July 30, 2025

GSPL India Gasnet Limited: Rating assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long-term fund based – Term loan	37.39	[ICRA]A rating watch with developing implications; assigned
Total	37.39	

Instrument details are provided in Annexure I

Rationale

The assigned rating favourably factors in the achievement of commercial operations in August 2024 for the Mehsana-Bhatinda pipeline (MBPL) as well as the presence of firm GTAs of around 7 mmscmd in place. The demand for natural gas is expected to grow in the coming years owing to the Government of India's (GoI) target to increase the share of natural gas in India's energy mix to 15% from around 6% at present. The city gas distribution (CGD) network is expected to contribute to this growth, as CNG and PNG connections grow under the Minimum Works Programme (MWP).

The rating also factors in the strong parentage of Gujarat State Petronet Ltd (GSPL; 52%), Indian Oil Corporation (IOC, 26%). Hindustan Petroleum Corporation Ltd (HPCL; 11%) and Bharat Petroleum Corporation Ltd (BPCL; 11%). The presence of a sponsor support undertaking (SSU) to ensure a debt service coverage ratio (DSCR) of 1x by either infusing equity, arranging for additional volumes, or providing advances for the volumes, provides comfort. Further, the promoters are present across the energy value chain and have also appointed directors on the board of GIGL, lending expertise to the venture. The overall financial profile is also supported by the 17-year long-term loan repayment period, which should assist the debt servicing as the operations gradually ramp up.

The rating has been put on watch with developing implications due to the ongoing merger of the parent group wherein Gujarat State Petronet Corporation Limited (GSPC), GSPL and GSPC Energy Limited are getting merged into Gujarat Gas Limited. Simultaneously, the gas transmission business will be demerged into a separate entity, GSPL Transmission Ltd (GTL). ICRA will monitor the developments related to this group-level business restructuring and resolve the rating watch as more clarity emerges.

The rating is, however, constrained by low capacity utilisation of the pipeline with volume flows of around 5 mmscmd at present. The volumes moderated in FY2025 vis-à-vis FY2024 as in FY2024 gas was supplied to IOC Panipat as an emergency measure due to the rupture of a competing spurline. In the absence of these volumes in FY2025, the throughput declined and lowered the profitability as well. Going forward, the volumes are expected to increase as the connections to HPCL Mittal Energy Ltd (HMEL) and National Fertilisers Limited (NFL) Bhatinda are completed. Further, while IOC Panipat has also started lifting gas through the MBPL pipeline, the volumes from this refinery will increase, post the capacity expansion. Moreover, HPCL's Rajasthan Refinery (HRRL) will also start to lift the gas, thereby providing a traction to the volumes, going forward. Further, the city gas distribution segment is expected to provide growth in volumes.

The capital-intensive nature of operations and the aggressively bid tariff for the pipeline is expected to keep the credit metrics modest in the near term and a successful ramp up in volumes will remain a key monitorable. There also remains regulatory risk owing to the highly regulated nature of the industry. This may result in the tariffs being adjusted by the Petroleum and Natural Gas Regulatory Board (PNGRB) to ensure a 12% post-tax return is achieved. ICRA also notes that the company would require gas flows of around 8-9 mmscmd to achieve a breakeven at the DSCR level and till that time the promoters will extend support according to the SSU. Further, around Rs. 81 crore of equity has been infused in the current fiscal and another Rs. 119 crore is proposed to be infused in the coming months.

Key rating drivers and their description

Credit strengths

Achievement of DCCO in August 2024 and expectations of increase in volumes – The company successfully achieved DCCO in August 2024 for 1,418 km of pipeline. The remaining portion was descoped and debt related to the same was subsequently surrendered. GIGL was able to achieve ~3.7 mmscmd of throughput in FY2025 and the same is expected to ramp up on the back of higher volumes from HRRL and NFL Bhatinda. Further, promoter customers like HMEL and IOC Panipat are also expected to aid in the volume ramp-up to support the venture.

Strong parentage in the form GSPL, IOCL, HPCL and BPCL; presence of SSU provides comfort – GIGL has a strong set of promoters, such as GSPL, which is the second-largest operator of natural gas transmission network in India, with presence mainly in the Gujarat region. IOCL possesses the largest crude refining capacity in the country with a market share of around 31%, along with a market share of ~42% in petroleum products as well as presence in the entire energy value chain. BPCL has the second-largest refining capacity and HPCL has the third-largest refining capacity in the country. The board of directors of GIGL comprises directors from the promoter entities, who lend their vast experience to the venture. Further, as per the SSU with the promoters, they will book additional capacity or advance amounts to the borrower to maintain a minimum DSCR of 1x. This will help support the overall credit metrics.

