on the back of 15.5% growth in nominal GSDP in FY23 (RE). Yet, the revenue expenditure increased 18.1% in the same period. A better-than-budgeted revenue surplus helped the state reduce its fiscal deficit (despite higher capex) in FY23 (RE) than FY23 (BE). The fiscal deficit, as per FY23 (RE), was 1.5%, marginally lower than 1.6% (BE) of GSDP. The state budgeted the revenue surplus at 0.4% of GSDP and fiscal deficit at 1.8% of GSDP in FY24.

Rating Sensitivities

Positive: Any improvement in the credit profile of the GoG will be positive for the ratings.

Negative: The following developments could, individually or collectively, lead to a negative rating action:

- weakening of linkages with the GoG,
- a deterioration in the GoG's credit profile,
- the grant allocation in the budget falling short of the debt servicing requirement.

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on GSIL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

Company Profile

GSIL was incorporated on 29 January 1988, under the provisions of the Companies Act. The government company, as per with Section 2 (45) of the Companies Act, is registered as a core investment company with Reserve Bank of India. It is the investment arm of GoG and works as an investment company under the finance department. GSIL's main object is to hold and manage the portfolio of investments in listed and unlisted companies, in order to mobilise the resources for the growth of these companies.

FINANCIAL SUMMARY

GSIL

| Particulars | FY22 | FY23 |
|--------------------------------|-----------|-----------|
| Revenue (INR million) | 834.68 | 931.21 |
| EBITDA (INR million) | 809.20 | 911.03 |
| EBITDA margins (%) | 96.95 | 97.83 |
| Debt/EBITDA (x) | 66.55 | 36.88 |
| Total borrowings (INR million) | 53,850.00 | 33,600.00 |
| Source: GSIL, Ind-Ra | | |

GoG

| as % of GSDP | FY23(RE) | FY24(BE) |
|---------------------------------|----------|----------|
| Revenue balance | 0.3 | 0.4 |
| Fiscal balance | -1.5 | -1.8 |
| Total debt | 15 | 14.9 |
| Source: GoG FY23 Budget, Ind-Ra | | |

Non-Cooperation with previous rating agency

Not applicable

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

Annexure

Financial Covenants: None

Complexity Level of Instruments

| Instrument Type | Complexity Indicator |
|-----------------|----------------------|
| NCDs | Low |

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Contact

Primary Analyst

Suyash Gangwal

Analyst

India Ratings and Research Pvt Ltd

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APPLICABLE CRITERIA

Local and State Government Rating Criteria

Rating of Public Sector Entities

Revenue-Supported Rating Criteria

Evaluating Corporate Governance

The Rating Process

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Gujarat State Investments Limited . <info@gsil.co.in>

Gujarat State Investments Limited-Draft FRR

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Cc: "Basumatari, Anuradha" <anuradha.basumatari@indiaratings.co.in>

Mon, Sep 4, 2023 at 11:05 AM

Dear Sir,

PFA RAC and FRR as published.

<https://www.indiaratings.co.in/pressrelease/62952>

Thanks & Regards,

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India Ratings & Research (Fitch Group)
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**IndiaRatings
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From: Gujarat State Investments Limited . <info@gsil.co.in>
Sent: Monday, September 4, 2023 11:02 AM
To: Gangwal, Suyash <suyash.gangwal@indiaratings.co.in>
Subject: Re: Gujarat State Investments Limited-Draft FRR

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