

June 27, 2025

## GAIL (India) Limited: Rating action for bank lines and commercial paper

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term/Short term fund based non-fund based	2,800.00	2,386.00	[ICRA]AAA (Stable)/[ICRA]A1+; reaffirmed
Long term - Term loans	3,000.00	3,000.00	[ICRA]AAA (Stable); reaffirmed
Long term/Short term – Unallocated	1,200.00	1,614.00	[ICRA]AAA (Stable)/[ICRA]A1+; reaffirmed
Long term/Short-term bank lines – Unallocated#	4,000.00	0.00	[ICRA]AAA (Stable)/[ICRA]A1+; reaffirmed and withdrawn
Commercial paper#	4,000.00	0.00	[ICRA]A1+; reaffirmed and withdrawn
<b>Total</b>	<b>11,000.00</b>	<b>7,000.00</b>	

\*Instrument details are provided in Annexure I; # The total amount outstanding against the rated bank lines and the commercial paper programme is fully interchangeable and will not exceed Rs. 4,000 crore. For the amount allocated to the short-term limits, a rating of [ICRA]A1+ will be applicable. For the limits rated on the long-term scale, a rating of [ICRA]AAA (Stable) will be applicable. For limits rated on both the long term/short term scale, a rating of [ICRA]AAA(Stable)/[ICRA]A1+ will be applicable

### Rationale

The ratings reflect GAIL's leadership position in the natural gas transmission segment and its sizeable portfolio of gas marketing, resulting in healthy profitability and cash accruals. Favourable demand prospects for natural gas in India and GAIL's downstream integration into petrochemicals and liquefied petroleum gas (LPG) also support the ratings. ICRA notes that GAIL's gas transmission volumes are likely to witness a steady increase with the expansion of the city gas distribution network and the organic growth of industries along its pipelines. The transmission volumes are further supported by the completion of a few pipelines and the commencement of commercial operations of some LNG terminals. The cash flows in the marketing segment are also expected to remain healthy, driven by the back-to-back nature of a large number of contracts and a steady expansion of the marketing portfolio. The ratings take into account GAIL's strong financial position and the strength derived from its significant sovereign ownership.

The ratings factor in the concerns related to regulatory uncertainty over natural gas pipeline tariffs, although the implementation of a unified tariff regime moderates this to some extent. The company expects the tariffs for its integrated pipeline to increase, which will expand the margins in the transmission segment, though this remains a monitorable. The ratings also consider the dependence of the marketing margins on international indices of crude and gas, as well as the gas availability in some new pipeline projects and the risks arising from its large contingent liabilities. The ratings also factor in the commodity price risks for the petrochemical and LPG segments.

In FY2025, the profitability improved owing to higher weighted average tariffs and volumes in the gas transmission and marketing segments. Going forward, GAIL's profitability is expected to remain healthy with increased transmission volumes and sustenance of marketing margins. ICRA notes that the company is undertaking sizeable capex to expand its pipeline network and petrochemical capacity, which is likely to increase the debt levels. However, the coverage and leverage metrics will remain comfortable.

The Stable outlook on the long-term rating reflects ICRA's opinion that GAIL will continue to benefit from its leadership position in the natural gas transmission segment and its strategic importance to the Government of India (GoI). Moreover, the company is expected to continue generating healthy cash flows, going forward.

## Key rating drivers and their description

### Credit strengths

**Leadership position in natural gas transmission; high entry barriers in sector** - GAIL enjoys a dominant position in the natural gas transmission business with a market share of around ~70%, catered to by its large pipeline network covering more than ~16,400 kilometres (km). The setting up of pipelines requires large investments and navigating a complex regulatory framework. As a result, the entry barriers in the natural gas transmission business remain high.

**Regulated returns in pipelines ensure stable cash generation** – GAIL's dominant market share in the transmission segment and the regulated returns on the capital employed (RoCE) have resulted in healthy profitability and stable cash generation. As a result, the profitability in the natural gas transmission segment remains healthy.

**Favourable demand growth for natural gas in India** - The GoI's focus on increasing the share of natural gas in the overall energy mix of the country to 15.0% from 6.5% at present has resulted in the Government taking several steps to increase natural gas consumption. The increase in regasified LNG (R-LNG) consumption can be attributed mainly to the implementation of the gas pooling mechanism in the fertiliser sector, which has increased the sector's ability to uptake LNG. Going forward, the demand for natural gas is expected to remain healthy, driven by city gas distribution (CGD) and a few refineries coming up in eastern India.

**Downstream integration benefits from petrochemicals and LPG** - GAIL has diversified into downstream sectors such as the manufacturing of petrochemicals and LPG to diversify its revenue stream and utilise its ability to source natural gas efficiently. The LPG segment has been aiding its profitability and maintaining healthy segmental contribution. The petrochemical segment's profitability has been under pressure owing to a supply glut. Going forward, with the commissioning of the polypropylene projects by GAIL, the downstream integration will improve further, and the incremental supply is expected to be absorbed by the demand in the country.

