GUJARAT GAS

GGL/SEC/1117/2023 **27th April, 2023**

BSE Limited Phrioz Jijibhoy Tower, Dalal Street, Mumbai Company Code: BSE-GUJGAS	**National Stock Exchange of India Ltd.** Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051 Company Code: NSE-GUJGASLTD

Sub: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir/ Madam,

Please find attached the Rating letters dated 26th April, 2023 and press release issued by India Ratings and Research (Ind-Ra), the Long-term Rating for Bank Loans of Gujarat Gas Limited (GGL) has been upgraded to "IND AAA"/Stable from "IND AA+"/Positive.

The Short-term rating is affirmed at "IND A1+" and the rating of Commercial Papers of GGL is affirmed at 'IND A1+' by Ind-Ra.

Kindly take it on record.

Thanking you,

For Gujarat Gas Limited

Sandeep Dave

Sandeep Dave
Company Secretary

Encl.: As above

GUJARAT GAS LIMITED (A GSPC Group Company- Government of Gujarat Undertaking)
Corporate Office: 2, Shanti Sadan Society, Near Parimal Garden, Ellisbridge, Ahmedabad - 380 006. Gujarat, India.
Tel.: +91-79-26462980, 26460095 Fax : +91-79-26466249
Registered Office: Gujarat Gas CNG Station, Sector-5/C, Gandhinagar - 382 006, Gujarat, India. Tel.: +91-79-23264777, 23264999
Website : www.gujaratgas.com, www.gspcgroup.com CIN : L40200GJ2012SGC069118

IndiaRatings
& Research
A Fitch Group Company

FitchGroup

Mr. Nitesh Bhandari
Chief Financial Officer
Gujarat Gas Limited
2, Shanti Sadan Society, Near Parimal Garden,
Ellisbridge, Ahmedabad - 380006

April 26, 2023

Dear Sir/Madam,

Re: Rating Letter for BLR of Gujarat Gas Limited

India Ratings and Research (Ind-Ra) has upgraded Gujarat Gas Limited's (GGL) Long-term Issuer Rating to 'IND AAA' from 'IND AA+'. The Outlook is Stable. The instrument-wise rating actions are as follows:

Instrument Type	Size of Issue (billion)	Rating/Outlook	Rating Action
Bank loans*	INR32.0	IND AAA/Stable/IND A1+	Long-term rating upgraded; short-term rating affirmed

* Interchangeable with working capital limits

In issuing and maintaining its ratings, India Ratings relies on factual information it receives from issuers and underwriters and from other sources India Ratings believes to be credible. India Ratings conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security.

The manner of India Ratings factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in India where the rated security is offered and sold, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors.

Users of India Ratings ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information India Ratings relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to India Ratings and to the market in offering documents and other reports. In issuing its ratings India Ratings must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

India Ratings seeks to continuously improve its ratings criteria and methodologies, and periodically updates the descriptions on its website of its criteria and methodologies for securities of a given type. The criteria and methodology used to determine a rating action are those in effect at the time the rating action is taken, which for public ratings is the date of the related rating action commentary. Each rating action commentary provides information about the criteria and methodology used to arrive at the stated rating, which may differ from the general criteria and methodology for the applicable security type posted on the website at a given time. For this reason, you should always consult the applicable rating action commentary for the most accurate information on the basis of any given public rating.

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contents of this letter, and any changes with respect to the rating, to investors.

It will be important that you promptly provide us with all information that may be material to the ratings so that our ratings continue to be appropriate. Ratings may be raised, lowered, withdrawn, or placed on Rating Watch due to changes in, additions to, accuracy of or the inadequacy of information or for any other reason India Ratings deems sufficient.

Nothing in this letter is intended to or should be construed as creating a fiduciary relationship between India Ratings and you or between India Ratings and any user of the ratings.

In this letter, "India Ratings" means India Ratings & Research Pvt. Ltd. and any successor in interest.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please email us at infogrp@indiaratings.co.in

Sincerely,

India Ratings

Abhash Sharma
Senior Director

Annexure: Facilities Breakup

Instrument Description	Banks Name	Ratings	Outstanding/Rated Amount(INR million)
Bank Loan	Axis Bank Limited	IND AAA/Stable/IND A1+	8000.00
Bank Loan	IndusInd Bank Limited	IND AAA/Stable/IND A1+	10000.00
Bank Loan	Kotak Mahindra Bank	IND AAA/Stable/IND A1+	9000.00
Bank Loan	RBL Bank	IND AAA/Stable/IND A1+	5000.00

