



Press Release
GODAVARI GAS PRIVATE LIMITED
April 10, 2025
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	336.00	ACUITE BBB- Stable Upgraded	-
Bank Loan Ratings	54.00	-	ACUITE A3 Upgraded
Total Outstanding Quantum (Rs. Cr)	390.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Erratum - This press release is to rectify an error with respect to equity infusion amount for Phase II which was incorrectly captured in 'About the company' section. The detailed review of the rating was communicated through press release dated March 18, 2025.

Rating Rationale

Acuite has upgraded the long term rating to ‘**ACUITE BBB-**’ (read as **ACUITE triple B minus**) from ‘**ACUITE BB**’ (read as **ACUITE double B**) and the short term rating to ‘**ACUITE A3**’ (read as **ACUITE A three**) from ‘**ACUITE A4+**’ (read as **ACUITE A four plus**) on the Rs. 390.00 Cr. bank facilities of Godavari Gas Private Limited (GGPL). The outlook is 'Stable'.

Rationale for upgrade

The rating upgrade takes into account the completion of curing period of 365 days of GGPL and the improvement in the operational performance of GGPL in 9M FY2025 from Phase 1 of the project. Further, the rating continue to reflect strong linkage with Andhra Pradesh Gas Distribution Corporation Limited and Hindustan Petroleum Corporation Limited which is also reflected through the periodic infusion of equity and issuance of letter of comfort by them to GGPL. 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 Godavari districts of Andhra Pradesh. However, the rating is constrained on account of implementation risk of Phase II of the project, leveraged financial risk profile and stretched liquidity position.

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 total cost of the project is estimated at Rs. 633.77 Cr. divided into two phases. Phase I of the project was completed in August 2024 at a cost of Rs. 360.53 Cr, funded through equity of Rs. 140.99 Cr, debt of Rs. 186.42 Cr. and operational creditors of Rs. 33.12 Cr. The construction of phase II of the project is currently under process, total cost of the project is estimated at Rs. 273.24 Cr. which will be funded through equity of Rs. 47.17 Cr. and debt of Rs. 226.07 Cr, expected completion for the same is September 2026. The directors of GGPL are Mr. Bhaskar Vijaya, Mr. Sreenivasa Rao Kota and Mr. Narasimhan

Yuvaraj.

Unsupported Rating

ACUITE BB/Stable

Analytical Approach

To arrive at rating, Acuité has considered the standalone business and financial risk profile of GGPL and factored in the strong operational and financial support including letter of comfort extended by Andhra Pradesh Gas Distribution Corporation Limited (APGDC) and Hindustan Petroleum Corporation Limited (HPCL). Further, the notch up is restricted to HPCL as APGDC is currently rated at Acuite BB+ (Issuer Non-Cooperating).

Key Rating Drivers

Strengths

Strong operational and financial support from promoters

GGPL is a joint venture between APGDC and HPCL with shareholding of 74 percent and 26 percent respectively. APGDCL and HPCL are owned by the state and central government (through subsidiaries) respectively. Additionally, GGPL has signed a five-year agreement ending in June 2026 with GAIL for purchase of natural gas at APM (Administered Pricing Mechanism) for domestic PNG and CNG (transport) and S1 Non APM price for commercial and industrial PNG supply. Further, GAIL is also the promoter of APGDCL. The promoters have supported GGPL as and when required through infusion of funds in the form of equity. The latest equity infusion of Rs. 29.08 Cr. by the promoters was done in Q3 FY2025 and further Rs. 47.17 Cr. worth equity infusion is expected by end of March 2025 or early FY2026. 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.

Therefore, this continued support from promoters is expected to improve the business & financial profile of the company and shall be a key rating sensitivity.

