

Press Release

Godavari Gas Private Limited

17 April 2020

Rating reaffirmed & assigned



Total Bank Facilities Rated*	Rs. 390.00 Cr. (Enhanced from Rs 385 crores)
Long Term Rating	ACUITE A-/Stable (Reaffirmed)
Short Term Rating	ACUITE A2+ (Reaffirmed and Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE A-** (read as **ACUITE A minus**)' and reaffirmed the short-term rating of '**ACUITE A2+** (read as **ACUITE A two plus**)' to the Rs.390.00 crore of bank facilities of Godavari Gas Private Limited (GGPL). The outlook is '**Stable**'.

GGPL was incorporated in 2016 as a joint venture between Andhra Pradesh Gas Distribution Corporation Limited (APGDC) and Hindustan Petroleum Corporation Limited (HPCL). The company is engaged in distribution of Compressed Natural Gas (CNG) and Piped Natural Gas (PNG) in districts of East Godavari and West Godavari in Andhra Pradesh. Project cost for laying of infrastructure in above mentioned districts for first 5 years is Rs 475 crores which is funded through Rs 335 crores of Term loan and rest from promoters' fund.

Analytical Approach:

To arrive at rating, Acuite has considered the standalone business and financial risk profile of GGPL and notched up the standalone rating by factoring in the strong operational and financial support extended by Andhra Pradesh Gas Distribution Corporation Limited (APGDC) and Hindustan Petroleum Corporation Limited (HPCL). This is because APGDC and HPCL hold the entire stake in GGPL, have common board member representation and have extended a letter of comfort for the bank borrowings of GGPL.

Key Rating Drivers:

Strengths

Strong operational and financial support from APGDC and HPCL

GGPL is a joint venture between APGDC and HPCL, with APGDC holding 74 percent and HPCL holding 26 percent (as on 31 December, 2019). GGPL is engaged as a city gas distributor (CGD) in East Godavari and West Godavari districts of Andhra Pradesh.

APGDC, the largest shareholder with 74 percent stake in GGPL was incorporated in 2011. The company is a joint venture between GAIL Gas Limited (a wholly owned subsidiary of GAIL (India) Limited), a Central Government Public Sector Enterprise (PSU) and Andhra Pradesh Gas Infrastructure Corporation Limited (APGIC), an Andhra Pradesh State Government Public Sector Enterprise.

GGPL has received a blanket approval for laying of gas pipeline from AP Government. GGPL has also entered into a five-year renewable agreement with GAIL India Limited (GAIL) by which it gets natural gas from GAIL Limited at APM (Administered Pricing Mechanism) price for Domestic PNG and automobile CNG demand and S1 Non-APM price for Industrial and commercial PNG demand. The senior management of GGPL comprises employees from GAIL and HPCL which provides strong operational support. Apart from the operational support, both APGDC and HPCL have extended Letter of Comfort (LOC) for the borrowings of GGPL. The association with AP Government, GAIL and HPCL has enabled GGPL to raise funds at competitive pricing from the financial institutions.

Improvement in scale of operations albeit at a slower pace

The company has commenced its operation in FY17 and since then has been engaged into gas distribution in 2 districts of Andhra Pradesh. In addition, the company's financial and operational performance has improved which is reflected from its revenue of Rs11.0 crores during 9MFY20 as against Rs 2.6 crores in 9MFY19. This is driven by addition of new connections in domestic and commercial segments. Moreover, there has been significant progress which is indicated from installation of 21 CNG Stations, total number of domestic and commercial connections stood at 32669 and 9 respectively till December 2019. Acuité believes that the company will continue to improve its operation backed by addition of new connections in medium term which help to improve its cash flow.

Weaknesses

Time overruns

The project is currently in its nascent stage as the company has achieved only 21-30 percent of Minimum work program target (MWP) till August 2019. As per estimates, the company is expected to achieve around 75 percent of revised MWP by August 2020 which was the initial project completion date. There has been a time overrun of 1 year and 7 months and the revised CoD is March 2022. However, Acuité observes that the cost overrun has been minimal where the estimated project cost stands at Rs. 475 crores as against the previously envisaged Rs. 468 crores. Any further time and cost overruns would be a key monitorable.

Rating Sensitivity

- Any further cost overrun and time overrun.
- Improvement in the revenue and profitability through addition of new connections.

Material Covenant

None

Liquidity Position: Adequate

GGPL's liquidity position is enhanced by its association with HPCL and AP government. The company does not have any maturing debt obligations for the next two years till June 2023. APGDC and HPCL have extended Letter of Comfort (LOC) for the borrowings of GGPL which provides additional comfort to its lenders.

Outlook: Stable

Acuité believes that GGPL will maintain a 'Stable' outlook over the medium term on account of its strong linkages with, and support from, APGDC and HPCL. The outlook may be revised to 'Positive' in case the company exhibits healthy growth in cash accruals while managing its working capital requirements efficiently. Conversely, the outlook may be revised to 'Negative' in case of significant delays in project execution or any dilution of support from the APGDC or HPCL, thereby impacting the debt servicing ability or any further deterioration in the financial risk profile and liquidity position of the company.

About the Rated Entity - Consolidated

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	5.29	1.81-
PAT	Rs. Cr.	-0.83	-0.16
PAT Margin	(%)	NA	NA
Total Debt/Tangible Net Worth	Times	1.07	0.75
PBDIT/Interest	Times	NA	NA

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>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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
14-February 2019	Term Loan	Long Term	175.00	ACUITE A-/Stable (Assigned)
	Term Loan	Long Term	160.00	ACUITE A-/Stable (Assigned)
	Bank Guarantee	Short Term	28.00	ACUITE A2+ (Assigned)
	Bank Guarantee	Short Term	22.00	ACUITE A2+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Term Loan	September 2017	Not Applicable	March 2029	175.00	ACUITE A-/Stable (Reaffirmed)
Term Loan	September 2017	Not Applicable	September 2030	160.00	ACUITE A-/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	28.00	ACUITE A2+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	22.00	ACUITE A2+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A2+ (Assigned)

Contacts:

Analytical	Rating Desk
Pooja Ghosh Head- Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in Tonoy Banerjee Rating Analyst Tel: 033-66201206 tonoy.banerjee@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (*erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: *An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.*