Mr. Nitesh Bhandari
Chief Financial Officer
Gujarat Gas Limited
2, Shanti Sadan Society, Near Parimal Garden,
Ellisbridge, Ahmedabad - 380006

April 26, 2023

Dear Sir/Madam,

Re: Rating of Commercial Paper programme of Gujarat Gas Limited

India Ratings and Research (Ind-Ra) has rated Gujarat Gas Limited's (GGL) Commercial Paper Programme as follow:

Instrument Type	Maturity Date	Size of Issue (billion)	Rating/Outlook	Rating Action
Commercial paper (CP)**	7 to 365 days	INR0.35	IND A1+	Affirmed

**to be carved out of existing working capital limits

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The manner of India Ratings factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in India where the rated security is offered and sold, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors.

Users of India Ratings' ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information India Ratings relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to India Ratings and to the market in offering documents and other reports. In issuing its ratings, India Ratings must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

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It is important that you promptly provide us with all information that may be material to the ratings so that our ratings continue to be appropriate. For the purpose of issuance of the instrument, this letter is valid for 30 calendar days from the date of the letter. Once the instrument is issued, the above rating is valid for a maximum period of 1 year from the date of issuance. Notwithstanding the above, the rating is subject to review on a continuing basis, with formal reviews being undertaken at regular intervals of no more than 12 months. Ratings may be raised, lowered, withdrawn, or placed on Rating Watch at any time due to changes in, additions to, accuracy of or the inadequacy of information or for any other reason India Ratings deems sufficient.

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We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please email us at infogrp@indiaratings.co.in

Sincerely,

India Ratings

Abhash Sharma
Senior Director

IndiaRatings
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India Ratings Upgrades Gujarat Gas to 'IND AAA'/Stable; Affirms CP at 'IND A1+'

Apr 26, 2023 | Gas Transmission/Marketing

India Ratings and Research (Ind-Ra) has upgraded Gujarat Gas Limited's (GGL) Long-term Issuer Rating to 'IND AAA' from 'IND AA+'. The Outlook is Stable. The instrument-wise rating actions are as follows:

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Outlook	Rating Action
Bank loans*	-	-	-	INR32.0	IND AAA/Stable/IND A1+	Long-term rating upgraded; short-term rating affirmed
Commercial paper (CP)**	-	-	7 to 365 days	INR0.35	IND A1+	Affirmed

* Interchangeable with working capital limits
**to be carved out of existing working capital limits

ANALYTICAL APPROACH: Ind-Ra continues to take a standalone view of GGL while arriving at the ratings. This is because the agency does not expect GGL to extend/receive any financial support to/from its 54.17% parent, Gujarat State Petronet Limited (GSPL). Ind-Ra has not factored into the ratings any linkages between GGL and GSPL, apart from GSPL being the promoter shareholder in GGL. In case GGL steps in to support GSPL in any tangible form, Ind-Ra will re-evaluate its rating approach.

The upgrade reflects GGL's increasingly resilient business model, with an increase in the higher margin and stickier compressed natural gas (CNG) and domestic piped natural gas (D-PNG) customer base, an improvement in the geographical diversification by way of volume increase from new geographical areas (GAs), continued leadership in volumes in the industry, improvement in the profit margins despite an increase in the gas costs and a continued strong liquidity and credit profile. Despite a decline in the industrial volumes on account of the gas price increases, GGL was able to improve its EBITDA margin/scm to INR8.11 in 9MFY23 (FY22: INR5.32, FY21: INR6.25).

Furthermore, despite the drop in its industrial volumes on account of the high gas prices. GGL has been able to pass on the price increases to its customers, indicating its network strength and pricing power. Ind-Ra believes the industrial volumes will bounce back over the medium term as propane and NG price comparison is moving towards NG. Ind-Ra expects the company to retain the position of largest gas player for a considerable time. GGL is also likely to see a healthy increase in the geographical presence through new GAs won under the ninth and 10th rounds of the city gas distributor (CGD) licence auctions, which were focused on CNG and D-PNG. This is likely to support GGL's customer diversification as well as margin profile in the medium term and is reflected in the increasing proportion of CNG and D-PNG in its overall volumes. Ind-Ra estimates CNG share to increase in the total EBITDA in the short to medium term, which lends strength to the overall margins. Ind-Ra also believes that the continued regulatory push towards CGD expansion fares positively for the company.