Improvement expected in operating performance on account of the addition of new clientele and capex completion

Post completion of Phase 1 in August 2024, at a total cost Rs. 360.53 Cr. (including some additional spends in Q3FY2025), the operating performance improved with increase in the commercial and industrial consumption. The company generated revenue of Rs. 58.70 Cr. for 9MFY2025 as against Rs. 46.13 Cr. in FY2024 and Rs. 57.68 Cr. in FY2023. The revenue is expected to improve further as there has been addition of new industrial consumers from February 2025 onwards. Additionally, with completion of the Phase II of the project by September 2026 the performance is expected to improve further on account of increasing connections. Further, the EBITDA margin of the firm has been also been improving for the past three years which stood at 17.48 percent for 9MFY2025 as against 15.15 percent in FY2024 and 12.41 percent in FY2023 on account of stabilisation of natural gas prices. Moreover, Acuite understands that in the near term the company shall focus on increasing its domestic PNG connections which shall yield them healthy margins.

Going forward, timely completion of capex along with addition of further connections leading to improvement in the revenue and profitability will be key rating sensitivity.

Positive outlook on CGD Sector with high entry barriers due to market and infrastructure exclusivity

Natural Gas is currently used in India for both domestic and industrial consumption. The gas consumption in the country is expected to increase significantly due to population growth, development and transition towards clean energy. The major industrial consumers of gas are fertilizers, refineries, petrochemicals and power generation. There are other industries including glass, ceramics and pharma units who also prefer to utilise gas as it is a more efficient and clean fuel. However, these industries are largely dependent on Naphtha and Fuel Oil (FO) due to slow infrastructure development. The Government of India (GoI) has taken various policy measures to promote the use of natural gas over other energy sources as it is more efficient and clean fuel. GoI has also mandated provision of entire domestic gas for domestic PNG and CNG segment. Further, Petroleum and Natural Gas Regulatory Board (PNGRB) has taken various initiatives to expedite the bidding and pre-approval procedures. Further, the State Pollution Control Board is encouraging the industry to switch from conventional fuel sources such as coal to natural gas. Acuite believes that the CGD segment is to sustain the growth in medium term on account of healthy offtake from end-use segments and government initiatives and players such as GGPL are expected to benefit from this growth.

Additionally, GGPL has 5 years of marketing and 25 years of infrastructure exclusivity for supply of gas in the East and West Godavari districts of Andhra Pradesh. This ensures that, no other player can enter the CGD business in the East and West Godavari region till the completion of the exclusivity. Post completion, other players may enter the space but the stringent policy frameworks, high costs and regulated procurement requirements for natural gas would act as entry barriers for the new players.

Weaknesses

Average financial risk profile

The financial risk profile of GGPL continues to remain average with modest networth, high gearing and moderate debt protection indicators. The tangible networth of GGPL stood at Rs. 91.12 Cr. on March 31, 2024 as against Rs. 85.25 Cr. on March 31, 2023 on account of infusion of funds by the promoters. This also reduced the gearing at 2.06 times on March 31, 2024 as against 2.17 times on March 31, 2023. However, the Debt-EBITDA level stood high at 25.25 times on March 31, 2024 as against 24.74 times on March 31, 2023 on account of decline in the absolute levels of EBITDA in FY2024. The debt protection indicators stood average with Interest Coverage Ratio (ICR) at 0.73 times and Debt Service Coverage Ratio (DSCR) at 0.64 times in FY2024. Currently, GGPL is servicing the interest on debt through the promoters funds due to insufficient funds from operations. Acuite expects the gearing of GGPL to remain high in the near to medium term considering the debt to be raised for Phase II of the project.

Implementation and funding risk

The construction of Phase II of the project is currently under progress. The total cost of the project is estimated at Rs. 273.24 Cr. which will be funded through equity of Rs. 47.17 Cr. and debt of Rs. 226.07 Cr. While the equity infusion is expected by end of March 2025 or early FY2026, the debt tie-up is still pending. Only once the debt tie-up is completed, further construction can commence. Therefore, significant funding risk remains, since the debt tie-up is pending. Also, historically the company has faced challenges in completion of Phase I due to unavailability of funds which delayed the operations.

Therefore, timely completion of the project and materialization of the same leading to generation of additional revenue will remain a key rating sensitivity.

