

Press Release

Green Gas Limited

September 19, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.65.00 Cr.
Long Term Rating	ACUITE A+ / Outlook: Stable
Short Term Rating	ACUITE A1+

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed its long term rating of '**ACUITE A+**' (**read as ACUITE A plus**) and short term rating of '**ACUITE A1+**' (**read as ACUITE A one plus**) on the Rs.65.00 crore bank facilities of Green Gas Limited. The outlook is '**Stable**'.

Green Gas Limited (GGL) was established in 2005 as a joint venture between Indian Oil Corporation Limited (IOCL) and Gas Authority of India Limited (GAIL). GGL is engaged in the distribution and marketing of Compressed Natural Gas (CNG) and Piped Natural Gas (PNG) in Agra and Lucknow. The company currently enjoys exclusive marketing rights for CNG and PNG in Lucknow and also the right to develop and maintain PNG and CNG infrastructure in Lucknow as well as Agra.

Key Rating Drivers

Strengths

- **Strong Parentage**

GGL is a joint venture between IOCL and GAIL. The promoters of the company are Government of India (GoI) undertakings and GGL was formed at the direction of the Ministry of Petroleum and Natural Gas. GGL has received operational and managerial support from IOCL and GAIL from time to time. The company's Key Management Personnel includes directors and employees of GAIL and IOCL.

Acuité expects GGL to continue to receive significant operational and managerial support from its promoter companies over the near to medium term. The strong corporate governance and managerial oversight by the promoter companies is expected to enable GGL to maintain a healthy credit risk profile over the near to medium term.

- **Healthy market position on account of monopolistic nature of the City Gas Distribution Business**

GGL enjoys exclusive PNG and CNG Distribution rights in Lucknow for 5 years and exclusive city gas infrastructure development rights for 25 years in Agra and Lucknow. GGL thus has significant monopoly power in the City Gas Distribution (CGD) business in its areas of operation. Consequently, the company is unlikely to experience any significant competitive pressures over the near to medium term.

GGL's monopoly power has enabled the company to maintain healthy profitability margins. GGL reported an operating profit margin of 36.97 per cent in FY2016-17 as against 30.57 per cent in FY2015-16. In 2017-18, GGL has reported a PAT of Rs.43.0 crore on a revenue of Rs.285.1 crore.

Acuité believes that any events which may endanger GGL's ability to sustain its monopolistic position in the CGD business over the medium term may result in deterioration in the overall credit risk profile of the company.

Weaknesses

- **Susceptibility of Performance to Regulatory Risks**

GGL's operations are dependent on the regulatory environment surrounding the CGD business. The PNG and CNG prices are determined by the Petroleum and Natural Gas Regulatory Board (PNGRB) from time to time – resulting in limited pricing flexibility of the company. Further, GGL is required to conform to norms laid down by PNGRB regarding infrastructure development and PNG coverage in Agra and Lucknow. Any un-favorable changes in the regulatory environment surrounding the CGD business shall adversely impact the overall credit profile of the company.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the GGL to arrive at this rating.

Outlook: Stable

Acuité believes that GGL will maintain a stable credit risk profile over the medium term on account of its strong parentage, experienced management and monopoly over the City Gas Distribution business in Agra and Lucknow. The outlook may be revised to 'Positive' in case of sustained increase in scale of operations most likely as a result of increase in subscriber base. The outlook may be revised to 'Negative' in case of significant increase in overall debt or any adverse regulatory changes affecting the exclusive infrastructure development and/or PNG & LNG marketing rights of the company.

About the Rated Entity - Key Financials

	Unit	FY18 (Estimated)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	285.08	193.75	179.79
EBITDA	Rs. Cr.	NA	71.63	54.97
PAT	Rs. Cr.	43.01	44.80	34.46
EBITDA Margin	(%)	NA	36.97	30.57
PAT Margin	(%)	15.09	23.12	19.17
ROCE	(%)	NA	28.25	26.22
Total Debt/Tangible Net Worth	Times	NA	NA	NA
PBDIT/Interest	Times	NA	NA	NA
Total Debt/PBDIT	Times	NA	NA	NA
Gross Current Assets (Days)	Days	NA	41	35

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
24-Jun-17	Proposed Long Term Loan	Long Term	35.00	ACUITE A+/Stable (Upgraded from ACUITE A/Stable)
	Bank Guarantee	Short Term	30.00	ACUITE A1+ (Upgraded from ACUITE A1)
30-Mar-16	Proposed Long Term Loan	Long Term	35.00	ACUITE A/Stable (Assigned)
	Bank Guarantee	Short Term	15.00	ACUITE A1 (Assigned)
	Proposed Bank Guarantee	Short Term	15.00	ACUITE A1 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE A+/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A1+ (Reaffirmed)

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About Acuité Ratings & Research:

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