The upgrade further reflects Ind-Ra's expectation of GGL's financial profile remaining strong in the short to medium term, with the company prepaying all its long-term loans. The total term debt as on 31 December 2022 was nil. Ind-Ra does not expect any debt-led capex to be undertaken by the company for the development of GAs, with the capex to be undertaken fully through internal accruals.

Key Rating Drivers

Resilient Business Model: Ind-Ra expects GGL's business profile to continue to improve in the short to medium term, as volume growth from new GAs, especially for CNG and D-PNG, keeps rising which is stickier than industrial/commercial PNG volumes. The total volume proportion of CNG and D-PNG segments in volumes increased to 36% during 9MFY23 (FY21: 18.5%). The company expects to increase the volumes from the GAs being developed in Rajasthan, Madhya Pradesh, Haryana and Punjab. GGL further expects new volumes to be majorly from CNG and D-PNG segments. GGL's business profile has seen a continuous improvement post the March 2019 National Green Tribunal order banning the use of coal gasifiers in the Morbi industrial cluster. Morbi drives majority of industrial volumes for GGL. Volumes from industrial customers declined during 9MFY23 on account of high RLNG prices which rendered propane as a cheaper option for them. However, with RLNG prices now decreasing to a competitive level to propane, the company expects to regain industrial volumes. Ind-Ra believes that the volumes would be driven by i) GGL's ability to regain industrial customers now that propane vs NG is tilting towards NG and iii) growth in CNG volumes which could partly make up for the lost volumes in the industrial PNG segment.

GGL was awarded 11 GAs between FY15-FY17, one GA in the ninth CGD round and six GAs in the 10th distribution round during FY19. All the GAs awarded between FY15-FY17 are operational. Ind-Ra believes GGL could add 1-1.5mmscmd to the sales volumes from the new GAs over the next three-to-five years and improve its segment mix. Additionally, the six new GAs of GGL are spread across Haryana, Punjab, Madhya Pradesh and Rajasthan; this will augment its presence in the north and west of India and enable diversification of its portfolio (in addition to Ahmedabad rural GA). GGL's balance sheet would remain comfortable even if there were to be a volume decline in the Morbi region because the impact could be partially offset by a healthy volume ramp-up from the other GAs. Moreover, as more GAs become connected, the intercity movement and use of CNG are likely to see a faster uptick, supporting volume growth.

Demonstrated Ability to Pass on Price Hikes: GGL has demonstrated the ability to pass on price increases to end-customers, reflected in the margin expansion seen in 9MFY23 to INR8.11/scm (FY22: INR5.32/scm; FY21 INR6.25/scm). Although the industrial volumes had declined due to customers switching over to cheaper alternatives such as propane, GGL was able to command high margins on the output sold. During 9MFY23, Ind-Ra estimates the margins on the sale of CNG and D-PNG to have remained high as the industrial segment typically commands lower margins with high volumes. As a result, with increasing proportion of CNG and D-PNG in the mix, the profitability could see further improvement in FY24-FY25. However, the company now would be looking at regaining lost volumes in the industrial space as RLNG prices have come down, which may keep the blended EBITDA margins rangebound.

Continued Strong Credit Metrics: Ind-Ra expects the credit metrics to remain strong over the medium term, led by strong cash flow generation of over INR15 billion, sufficient to take care of the capex requirements of the company. As a result, Ind-Ra does not expect debt to be undertaken for the planned capex within the CGD space. Despite undertaking the total capex of INR5.6 billion during 1HFY23 (FY22: INR13.7 billion; FY21: INR7.5 billion), GGL's credit metrics improved because of continued deleveraging (gross debt: FY23: nil; 1HFY23: INR1.9 billion; FY22: INR4.8 billion; FY21: INR9 billion; FY15: INR32.5 billion). Driven by strong cash flows, GGL pre-paid INR3.3 billion in FY22 and INR4.8 billion during FY23. As a result, the agency expects the gross interest coverage (EBITDA/gross interest expense) to have improved on a yoy basis in FY23 (9MFY23: 53.4x; FY22: 36.5x; FY21: 17.8x). GGL's net leverage (net debt/EBITDA) is likely to have turned negative in FY23 (FY22: 0.2x; FY21: 0.3x). However, if the company were to take on additional debt for unplanned capex/acquisitions/business diversifications, there could be an impact on the credit metrics and this will remain a key monitorable.

