



GUJARAT GAS

GGL/SEC/1151/2023

4th August, 2023

BSE Limited, Phiroze Jijibhoy Tower, Dalal Street, Mumbai Company Code: BSE-GUJGAS	National Stock Exchange of India Ltd, Exchange Plaza, 5 th 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,

Please find attached Rating Rationale issued by CRISIL Ratings Limited dated 3rd August, 2023, where in CRISIL has reaffirmed AAA/Stable rating of GGL's long term bank facilities and enhanced the rated amount of long term bank facilities from Rs 2,350 Crores to Rs 3,350 Crores.

Kindly take it on record.

Thanking you,

For, Gujarat Gas Limited

**Sandeep Dave
Company Secretary**

Rating Rationale

August 03, 2023 | Mumbai

Gujarat Gas Limited

Rated amount enhanced for Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.3350 Crore (Enhanced from Rs.2350 Crore)
Long Term Rating	CRISIL AAA/Stable (Reaffirmed)

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL AAA/Stable' rating on the long-term bank facilities of Gujarat Gas Limited (GGL).

The rating reflects strong financial risk profile, backed by healthy cash accruals and negligible reliance on external debt. The rating also derives comfort from the company's sizeable scale of operations as the largest city gas distribution (CGD) entity in India. These rating strengths are however partially offset by its exposure to volatility in re-gasified liquefied natural gas (R-LNG) and domestic natural gas prices, the project risk involved on timely and cost-efficiently setting up its CGD network in the newer geographical areas (GAs) awarded, and the exposure to regulatory risks.

Operating performance for the company continue to remain healthy. For fiscal 2023, revenues remained flattish versus fiscal 2022 as steep rise in input gas prices impacted its competitiveness vis-à-vis alternate fuels and stunted gas demand. As a result, company recorded a fall in its sales volumes by ~22% to around 8 mmscmd during fiscal 2023 as against 10.7 mmscmd in fiscal 2022. Sales volumes were most impacted in the piped natural gas -industrial (PNG-I) segment as ceramic plants – largest end-user industry for GGL – switched to propane or curtailed operations because of hike in natural gas prices and reduction in ceramic demand. The compressed natural gas (CNG) segment, however, recorded volume growth of 22% owing to addition of new CNG stations. Profitability of the company improved, despite lower volumes, underpinning its ability to pass on the rise in input costs and balance overall margins.

GGL is expected to incur an annual capital expenditure of around Rs. 1000-1200 crore over the medium term, to be largely funded through internal accruals. Contributed by the healthy annual accruals earned, the company continue to remain net debt free as on March 31, 2023.

Analytical Approach

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

Please refer Annexure – List of entities consolidated, for details of the entities considered and their analytical treatment for 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 with 27 CGD licenses spread across 43 districts in 6 states and 1 union territory in the state of Gujarat, Maharashtra, Rajasthan, Haryana, Punjab and Madhya Pradesh and Union Territory of Dadra & Nagar Haveli. The company's user base comprised of more than 18.85 lakh domestic households, over 14,390 commercial customers, 808 CNG stations, and close to 4,365 industrial units as on March 31, 2023; thus providing strong revenue diversity. The recent favourable Supreme Court order also paves way for GGL to develop one more GA - Ahmedabad Rural, won in bidding round in 2016, thereby increasing the potential of its business.

Sustained healthy operating performance

GGL is the largest CGD player in India in terms of gas sales volume, and command a sizeable market share of over 30%. The company has depicted a healthy track record of being able to sustain its operating performance, despite volatility faced especially in movement of RLNG prices.

While GGL's customer base mix is skewed towards the price sensitive PNG-I segment, it has been able to grow its absolute profitability levels. This is owing to company's ability to pass on rise in input prices in CNG & piped natural gas - domestic (PNG-D) segments and balance its volumes in PNG-I segment to maximise its cash accruals. Despite the unprecedented steep rise witnessed in input gas prices during fiscal 2023, GGL has been able to sustain the growth momentum in its operating profits.

Strong financial risk profile

The company enjoys a strong financial risk profile backed by growth in accruals and negligible reliance on external debt. Increase in cash accruals have been used by the company to fund its capex and prepayment of existing term liabilities. For fiscal 2023 debt/EBITDA remained well below 1x. Further, RoCE continues to remain healthy at >25%, despite having a higher concentration towards the PNG-I segment.

