

Press Release

Andhra Pradesh Gas Distribution Corporation Limited

August 29, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 300.00 Cr.
Long Term Rating	ACUITE A- / Outlook: Stable (Rating Assigned)

* Refer Annexure for details

Rating Rationale

ACUITE has assigned the long term rating to '**ACUITE A-**' (**read as ACUITE A minus**) on the Rs. 300.00 crore bank facilities of Andhra Pradesh Gas Distribution Corporation Limited (APGDC). The outlook is 'Stable'.

APGDC is a Joint Venture Company between GAIL Gas Limited (a wholly owned subsidiary of GAIL (India) Ltd.), a Central Government Public Sector Enterprise (PSU) and Andhra Pradesh Gas Infrastructure Corporation Limited (APGIC), an Andhra Pradesh State Government Public Sector Enterprise.

APGDC has been authorized to lay, operate, expand Natural Gas Pipeline from Kakinada to Srikakulam (Total length of the pipeline is around 300 KM) through a bidding process carried out by Petroleum and Natural Gas Regulatory Board (PNGRB).

Key Rating Drivers

Strengths

- **Experienced Management**

The management team of APGDC is headed by the chairman Mr. Ajay Jain (Principal Secretary to the government, I&I department) and others who are representatives of GAIL (Gas) Limited with extensive experience in the industry. They are well supported by other professionals who possess over two to three decades of experience in the industry.

APGDC backed by an experienced management and its relationship with Public sector undertakings has been able to enter into contracts with reputed clientele comprising Hindustan Petroleum Corporation Limited (HPCL), Rashtriya Ispat Nigam Ltd (RINL) among others for transmission of Gas for Phase 1 (Kakinada to Vizag).

- **Unconditional and irrevocable Letter of Comfort from Andhra Pradesh Gas Infrastructure Corporation Pvt. Ltd. covering entire rated amount**

The rating is based on the strength of the unconditional and irrevocable letter of comfort for the entire rated amount from Andhra Pradesh Gas Infrastructure Corporation Pvt. Ltd (a subsidiary of Andhra Pradesh Industrial Infrastructure Corporation and Andhra Pradesh Power Generation Corporation).

Weaknesses

- **Implementation risk associated with the project**

APGDC has been authorized to lay, operate, expand Natural Gas Pipeline from Kakinada to Srikakulam (Total length of the pipeline is around 300 KM) through a bidding process carried out by Petroleum and Natural Gas Regulatory Board (PNGRB) and has already taken up the construction of the pipeline project.

The total cost of the project is ~Rs. 780.00 crore. There are 2 phases to the project. Phase I runs from Kakinada to Vizag which is of 178 Kms and Phase 2 runs from Vizag to Srikakulam which is of 102 Kms. The promoters are initially executing Phase 1 of the project. Phase 1 is expected to be completed by June 2019 and Phase 2 is expected to be complete by December 2019. The cost of Phase 1 of the project is Rs. 450.00 crore. The promoters will bring in Rs150.00 crores (out of which the promoters have already infused an equity of Rs 40.00 crore as on 31st March 2018) and the balance will be financed by way of term loans worth Rs 300.00 crore. Timely completion of the project and commencement of operations will remain key rating sensitivity factor.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the Andhra Pradesh Gas Distribution Corporation Limited to arrive at this rating.

Outlook: Stable

Acuité believes that APGDC will maintain a stable credit profile on the back of its experienced management and relationship with public sector undertakings such as Andhra Pradesh Gas Infrastructure Corporation Pvt. Ltd. And GAIL Gas Limited. The outlook may be revised to 'Positive' in case of sufficiently higher than expected growth in accruals translating to an improvement in its debt protection indicators and improvement in business risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant delays in project execution or if the company reports lower than expected progress in laying of pipeline infrastructure from Kakinada to Srikakulam leading to any time or cost overruns.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	0.05	0.05	0.01
EBITDA	Rs. Cr.	(1.92)	(1.70)	(1.42)
PAT	Rs. Cr.	(1.58)	(0.67)	(0.58)
EBITDA Margin	(%)	(3,644.29)	(3,501.38)	(19,627.32)
PAT Margin	(%)	(2,995.47)	(1,374.64)	(8,009.65)
ROCE	(%)	(3.65)	(1.68)	(2.05)
Total Debt/Tangible Net Worth	Times	0.14	0.02	0.03
PBDIT/Interest	Times	(351.47)	(76.99)	(100.38)
Total Debt/PBDIT	Times	(3.53)	(1.61)	(1.95)
Gross Current Assets (Days)	Days	32,060	1,915	24,024

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>
- Entities in the infrastructure sector - <http://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>

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	300.00	ACUITE A-/Stable

Contacts

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About Acuité Ratings & Research:

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