Long maturity of term loan provides cash flow support - The term loan for the project has a repayment tenor of approximately 17 years and the repayments have already started. This is expected to provide a longer runway for a volume ramp-up.

Healthy demand outlook for natural gas in the country – The demand for natural gas is expected to remain healthy in the country owing to the GoI target to achieve 15% natural gas in the overall energy mix by 2030. The consumption of natural gas has been increasing, with the share of imported LNG increasing as well. Demand from the CGD sector is expected to grow at 10-12% per annum, which will further support the throughput.

Credit challenges

Modest credit profile due to capex-intensive operations and aggressively bid tariff for the pipeline – The project has a debt-to-equity ratio of around 2.2x with total debt drawn worth Rs. 4,289 crore. Further, due to the lower volumes at present vis-à-vis the projections, the debt metrics will remain subdued until the volumes adequately ramp up. A timely support from the promoters, in the form of either equity or higher offtake, will remain a key monitorable. ICRA estimates that the company will require around 8-9 mmscmd volumes to be able to achieve a DSCR of 1x and this is expected to be achieved, going forward.

Highly regulated industry – The natural gas transmission industry is highly regulated, with tariffs determined to ensure a 12% post-tax equity IRR. This may result in the tariffs being adjusted by the PNGRB if the actual volumes differ from the projections. Further, multiple changes have been proposed in the unified tariff regime recently, such as the shift from a 3-zone tariff system to a 2-zone tariff system as well as CGDs having to pay zone 1 tariffs. These changes are not likely to have any material impact on the company's cash flows.

Liquidity position: Adequate

GIGL's liquidity position remains comfortable owing to timely equity infusions by promoters along with an adequate debt tie-up. GIGL held around Rs. 300 crore of cash as of May 2025 and is expected to receive an equity infusion of Rs. 119 crore in July 2025 to meet the shortfall in volumes as well as the capex proposed in the next 2-3 years.

Rating sensitivities

Positive factors – A successful ramping up of volumes and continuation of timely support from the promoters in the form volumes or equity infusion, leading to an improved credit profile could favour an upgrade.

Negative factors – A lower-than-expected throughput and delay in support from promoters, or a weakening in linkages with the promoters could cause a downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	JV partners GSPL, IOC, BPCL and HPCL. The rating takes into account the strength of the promoters. The sponsor support undertaking (SSU), which proposes to ensure a minimum DSCR of 1x, provides substantial comfort
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of GIGL

About the company

Established in 2011, GSPL India Gasnet Ltd is a joint venture of Gujarat State Petronet Ltd (52%), Indian Oil Corporation Ltd (26%), Bharat Petroleum Corporation Ltd (11%) and Hindustan Petroleum Corporation Ltd (11%). GIGL is primarily engaged in the transmission of natural gas through pipelines with a total pipeline length of around 1,400 km, including Mehsana (Gujarat)-Bhatinda (Punjab) and Bhatinda (Punjab)-Gurdaspur (Punjab). The total outlay for the project is around Rs. 6,240 crore, financed through a debt of Rs. 4,289 crore and the remaining through equity, taking the debt-to-equity ratio to around 2.2x.

Key financial indicators (audited)

GIGL (standalone)	FY2024	FY2025
Operating income	365.5	239.7
PAT	- 139.3	- 265.3
OPBDIT/OI	84.9%	73.3%
PAT/OI	-38.1%	-110.7%
Total outside liabilities/Tangible net worth (times)	2.0	2.5
Total debt/OPBDIT (times)	12.2	23.9
Interest coverage (times)	1.0	0.5

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore
PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	July 30, 2025	Date	Rating	Date	Rating	Date	Rating
Fund based - Term loan	Long term	37.39	[ICRA]A rating watch with developing implications	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund based – Term loan	Simple

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	**Term loan**	May 24, 2017	8.70%	September 30, 2041	37.39	[ICRA]A; rating watch with developing implications

Source: Company

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

Annexure II: List of entities considered for consolidated analysis – Not applicable

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