



**GUJARAT GAS**

GGL/SEC/863/2020

22<sup>nd</sup> December, 2020

<b>BSE Limited,</b> Phiroze Jijibhoy Tower, Dalal Street, Mumbai  Company Code: BSE-GUJGAS	<b>National Stock Exchange of India Ltd,</b> Exchange Plaza, 5 <sup>th</sup> Floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051  Company Code: NSE-GUJGASLTD
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**Sub: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.**

Dear Sir/Madam,

Pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we inform you that CRISIL has reaffirmed its 'CRISIL AA+/Stable' rating on the bank facilities of Gujarat Gas Limited (GGL).

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.2350 Crore</b>
<b>Long Term Rating</b>	<b>CRISIL AA+/Stable (Reaffirmed)</b>

Details of various bank facilities are as under:

Facility	Amount (Rs. Crore)	Rating
Non-Fund Based Limit*	60	CRISIL AA+/Stable
Non-Fund Based Limit	670	CRISIL AA+/Stable
Proposed Term Loan	40	CRISIL AA+/Stable
Term Loan	1580	CRISIL AA+/Stable
<b>Total</b>	<b>2350</b>	-----

\*Rs.0.05 crore interchangeable with fund based working capital limits

Kindly take it on record.

Thanking you,

For, Gujarat Gas Limited

**Sandeep Dave**  
Company Secretary

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## Rating Rationale

December 22, 2020 | Mumbai

### Gujarat Gas Limited

*Rating Reaffirmed*

#### Rating Action

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.2350 Crore</b>
<b>Long Term Rating</b>	<b>CRISIL AA+/Stable (Reaffirmed)</b>

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL has reaffirmed its 'CRISIL AA+/Stable' rating on the bank facilities of Gujarat Gas Limited (GGL).

The rating continues to reflect the company's sizeable scale of operations as the largest CGD entity in India, its healthy operating performance and comfortable financial risk profile. These strengths are partially offset by its exposure to volatility in R-LNG and domestic natural gas prices and exposure to regulatory risks.

GGL has received the authorisation to set up city gas distribution (CGD) network in 7 Geographical Areas (GAs) that were won during the Round 9 and Round 10 bid conducted by the Petroleum and Natural Gas Regulatory Board (PNGRB). The Company would be incurring an annual capex of Rs 700-800 crore over the medium term, to be largely funded through internal accruals. Further, it also plans to expand the network within existing GAs. The project risk on account of sizeable capex and newer geographies is partially mitigated by GGL's long standing experience in the CGD business.

#### Analytical Approach

CRISIL has combined the business and financial risk profiles of GGL and its subsidiaries/associates to arrive at the ratings.

*Please refer Annexure - Details of Consolidation, which captures the list of entities considered and their analytical treatment of consolidation.*

## **Key Rating Drivers & Detailed Description**

### **Strengths**

#### **\* Largest CGD player in India with diversified customer profile**

GGL's strong and established market position in the CGD industry in India is indicated by its industry-leading presence in 23 districts spread across Gujarat, Dadra and Nagar Haveli, and Maharashtra. Further, the Company has also won bids during the 9<sup>th</sup> and 10<sup>th</sup> CGD bidding round to set up CGD networks in 7 new GAs in the states of Gujarat, Rajasthan, Haryana, Punjab and Madhya Pradesh. New GAs should help attain geographical diversification while expanding the scale of operations. The Company's user base comprised of more than 14.4 lakh domestic households, 3700 industrial units, 12,600 commercial establishments and 403 CNG stations, as on March 31, 2020, thus providing strong revenue diversity. PNGRB has, vide letters dated June 29, 2020, accepted the proposal for the transfer of authorization of the Amritsar District GA and Bhatinda District GA from Gujarat State Petronet Limited (GSPL) to GGL, subject to certain conditions. Accordingly, PNGRB has permitted the Company to take over activities of laying, building, operating or expanding CGD network of Amritsar District GA and Bhatinda District GA.