Weakness:

Moderate risk in gas availability

As per the government directives announced in 2014, CGD companies were to be given a priority in terms of allocation of the cheaper domestic gas; for CNG and domestic PNG sales. However, considering the pace at which the CGD industry is expected to grow its volumes, domestic administered pricing mechanism (APM) gas may not be sufficient to meet the entire requirements of the CGD companies. As such, companies would increasingly have to resort to the costlier non-APM domestic gas/imported R-LNG to suffice its supply requirements. GGL's ability to pass on the price hikes to its end consumers, thus, will be a key monitorable.

Exposure to competition from alternate sources

Post the end of the marketing exclusivity period for the authorized GAs, the company remains exposed to competition that could set in from the other CGD players, though limited to 20% open access. Approximately 63% of GGL's current 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 authorized GAs, wherein it has been able to grow its customer base, despite competition setting in from alternate fuels.

Liquidity: Superior

Liquidity is strong with healthy cash and bank balance maintained of around Rs.681 crores as on March 31, 2023, as compared to Rs 70 crore as on March 31, 2022 and Rs 827 crore as on March 31, 2021. The company has utilized its cash and cash equivalent position to prepay the existing long term debt. The annual cash accruals generated in excess of Rs 1600 crore shall be sufficient to fund the debt obligations and the capex plans of the company over the medium term.

Annual capex is expected to be in the range of Rs 1000-1200 crores which is likely to be met through internal accruals. Liquidity is further supported by unutilized working capital bank lines.

Outlook: Stable

CRISIL Ratings believes GGL will continue to maintain its market leading position in the industry with a robust operating performance, backed by healthy volume growth and stable realization levels.

Rating Sensitivity Factors

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 1 time on a sustained basis

About the Company

GGL is India's largest CGD Company by gas sales volumes. It has 27 CGD licenses spread across 43 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.

Key Financial Indicators

Particulars	Unit	2023	2022
Revenue	Rs crore	16,759	16,468
Profit After Tax (PAT)	Rs crore	1,528	1,287
PAT Margin	%	9.12	7.82
Adjusted debt/adjusted network	Times	0.02	0.09
Interest Coverage	Times	61.86	26.92

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings' 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.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings' complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

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	Proposed term loan	NA	NA	NA	285.0	NA	CRISIL AAA/Stable
NA	Non-fund based limit*	NA	NA	NA	90.0	NA	CRISIL AAA/Stable
NA	Non-fund based limit*	NA	NA	NA	300.0	NA	CRISIL AAA/Stable
NA	Non-fund based limit*	NA	NA	NA	630.0	NA	CRISIL AAA/Stable
NA	Non-fund based limit*	NA	NA	NA	60.0	NA	CRISIL AAA/Stable
NA	Non-fund based limit*	NA	NA	NA	760.0	NA	CRISIL AAA/Stable
NA	Non-fund based limit*	NA	NA	NA	225.0	NA	CRISIL AAA/Stable
NA	Proposed working capital facility	NA	NA	NA	1000.0	NA	CRISIL AAA/Stable

*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	Full	100% Sole beneficiary
Gujarat Info Petro limited	Equity method	Associate company

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2023 (History)		2022		2021		2020		Start of 2020
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	1285.0	CRISIL AAA/Stable	--	--	27-12-22	CRISIL AAA/Stable	09-12-21	CRISIL AA+/Positive	22-12-20	CRISIL AA+/Stable	CRISIL AA+/Stable
				--	--	--	30-09-21	CRISIL AA+/Positive	06-01-20	CRISIL AA+/Stable	--	
				--	--	--	04-03-21	CRISIL AA+/Stable	--	--	--	
Non-Fund Based Facilities	LT	2065.0	CRISIL AAA/Stable	--	--	27-12-22	CRISIL AAA/Stable	09-12-21	CRISIL AA+/Positive	22-12-20	CRISIL AA+/Stable	--
				--	--	--	30-09-21	CRISIL AA+/Positive	--	--	--	
				--	--	--	04-03-21	CRISIL AA+/Stable	--	--	--	

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Non-Fund Based Limit*	630	HDFC Bank Limited	CRISIL AAA/Stable
Non-Fund Based Limit*	300	The Federal Bank Limited	CRISIL AAA/Stable
Non-Fund Based Limit*	60	ICICI Bank Limited	CRISIL AAA/Stable
Non-Fund Based Limit*	760	YES Bank Limited	CRISIL AAA/Stable
Non-Fund Based Limit*	225	IDBI Bank Limited	CRISIL AAA/Stable

Non-Fund Based Limit*	90	Axis Bank Limited	CRISIL AAA/Stable
Proposed Term Loan	285	Not Applicable	CRISIL AAA/Stable
Proposed Working Capital Facility	1000	Not Applicable	CRISIL AAA/Stable

*Interchangeable with fund based working capital limits

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Criteria for Consolidation

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