Liquidity Indicator - Adequate: Ind-Ra expects the liquidity to remain comfortable over the medium term, backed by the low working capital requirements of the sector, availability of banking lines and sufficient cash flow generation. GGL's cash and cash equivalents stood at INR4.0 billion at end-1HFY23 (FY22: INR0.19 billion; FY21: INR2.8 billion). Also, the company continued to report positive cash flow from operations in 1HFY23 at INR13.9 billion (FY22: INR16.6 billion; FY21: INR16.5 billion), led by the higher operating metrics and a short working capital cycle (11 days; 11 days), which is an inherent characteristic of the industry. Furthermore, the company has nil repayments during FY24 and FY25 each.

Ind-Ra expects the cash flow from operations to remain sufficient to fund a major portion of the cash outflows in the form of capex and dividend payments over the near-to-medium term, thereby limiting the need for incremental debt. The company has a planned capex of INR4 billion to be incurred cumulatively over FY23-FY26 on new GAs and the expansion of existing GAs, which Ind-Ra expects to be funded from internal cash flows. The company has sufficient fund-based working capital limits, which remained negligibly utilised for the 12 months ended December 2022. The use is likely to have remained low in 4QFY23 as well. The unutilised lines coupled with access to capital markets and other prudent sources of funding provide sufficient cushion for any liquidity mismatches in the near term.

Entry of New Players: The recent regulatory developments that would fix the network compression and transportation tariffs for relevant networks could expose GGL to the risk of competition. However, the regulations require a new entrant to pay charges to incumbents as determined under the Petroleum and Natural Gas Regulatory Board's regulations. Hence, even if a new entrant were to foray into the segment in view of the lucrativeness of Morbi volumes, Ind-Ra expects the margins earned by GGL on its Morbi volumes to compress only to a certain extent. Based on its discussions with CGD players, however, Ind-Ra considers the possibility of competition to be limited, as the players have been focusing on expanding the network in areas won rather than competing in an existing GA.

Industrial Volumes to Remain Dependent on Alternatives: Ind-Ra expects GGL's industrial volumes to continue to be underpinned by the pricing of alternative sources. For increasing the volume share in I-PNG, company could offer higher discounts for volume share in the industrial segment which could further lower the blended margins. For majority of the volumes catered to in 3QFY23 on the industrial side, the company had long-term sourcing contracts. For the incremental volumes in I-PNG, GGL would have to rely on short-term contracts or spot contracts for gas sourcing which could keep margins prone to international prices.

Rating Sensitivities

Negative: A substantial fall in the operating margin and/or lower-than-expected volumes on a sustained basis and/or lower-than-expected margin in the non-industrial segment and/or unexpected debt-led capex, leading to the net leverage of exceeding 1.5x, will be negative for the ratings. Any adverse regulatory development could also lead to a negative rating action.

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 GGL, 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

GGL is India's largest CGD Company, with 27 CGD licenses spread across 43 districts in six states (Gujarat, Maharashtra, Rajasthan, Haryana, Punjab and Madhya Pradesh) and one union territory (Dadra & Nagar Haveli). GGL was initially owned by Gujarat State Petroleum Corporation. During 2018, Gujarat State Petroleum Corporation sold its majority shareholding in GGL to GSPL, an erstwhile associate company of GGL.

FINANCIAL SUMMARY

Particulars	**9MFY23**	**FY22**	**FY21**
Revenue (INR billion)	128.3	164.5	98.5
EBITDA (INR billion)	18.3	20.8	20.9
EBITDA margin (%)	14.2	12.6	21.2
Gross debt (INR billion)	Nil	4.8	9.0
Gross interest coverage (x)	53.4	36.4	17.8
Net leverage (x)	Negative	0.2	0.3
Source: Ind-Ra, company			

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.

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Rating History

Instrument Type	**Rating Type**	**Rated Limits (billion)**	**Current Ratings**	**Historical Rating/Outlook**		
				27 April 2022	**28 April 2021**	**29 April 2020**
Issuer Rating	Long-term		IND AAA/Stable	IND AA+/Positive	IND AA+/Positive	IND AA+/Stabl
CP	Short-term	INR 0.35	IND A1+	IND A1+	IND A1+	IND A1+
Bank loan	Long-term/Short-term	INR 32.0	IND AAA/Stable/IND A1+	IND AA+/Positive/IND A1+	IND AA+/Positive/IND A1+	IND AA+/Stable/INI A1+

Bank wise Facilities Details

Click here to see the details

Complexity Level of Instruments

Instrument Type	**Complexity Indicator**
Bank loans	Low
CP	Low

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

Contact

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APPLICABLE CRITERIA

Evaluating Corporate Governance

The Rating Process

Short-Term Ratings Criteria for Non-Financial Corporates

Corporate Rating Methodology

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