**Strong financial risk profile** - GAIL's financial risk profile is characterised by healthy profitability and strong cash accruals, resulting in comfortable debt metrics and capital structure. In FY2025, GAIL's profitability remained healthy owing to improved capacity utilisation, along with higher weighted average tariffs and volumes in gas transmission. GAIL's profitability was also supported by the one-time gain of ~Rs. 2,400 crore as part of the settlement received against SEFE. Further, GAIL's profitability is expected to remain healthy with the growth in transmission volumes.

**Exceptional financial flexibility from sovereign ownership, market leadership position and robust cash accruals** - GAIL enjoys exceptional financial flexibility, given its stable cash accruals, large sovereign ownership, strategic importance to the GoI and established relationship with the investors and capital markets. As a result, the company can access the capital markets at a short notice to secure funds from the lending community at attractive rates.

### Credit challenges

**Risks related to LNG sourcing and high capex intensity** - In December 2011, GAIL signed an agreement to import 3.5 million metric tonnes per annum (MMTPA) of LNG from Cheniere Energy's Sabine Pass LNG plant in the US for a period of 20 years. GAIL has another 2.3-MMTPA contract to liquefy gas at the Cove Point terminal in the US. Recently, GAIL has also contracted volumes with Qatar Energy among others. The pricing formula for these contracts is linked to the HH index (the benchmark natural gas price in the US), exposing the marketing margins to fluctuations in pricing. In a sustained low crude oil price scenario, GAIL may encounter profitability pressure on the marketing of LNG. However, this is mitigated in part, owing to the back-to-back nature of some of these contracts. Further, the sale of US LNG remains profitable for the company at present, and GAIL has a demonstrated track record of overcoming such challenges in the past.

Additionally, GAIL is expected to incur annual capex of Rs. 10,000-11,000 crore across various segments, which is partially expected to be financed by debt. While this could put some pressure on the debt metrics, the overall financial profile is expected to remain comfortable owing to the steady accruals.

**Commodity price risks associated with petrochemicals, LPG and liquid hydrocarbon (LHC) businesses** —The petrochemical, LPG and LHC segments are exposed to commodity price risk as sustained low crude oil prices result in low realisations for petroleum products. The petrochemical segment witnessed improvement in FY2025 and FY2024 after muted production in FY2023 owing to lower capacity utilisation following the pressure on gas availability. The gas availability has improved, although the realisations for petrochemicals are likely to continue facing headwinds, exerting pressure on the segment's profitability.

## Environmental and social risks

ICRA notes that natural gas is a relatively clean source of energy and has lower carbon emissions. GAIL has set a Net Zero target by 2035 for scope 1 and 2. This will be done in multiple phases, starting with replacement of internal gas consumption. In May 2024, GAIL commissioned a 10-MW hydrogen-plant based on PEM electrolyser at its Vijaipur location for internal consumption. For renewable power generation, GAIL has a 135-MW portfolio of which 118 MW is wind and 17 MW is solar. There are plans to increase this capacity to 1.7 GW by 2030. The company is setting up CBG plants across the country.

## Liquidity position: Strong

GAIL's liquidity position is strong, given the healthy cash accruals, unutilised fund-based limits and the ability to access capital markets at highly competitive rates for fund requirements. With the internal cash generation expected to be more than adequate to meet the near-term debt repayments and margin funding for the capex programme, the liquidity position of the company is expected to remain strong. The company also had cash and bank balances of around Rs. 2,700 crore as on March 31, 2025.

## Rating sensitivities

**Positive factors** – Not applicable

**Negative factors** – Pressure on GAIL's ratings could arise if the linkage with the GoI weakens, or if there is a materially large debt-funded capex/acquisition, or if the profitability deteriorates, adversely impacting the credit profile.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Policy On Withdrawal Of Credit Rating</a>
Parent/Group support	<b>Parent: Government of India</b> The ratings factor in the parentage of the GoI and its strategic importance to the parent, given that the company helps meet the energy needs of the country and has the largest pipeline network in the country
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of GAIL (India) Limited. The scale of operations of the consolidated entity is not materially different from the scale of operations of the standalone entity. As a result, the standalone credit profile remains the primary rating driver

## About the company

GAIL (India) Limited (GAIL), incorporated in 1984, has over the years evolved as an integrated natural gas company, with presence in transmission, gas processing and downstream petrochemicals (which use natural gas as a primary input).

GAIL also has interests in the liquefied natural gas (LNG) business through Petronet LNG Ltd. (PLL) and Konkan LNG Private Limited (KLPL, LNG terminal asset demerged from Ratnagiri Gas & Power Limited), and in city gas distribution projects both in India through Mahanagar Gas Ltd. (MGL), and Indraprastha Gas Ltd. (IGL) and overseas (Natgas and Fayum Gas in Egypt). Among these projects, GAIL's most significant interest lies in Petronet LNG and Konkan LNG Private. In PLL, apart from being an equity investor and a major transmitter of gas, GAIL has undertaken to market 60% of the R-LNG through a long-term take-or-pay contract from the Dahej terminal and 30% of the volumes from the Kochi terminal. GAIL also has stakes in the exploration and production of hydrocarbons. GAIL has wholly-owned subsidiaries in Singapore and the US for expanding its presence outside India in LNG, petrochemical trading and shale gas assets.