#### **\* Healthy operating performance**

GGL is the largest CGD player in India, with strong and established market share. The Company has been able to sustain improvement in its operating performance, despite volatility in RLNG and domestic gas prices.

Operating performance improved in fiscal 2020, contributed by rise in the gas volumes sold and improved margin levels. Average gas volumes sold grew by 44% to 9.44 mmscmd in fiscal 2020 (from 6.54 mmscmd in fiscal 2019). The significant growth in volumes was mainly contributed by rise in sales in the Morbi industrial area, wherein the NGT has banned the usage of coal gasifiers. While volumes were impacted during the first quarter of fiscal 2021 largely by the Covid-19 induced lockdown restrictions placed, business has revived since then wherein the company has reached its pre-Covid volumes by second quarter of fiscal 2021. Average gas sale volumes for the second quarter of fiscal 2021 was at 9.85 mmscmd. Commercialisation of new geographical areas (GAs) will further support the volume growth.

Operating margins had improved to 16% in fiscal 2020 (from 13% earned in the fiscal 2019), mainly due to decline in the spot LNG prices. The sourcing mix has tilted towards the cheaper spot LNG to meet the incremental demand of industrial customers. CRISIL expects the margins to normalise to 12% - 14% going forward, with revival expected in the spot LNG prices.

#### **\* Comfortable financial risk profile**

GGL's financial risk profile is driven by healthy cash accruals, comfortable debt protection metrics, and adequate liquidity. Cash accruals increased to Rs 1,434 crore during fiscal 2020 from Rs 640 crore in fiscal 2019. Despite the Covid-19 induced lockdown restrictions placed, the Company was able to report healthy cash accruals of Rs 708 crore during first half of fiscal 2021. Gearing improved to 0.67 times as on March 31, 2020 as compared to 1.18 times as on March 31, 2019. The annual cash accruals generated in excess of Rs 1,000 crore is expected to be sufficient to fund the capex plans of the company over the medium term, and accordingly the net Debt/EBITDA position is not expected to exceed 2.5 times.

### **Weakness**

#### **\* Exposure to regulatory risks**

Regulation of natural gas, including CGD, is still in the initial stage in India and hence there is considerable uncertainty regarding the regulatory norms for natural gas allocation and distribution. Though the uncertainty in regulation is expected to subside as the industry attains maturity, any unexpected change in regulations regarding allocation of natural gas and pricing of end-product can adversely impact CGD players like GGL.

#### **\* Exposure to competition from alternate sources**

Post the end of the marketing exclusivity period for the authorised GAs, the Company remains exposed to competition that could set in from the other CGD players. ~78% of GGL's volume mix accrues from the industrial/commercial segment, which is generally price sensitive to the pricing of alternate fuels. However, GGL has demonstrated a healthy track record of supplying gas in its authorised GAs, wherein it has been able to grow its customer base, despite competition setting in from alternate fuels.

## Liquidity Strong

Liquidity is strong with healthy cash and bank balance maintained of Rs. 653 crore as on March 31, 2020, as compared to Rs 271 crore as on March 31, 2019. The annual cash accruals generated in excess of Rs 1000 crore is expected to be sufficient to service the debt repayments of the Company. GGL has prepaid term loans of Rs 363 crore during the second quarter of fiscal 2021. Expected annual capex of Rs 700-800 crore would mainly be met through internal accruals. Liquidity is further supported by largely unutilized working capital bank lines.

## Outlook: Stable

CRISIL believes GGL will continue to depict a steady growth in operating performance, backed by healthy volume growth and stable realisation levels.