Sensitivity to alternative fuel prices

The demand for natural gas is guided by the alternate fuel prices. The demand for natural gas in the commercial and industrial PNG segment is highly sensitive to the price of its alternate fuels such as coal, non-domestic LPG, furnace oil, pet coke and others. In the industrial segment, furnaces are designed for easy switch of fuel and during times of relatively higher gas prices, they easily shift to alternate fuels. There was a significant rise in the natural gas prices in FY2023 due to geo-political issues, leading to shift in the preference from natural gas to alternative fuels. Therefore, movement in the price of alternative fuel can significantly affect the demand for natural gas; positive as well as negative.

Assessment of Adequacy of Credit Enhancement under various scenarios including stress scenarios (applicable for ratings factoring specified support considerations with or without the “CE” suffix)

Support from APGDC and HPCL

GGPL is incorporated as a joint venture between APGDC and HPCL and the company has strategic importance as it is incorporated for supply of gas in East and West Godavari districts of Andhra Pradesh. Further, the promoters have also provided operational support in the form of natural gas supply tie ups and financial assistance in the form of equity infusion and letter of comfort to GGPL.

Stress case Scenario

Acuite believes that, the strong parentage and financial support from promoters shall enable GGPL to meet its debt obligations even in stress scenarios.

Rating Sensitivities

- Improvement in operating performance at sustainable margins
- Timely execution, completion and materialisation of the Phase II without any cost overruns
- Continued operational and financial support from promoters
- Any changes in sector regulations affecting the business of the company

Liquidity Position Stretched

The liquidity position of GGPL is stretched on account of generation of negative net cash accruals of Rs. (3.64) Cr. in FY2024. While GGPL does not have any repayment obligations till December 2026, currently, the interest on debt is being served through infusion of funds by the promoters. Further, APGDC and HPCL have extended letter of comfort for the borrowings of GGPL which provides additional comfort to its lenders. The promoters may also extend a LOC for the additional debt availed if required by the lenders.

Outlook: Stable

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

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

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>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>
- Public Finance - State Government Ratings: <https://www.acuite.in/view-rating-criteria-26.htm>
- Explicit Credit Enhancements: <https://www.acuite.in/view-rating-criteria-49.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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
09 Sep 2024	Bank Guarantee/Letter of Guarantee	Short Term	28.00	ACUITE A4+ (Upgraded from ACUITE D)
	Bank Guarantee/Letter of Guarantee	Short Term	22.00	ACUITE A4+ (Upgraded from ACUITE D)
	Bank Guarantee/Letter of Guarantee	Short Term	4.00	ACUITE A4+ (Upgraded from ACUITE D)
	Term Loan	Long Term	93.21	ACUITE BB Stable (Upgraded from ACUITE C)
	Term Loan	Long Term	93.21	ACUITE BB Stable (Upgraded from ACUITE C)
	Working Capital Demand Loan (WCDL)	Long Term	1.00	ACUITE BB Stable (Upgraded from ACUITE C)
	Proposed Long Term Bank Facility	Long Term	148.58	ACUITE BB Stable (Upgraded from ACUITE C)
30 Nov 2023	Bank Guarantee/Letter of Guarantee	Short Term	4.00	ACUITE A4 (Downgraded from ACUITE A2+)
	Working Capital Demand Loan (WCDL)	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+)
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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Canara Bank	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	28.00	Simple	ACUITE A3 Upgraded (from ACUITE A4+)
Canara Bank	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	22.00	Simple	ACUITE A3 Upgraded (from ACUITE A4+)
Indusind Bank Ltd	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.00	Simple	ACUITE A3 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.	148.58	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB)
Canara Bank	Not avl. / Not appl.	Term Loan	30 Mar 2017	Not avl. / Not appl.	30 Sep 2032	93.21	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB)
Canara Bank	Not avl. / Not appl.	Term Loan	30 Mar 2017	Not avl. / Not appl.	30 Sep 2032	93.21	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB)
Indusind Bank Ltd	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.00	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB)

*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

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