



**GUJARAT GAS**

GGL/SEC/504/2018

27<sup>th</sup> February, 2018

<b>BSE Limited,</b> Phiroze Jijibhoy Tower, Dalal Street, Mumbai	<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
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**Dear Sir/ Madam,**

Pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we request you to take on record the following:

CRISIL has reaffirmed its 'CRISIL AA/Stable' rating on the long term bank facilities of Gujarat Gas Ltd (GGL) as under:

**Rating Action**

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

Please find attached the press release of ratings by CRISIL.

We request to take the above on record.

Thanking you,

**For Gujarat Gas Limited**

*Rajeshwari Sharma*  
**Rajeshwari Sharma**  
Company Secretary  
*Rohan*

# Ratings



## Rating Rationale

February 23, 2018 | Mumbai

## Gujarat Gas Ltd

*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 long-term bank facilities of Gujarat Gas Ltd (GGL)

The rating continues to reflect the company's sizeable scale of operations as the largest city gas distribution (CGD) entity in India, its diversified customer profile, and healthy financial risk profile because of adequate cash accrual and comfortable adequate debt protection metrics. These strengths are partially offset by susceptibility to volatility in the price of re-gasified liquefied natural gas (R-LNG), large capital expenditure (capex) plans for the medium term, and exposure to regulatory risks.

In the first nine months of fiscal 2018, sales volume rose 16% on account of increased demand from industrial and commercial customers. Volumes were slightly lower in fiscal 2017 compared to fiscal 2016 on account of lower demand from industrial customers. In first nine months of fiscal 2018, the company has reported earnings before interest, depreciation, tax and amortization (EBITDA) of Rs 672 crores on revenues of Rs 4,441 crores as against EBITDA of Rs 597 crores on revenues of Rs 3,692 crores in the corresponding period last year.

### Analytical Approach

For arriving at the rating, CRISIL has combined the business and financial risk profiles of GGL and its subsidiaries/associates.

### 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 leading position in 22 districts across Gujarat, Dadra and Nagar Haveli, and Maharashtra. Its user base comprised 0.11 crore domestic households, around 3050 industrial units, over 12,750 commercial customers, and 252 CNG stations, as on March 31, 2017, providing strong revenue diversity. Its total daily gas sale was about 5.41 million metric standard cubic metres per day (mmscmd) in fiscal 2017. CRISIL expects a moderate uptick in GGL's total gas volume over the medium term on account of entry into new districts, and favourable government policies for expansion of CGD services.

#### \* Healthy financial risk profile

GGL's financial risk profile is driven by healthy cash accrual, comfortable debt protection metrics, and adequate liquidity. Cash accrual rose to Rs 429 crore in the first nine months of fiscal 2018 from Rs 379 crore in the corresponding period of the previous fiscal on account of higher sales volume. The financial risk profile is expected to remain healthy in fiscal 2018.

### Weaknesses

#### \* Large capex plans over the medium term

GGL will undertake capex for network expansion in newly won geographies such as Dadra and Nagar Haveli, Dahej-Vagra, Dahod, Amreli, and Panchmahal, as well as in Thane, Anand, and Ahmedabad (excluding areas authorised to other CGD companies), and in existing areas of operations. Any material increase in debt will be a key rating sensitivity factor. CRISIL believes GGL will not extend any support to its parent or group company, in line with the past track record.

#### \* Exposure to regulatory risks and volatility in R-LNG price

Regulation of natural gas, including CGD, is still in the initial stage in India, and hence, there is uncertainty regarding regulatory norms for natural gas allocation and distribution. Though the uncertainty in regulation is expected to reduce as the industry attains maturity, any unexpected change in regulations regarding allocation of natural gas and pricing of end-product can adversely impact the CGD players such as GGL. The company will remain vulnerable to volatility in R-LNG price. As most of GGL's customers are in industrial and commercial segments, they are price sensitive and switch to other fuels easily. Hence, the ability of the company to maintain volumes and margins will remain a key monitorable.

### Outlook: Stable

CRISIL believes GGL will maintain strong cash accrual over the medium term, supported by its established market position.

### Upside scenario

\* Sustained improvement in financial risk profile, backed by healthy volume growth and stable gross margin

### Downside scenario

\* Significant decline in operating performance, or deterioration in capital structure on account of debt-funded capex

### About the Company

GGL is India's largest natural gas distribution company, with operations concentrated in Gujarat. It was formed by the amalgamation of GSPC Gas Company Ltd, Gujarat Gas Company Ltd, Gujarat Gas Financial Services Ltd, and Gujarat Gas Trading Company Ltd with GSPC Distribution Networks Ltd. GGL has presence in 22 districts in Gujarat, Union Territory of Dadra and Nagar Haveli, and Maharashtra.

