March 14, 2023

Mahanagar Gas Limited: Update on Material Event

Summary of rating(s) outstanding

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term non-fund based limits	465.00	465.00	[ICRA]AAA (Stable)
Long-term fund-based limits	80.00	80.00	[ICRA]AAA (Stable)
Short-term non-fund based limits	910.00	910.00	[ICRA]A1+
Short-term non-fund based limits (Sublimit)	(80.00)	(80.00)	[ICRA]A1+
Short-term fund-based limits	12.50	12.50	[ICRA]A1+
Short-term fund-based limits (Sublimit)	(2.00)	(2.00)	[ICRA]A1+
Long-term/Short-term - Unallocated limits	32.50	32.50	[ICRA]AAA (Stable)/[ICRA]A1+
Total	**1,500.00**	**1,500.00**	

**Instrument details are provided in Annexure-I*

Rationale

Material Event

On March 03, 2023, Mahanagar Gas Limited (MGL/the company) vide a press release had announced that Ashoka Buildcon Limited along with its co-shareholder, an investment fund managed by Morgan Stanley India Infrastructure, had signed a share purchase agreement (SPA) with the company to sell their 100% stake in Unison Enviro Private Limited (UEPL) [rated [ICRA]AA-(CE) (Stable)] for a consideration of Rs. 531 crore.

Impact of Material Event

The ratings for MGL remain unchanged as the acquisition is not expected to have a material impact on its credit profile, given the healthy liquidity position of the company. The acquisition is expected to enable MGL to expand to newer geographical areas in Maharashtra (Ratnagiri, Latur & Osmanabad) and Karnataka (Chitradurga & Davanagere). The completion of the transaction will be subject to approvals. ICRA will continue to monitor the developments in this regard and take appropriate rating action, if necessary.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position, rating sensitivities, and key financial indicators: Click here

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the City Gas Distribution companies
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financial profile of the company

About the company

Mahanagar Gas Limited (MGL) was incorporated in 1995 as a joint venture between GAIL (India) Limited (GAIL) and BG Asia Pacific Holdings Pte Limited (BGAPH) - a Royal Dutch Shell Plc subsidiary. Subsequently, the company was listed in June 2016, after which both GAIL and BGAPH's stake reduced to 32.5% each, with the remaining 35% stake being held by the public (of which 10% is with the state government of Maharashtra). Further, in August 2019, BGAPH sold its entire stake in the company. At present, GAIL is the only promoter in the company.

Over the past two decades, MGL has established a firm presence in the Greater Mumbai gas distribution business, where it is the dominant player. Its growth is primarily driven by the CNG business, which contributes 70-75% of its revenues at present. The company also supplies piped natural gas (PNG) to industrial, commercial, and residential segments. The company sources most of its gas requirements from GAIL, while a small part is bought from the spot market. MGL has put in place large plans to augment its gas distribution network in the existing Mumbai region and expand its network in the surrounding regions of Mumbai. The company currently operates in three geographical areas (GAs) — GA1, which includes the Greater Mumbai region; GA2, which includes expansion areas, such as Mira-Bhayander, Thane-Vashi-Belapur (TVB), Kharghar-Panvel-Taloja (KPT), Kalyan-Dombivli-Ambernath and Ulhasnagar (KD& AB); and GA3, which is the Raigad district (won by the company in 2015).

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2023)					Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	Amount outstanding as on Feb 29, 2020 (Rs. crore)	Date & rating in FY2023		Date & rating in FY2022		Date & rating in FY2021	Date & rating in FY2020
					March 14, 2023	September 23, 2022	March 04, 2022	September 30, 2021	September 21, 2020	June 06, 2019
1	Non-fund based limits	Long term	465.00	-	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)
2	Long-term fund based limits	Long term	80.00	-	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	-	-	-
3	Non-fund based limits	Short term	910.00	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
4	Short-term non-Fund based limits (Sublimit)	Short term	(80.00)	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	-	-	-
5	Short-term fund based limits	Short term	12.50	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	-	-	-
6	Short-term fund-based limits (Sublimit)	Short term	(2.00)	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	-	-	-
7	Long-term/Short-term -	Long term/	32.50	-	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	-	-	-

	Unallocated limits	Short term								
8	**Debt programme**	Long term	-	-	-	-	**[ICRA]AAA (Stable); reaffirmed and withdrawn**	**[ICRA]AAA (Stable)**	**[ICRA]AAA (Stable)**	**[ICRA]AAA (Stable)**

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term non-fund based limits	Very Simple
Long-term fund-based limits	Simple
Short-term non-fund based limits	Very Simple
Short-term non-fund based limits (Sublimit)	Very Simple
Short-term fund-based limits	Simple
Short-term fund-based limits (Sublimit)	Simple
Long-term/Short-term - Unallocated limits	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here]

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term non-fund based limits	NA	NA	NA	465.00	[ICRA]AAA (Stable)
NA	Long-term fund-based limits	NA	NA	NA	80.00	[ICRA]AAA (Stable)
NA	Short-term non-fund based limits	NA	NA	NA	910.00	[ICRA]A1+
NA	Short-term non-fund based limits (Sublimit)	NA	NA	NA	(80.00)	[ICRA]A1+
NA	Short-term fund-based limits	NA	NA	NA	12.50	[ICRA]A1+
NA	Short-term fund-based limits (Sublimit)	NA	NA	NA	(2.00)	[ICRA]A1+
NA	Long-term/Short-term unallocated limits	NA	NA	NA	32.50	[ICRA]AAA (Stable)/ [ICRA]A1+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis - NA

ANALYST CONTACTS

Sabyasachi Majumdar
+91 12 4454 5304
sabyasachi@icraindia.com

Prashant Vasisht
+91 12 4454 5322
prashant.vasisht@icraindia.com

Sai Krishna
+91 44 4596 4300
sai.krishna@icraindia.com

Kushal Shah
+91 79 4027 1527
kushal.shah@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches