



Press Release
Godavari Gas Private Limited
September 09, 2024
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	336.00	ACUITE BB Stable Upgraded	-
Bank Loan Ratings	54.00	-	ACUITE A4+ Upgraded
Total Outstanding Quantum (Rs. Cr)	390.00	-	-

Rating Rationale

Acuite has upgraded the long term rating to **'ACUITE BB'** (read as **ACUITE double B**) from **'ACUITE D'** (read as **ACUITE D**) and **'ACUITE C'** (read as **ACUITE C**) and upgraded the short term rating to **'ACUITE A4+'** (read as **ACUITE A four plus**) from **'ACUITE D'** (read as **ACUITE D**) and **'ACUITE A4'** (read as **ACUITE A four**) on the Rs. 390.00 Cr. bank facilities of Godavari Gas Private Limited. The outlook is **'Stable'**.

Rationale for Upgrade

The rating upgrade takes into account, regularization in the banking conduct of Godavari Gas Private Limited. The rating also factors in the approval received from the lenders for descoping of the project. Further, the ratings continue to reflect strong linkage with Andhra Pradesh Gas Distribution Corporation Limited and Hindustan Petroleum Corporation Limited (Central government Undertaking). In addition, GGPL has strategic importance as the company has 5 years of marketing exclusivity and 25 years of infrastructure exclusivity for supply to gas in East and West districts of Andhra Pradesh.

However, the rating is constrained on account of average financial risk profile, stretched liquidity position and below average debt protection metrics.

About the Company

Godavari Gas Private Limited (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 the districts of East Godavari and West Godavari in Andhra Pradesh. The directors of the company are Mr. Bhaskar Vijaya, Mr. Sreenivasa Rao Kota and Mr. Narasimhan Yuvaraj.

Unsupported Rating

Not Applicable

Analytical Approach

To arrive at rating, Acuité 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 the balance 26 percent. 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 APGDC and HPCL which provides strong operational support. Apart from this, both APGDC and HPCL have extended Letter of Comfort (LOC) for the borrowings of GGPL.

Improvement in operational performance, albeit decline in revenue

The company generated a revenue of Rs. 46.13 crore in FY2024 as against Rs. 57.68 crore in FY2023. The decline is attributable to reduction in the price of gas and also because of discontinuation of service to a major industrial consumer. This has led to a decline in the top line of the company in FY2024. On the other hand, there was an increase in the EBITA margin of the company. The EBITDA margin stood at 15.15 percent in FY2024 as against 12.41 percent in FY2023. Reduction in the material costs have led to improvement in the EBITDA margin of the company.

Descoping of Ongoing Project

The ongoing project of GGPL which was originally to be completed at a total cost of Rs.535 Cr, has been descoped to the tune of cost incurred as on March 31, 2024 i.e. Rs. 353 Cr. As per the revised scope, the commercial operation date of the project to be considered is August 01, 2024. The descoping has received lenders approval. As per the revised scope, the company is yet to incur another Rs. 7.16 Cr. towards additional capex which shall be funded by promoters. Thus, the revised cost of the project is trimmed to Rs. 360.53 Cr. The project is funded by debt of Rs.186.42 Cr. and balance by promoter funds. However, project approval on the revised scope from regulatory authority (PNGRB) is awaited.

Weaknesses

Average Financial Risk Profile

The financial risk profile of GGPL is average, marked by modest net worth, high gearing and below average debt protection indicators. The net worth of the company stood at Rs. 91.12 crore on March 31, 2024 as against Rs. 85.25 crore on March 31, 2023. Increase in net worth is marked by equity infusion by the promoters. The gearing albeit marginally improved, stands high at 2.06 times on March 31, 2024 as against 2.17 times on March 31, 2023. TOL/TNW stands at 2.86 times on March 31, 2024 as against 2.82 times on March 31, 2023.

The debt protection indicators are below average with both Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR) below unity. The ICR declined to 0.73 times on March 31, 2024 as against 1.08 times on March 31, 2023. The DSCR stood at 0.64 times on March 31, 2024 as against 0.84 times on March 31, 2023.

Rating Sensitivities

- Sustained and substantial improvement in the revenue and financial risk profile through addition of new connections.
- Timely completion of additional capex without further time and cost overruns

Liquidity Position **Stretched**

The company is expected to generate negative net cash accruals for the period FY2024-25. The gap in funding is estimated to be met by infusion of additional funds by its promoters in the form of equity. Also, the company does not have any maturing debt obligations till FY2027. Further, APGDC and HPCL have extended a 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 stronger than expected revenue growth along with positive net cash accruals. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the working capital cycle 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	46.13	57.68
PAT	Rs. Cr.	(6.53)	(3.81)
PAT Margin	(%)	(14.15)	(6.61)
Total Debt/Tangible Net Worth	Times	2.06	2.17
PBDIT/Interest	Times	0.73	1.08

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Nov 2023	Working Capital Demand Loan (WC DL)	Long Term	1.00	ACUITE C (Downgraded from ACUITE A- Stable)
	Term Loan	Long Term	175.00	ACUITE D (Downgraded from ACUITE A- Stable)
	Term Loan	Long Term	160.00	ACUITE D (Downgraded from ACUITE A- Stable)
	Bank Guarantee/Letter of Guarantee	Short Term	28.00	ACUITE D (Downgraded from ACUITE A2+)
	Bank Guarantee/Letter of Guarantee	Short Term	22.00	ACUITE D (Downgraded from ACUITE A2+)
	Bank Guarantee/Letter of Guarantee	Short Term	4.00	ACUITE A4 (Downgraded from ACUITE A2+)
21 Dec 2022	Stand By Line of Credit	Long Term	1.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	175.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	160.00	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	28.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	22.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	4.00	ACUITE A2+ (Reaffirmed)
23 Sep 2021	Bank Guarantee/Letter of Guarantee	Short Term	4.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	22.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	28.00	ACUITE A2+ (Reaffirmed)
	Term Loan	Long Term	160.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	175.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE A- Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	28.00	ACUITE A4+ Upgraded (from ACUITE D)
Canara Bank	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	22.00	ACUITE A4+ Upgraded (from ACUITE D)
Indusind Bank Ltd	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE A4+ Upgraded (from ACUITE A4)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	148.58	ACUITE BB Stable Upgraded (from ACUITE C)
Canara Bank	Not avl. / Not appl.	Term Loan	30 Mar 2017	Not avl. / Not appl.	30 Sep 2032	Simple	93.21	ACUITE BB Stable Upgraded (from ACUITE D)
Canara Bank	Not avl. / Not appl.	Term Loan	30 Mar 2017	Not avl. / Not appl.	30 Sep 2032	Simple	93.21	ACUITE BB Stable Upgraded (from ACUITE D)
Indusind Bank Ltd	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE BB Stable Upgraded (from ACUITE C)

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr. No.	Company Name
1	Godavari Gas Private Limited
2	Andhra Pradesh Gas Distribution Corporation Limited
3	Hindustan Petroleum Corporation Limited

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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