## Rating Sensitivity factors

### Upward factors

- \* Improvement in the financial risk profile, with a net debt/EBITDA below 1 time
- \* Reduction in project risk with early commercialization of newly won GAs

### Downward factors

- \* Material impact on operating performance on account of significant delays in project execution
- \* Large debt-funded capex or acquisitions, leading to net debt/EBITDA position exceeding 2.5 times

## About the Company

GGL is India's largest CGD Company, with 25 CGD licenses spread across 42 districts in 6 states and 1 Union territory across the states of Gujarat, Maharashtra, Rajasthan, Haryana, Punjab and Madhya Pradesh and Union Territory of Dadra & Nagar Haveli. Moreover, PNGRB has, vide letters dated June 29, 2020, accepted the proposal for the transfer of authorization of the Amritsar District GA and Bhatinda District GA from Gujarat State Petronet Limited (GSPL) to GGL, subject to certain conditions. Accordingly, PNGRB has permitted the Company to take over activities of laying, building, operating or expanding CGD network of Amritsar District GA and Bhatinda District GA.

For the six months ended September 30, 2020, GGL reported profit after tax (PAT) of Rs 535 crore on revenues of Rs 3,632 crore, against a PAT of Rs 751 crore on revenue of Rs 5,174 crore for the corresponding period of the previous fiscal.

## Key Financial Indicators

Particulars	Unit	2020	2019
Revenue	Rs crore	10,300	7754
Profit after tax (PAT)	Rs crore	1,199	418
PAT margin	%	11.64	5.4
Adjusted debt/adjusted net worth	Times	0.67	1.18
Interest Coverage	Times	8.43	5.37

Any other information: Not applicable

## Note on complexity levels of the rated instrument:

CRISIL complexity levels are assigned to various types of financial instruments and are included (where applicable) in the Annexure -- Details of Instrument in this Rating

Rationale. For more details on the CRISIL complexity levels, please visit [www.crisil.com/complexity-levels](http://www.crisil.com/complexity-levels).

## Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity levels	Rating assigned with outlook
NA	Term loan	NA	NA	Dec-27	475.0	NA	CRISIL AA+/Stable
NA	Term loan	NA	NA	Sep-27	1105.0	NA	CRISIL AA+/Stable
NA	Proposed term loan	NA	NA	NA	40.0	NA	CRISIL AA+/Stable
NA	Non-fund based limit *	NA	NA	NA	60.0	NA	CRISIL AA+/Stable
NA	Non-fund based limit	NA	NA	NA	670.0	NA	CRISIL AA+/Stable

\*Rs. 0.05 crore interchangeable with fund based working capital limits

## Annexure - List of entities consolidated

Names of entities consolidated	Extent of consolidation	Rationale for consolidation
Gujarat Gas Limited Employees Welfare Stock Option Trust	Fully consolidated	100% Sole beneficiary
Gujarat Info Petro limited	Equity method	Associate company

## Annexure - Rating History for last 3 Years

Instrument	Type	Current		2020 (History)		2019		2018		2017		Start of 2017
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	1620.00	CRISIL AA+/Stable	06-01-20	CRISIL AA+/Stable	24-12-19	CRISIL AA+/Stable	23-02-18	CRISIL AA/Stable			CRISIL AA/Stable
						30-05-19	CRISIL AA/Positive					
Non Fund-based Bank Facilities	LT/ST	730.00	CRISIL AA+/Stable		--		--		--		--	--

All amounts are in Rs.Cr.

## Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Non-Fund Based Limit*	60	CRISIL AA+/Stable	Proposed Term Loan	235	CRISIL AA+/Stable
Non-Fund Based Limit	670	CRISIL AA+/Stable	Term Loan	2115	CRISIL AA+/Stable
Proposed Term Loan	40	CRISIL AA+/Stable	--	0	--
Term Loan	1580	CRISIL AA+/Stable	--	0	--
<b>Total</b>	<b>2350</b>	<b>--</b>	<b>Total</b>	<b>2350</b>	<b>--</b>

\*Rs.0.05 crore interchangeable with fund based working capital limits

## Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[CRISILs Criteria for Consolidation](#)

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