### Key Financial Indicators

Particulars	Unit	2017	2016
Revenue	Rs crore	5,093	6,106
Profit after tax (PAT)	Rs crore	186	156
PAT margin	%	3.7	2.5
Adjusted debt/adjusted network	Times	1.78	1.83
Interest Coverage	Times	3.57	3.11

These are CRISIL adjusted numbers and do not match directly with the numbers reported by the company. The deferred tax liability of Rs 641.89 crore has been adjusted from the company's network.

**Any other information:** Not applicable

### Note on complexity levels of the rated instrument:

CRISIL complexity levels are assigned to various types of financial instruments. The CRISIL complexity levels are available

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#### Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs Cr)	Rating Assigned with Outlook
NA	Term Loan	NA	NA	Sep-27	428.00	CRISIL AA/Stable
NA	Term Loan	NA	NA	Dec-27	550.00	CRISIL AA/Stable
NA	Term Loan	NA	NA	Sep-27	1300.00	CRISIL AA/Stable
NA	Proposed Term Loan	NA	NA	NA	72.00	CRISIL AA/Stable

#### Annexure - Rating History for last 3 Years

Instrument	Current			2018 (History)		2017		2016		2015		Start of 2015
	Type	Quantum	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
--	CCR		--		--		--	22-11-16	Withdrawal	01-07-15	CCR AA	--
<b>Fund-based Bank Facilities</b>	LT/ST	2350	CRISIL AA/Stable		No Rating Change		No Rating Change		No Rating Change	01-07-15	CRISIL AA/Stable	--
<b>Non Fund-based Bank Facilities</b>	LT/ST		--		No Rating Change		No Rating Change		No Rating Change	30-09-15	CRISIL AA/Stable/ CRISIL A1+	--
										01-07-15	CRISIL A1+	

Table reflects instances where rating is changed or freshly assigned. 'No Rating Change' implies that there was no rating change under the release.

#### Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Proposed Term Loan	72	CRISIL AA/Stable	Proposed Term Loan	43	CRISIL AA/Stable
Term Loan	2278	CRISIL AA/Stable	Term Loan	2307	CRISIL AA/Stable
<b>Total</b>	<b>2350</b>	<b>--</b>	<b>Total</b>	<b>2350</b>	<b>--</b>

#### 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](#)

**For further information contact:**

Media Relations	Analytical Contacts	Customer Service Helpdesk
<p><b>Saman Khan</b> Media Relations <b>CRISIL Limited</b> D: +91 22 3342 3895 B: +91 22 3342 3000 <a href="mailto:saman.khan@crisil.com">saman.khan@crisil.com</a></p> <p><b>Naireen Ahmed</b> Media Relations <b>CRISIL Limited</b> D: +91 22 3342 1818 B: +91 22 3342 3000 <a href="mailto:naireen.ahmed@crisil.com">naireen.ahmed@crisil.com</a></p> <p><b>Jyoti Parmar</b> Media Relations <b>CRISIL Limited</b> D: +91 22 3342 1835 B: +91 22 3342 3000 <a href="mailto:jyoti.parmar@crisil.com">jyoti.parmar@crisil.com</a></p>	<p><b>Sachin Gupta</b> Senior Director - CRISIL Ratings <b>CRISIL Limited</b> D:+91 22 3342 3023 <a href="mailto:Sachin.Gupta@crisil.com">Sachin.Gupta@crisil.com</a></p> <p><b>Nitesh Jain</b> Director - CRISIL Ratings <b>CRISIL Limited</b> D:+91 22 3342 3329 <a href="mailto:nitesh.jain@crisil.com">nitesh.jain@crisil.com</a></p> <p><b>ANUSHA BADHWAR</b> Rating Analyst - CRISIL Ratings <b>CRISIL Limited</b> B:+91 22 3342 3000 <a href="mailto:Anusha.Badhwar@crisil.com">Anusha.Badhwar@crisil.com</a></p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: <a href="mailto:CRISILratingdesk@crisil.com">CRISILratingdesk@crisil.com</a></p> <p>For Analytical queries: <a href="mailto:ratingsinvestordesk@crisil.com">ratingsinvestordesk@crisil.com</a></p>



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