#### Key financial indicators (audited)

GAIL Consolidated	FY2024	FY2025
Operating income	133228.5	141903.5
PAT	8220.7	10959.6
OPBDIT/OI (%)	10.8%	10.9%
PAT/OI (%)	6.2%	7.7%
Total outside liabilities/Tangible net worth (times)	0.6	0.6
Total debt/OPBDIT (times)	1.5	1.4
Interest coverage (times)	19.9	20.6

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

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	FY2026			FY2025		FY2024		FY2023	
	Type	Amount rated (Rs. crore)	June 27, 2025	Date	Rating	Date	Rating	Date	Rating
Commercial paper#	Long term/Short term	0.00	[ICRA]A1+; reaffirmed and withdrawn	28-Jun-2024	[ICRA]AAA (Stable)/[ICRA]A1+	16-Jun-2023	[ICRA]AAA (Stable)/[ICRA]A1+	26-Jul-2022	[ICRA]AAA (Stable)/[ICRA]A1+
Non fund based	Long term/Short term	2,386.00	[ICRA]AAA (Stable)/[ICRA]A1+	28-Jun-2024	[ICRA]AAA (Stable)/[ICRA]A1+	16-Jun-2023	[ICRA]AAA (Stable)/[ICRA]A1+	26-Jul-2022	[ICRA]AAA (Stable)/[ICRA]A1+
Unallocated	Long term/Short term	1,614.00	[ICRA]AAA (Stable)/[ICRA]A1+	28-Jun-2024	[ICRA]AAA (Stable)/[ICRA]A1+	16-Jun-2023	[ICRA]AAA (Stable)/[ICRA]A1+	26-Jul-2022	[ICRA]AAA (Stable)/[ICRA]A1+
Fund-based - Term loan-	Long term	3,000.00	[ICRA]AAA (Stable)	28-Jun-2024	[ICRA]AAA (Stable)	16-Jun-2023	[ICRA]AAA (Stable)	26-Jul-2022	[ICRA]AAA (Stable)
Bank lines	Long term/Short term	-	-	-	-	-	-	26-Jul-2022	[ICRA]AAA (Stable)/[ICRA]A1+
Bank lines - Unallocated #	Long term/Short term	-	[ICRA]AAA (Stable)/[ICRA]A1+; reaffirmed and withdrawn	28-Jun-2024	[ICRA]AAA (Stable)/[ICRA]A1+	16-Jun-2023	[ICRA]AAA (Stable)/[ICRA]A1+	26-Jul-2022	[ICRA]AAA (Stable)/[ICRA]A1+

# The total amount outstanding against the rated bank lines and the commercial paper programme is fully interchangeable and will not exceed Rs. 4,000 crore. For the amount allocated to the short-term limits, a rating of [ICRA]A1+ will be applicable. For the limits rated on the long-term scale, a rating of [ICRA]AAA (Stable) will be applicable. For limits rated on both the long term/short term scale, a rating of [ICRA]AAA(Stable)/[ICRA]A1+ will be applicable

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term/Short term fund based non-fund based	Simple
Term loans	Simple
Long term/Short term – Unallocated	Not applicable
Long term/Short term bank lines - Unallocated	Not applicable
Commercial paper	Very 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	Long term/Short term - Fund based/Non-fund based	-	-	-	2,386.00	[ICRA]AAA (Stable)/[ICRA]A1+
NA	Term loans	FY2022-23	-	FY2026	3,000.00	[ICRA]AAA (Stable)
NA	Long term/Short term - Unallocated #	-	-	-	1,614.00	[ICRA]AAA (Stable)/[ICRA]A1+
NA	Long term/Short-term bank lines – Unallocated	-	-	-	4,000.00	[ICRA]AAA (Stable)/[ICRA]A1+; reaffirmed and withdrawn
Unplaced	Commercial paper#	-	-	-	4,000.00	[ICRA]A1+; reaffirmed and withdrawn

Source: Company; # The total amount outstanding against the rated bank lines and the commercial paper programme is fully interchangeable and will not exceed Rs. 4,000 crore. For the amount allocated to the short-term limits, a rating of [ICRA]A1+ will be applicable. For the limits rated on the long-term scale, a rating of [ICRA]AAA (Stable) will be applicable. For limits rated on both the long term/short term scale, a rating of [ICRA]AAA(Stable)/[ICRA]A1+ will be applicable

[Please click here to view details of lender-wise facilities rated by ICRA](#)

## Annexure II: List of entities considered for consolidated analysis

Company name	GAIL's ownership	Consolidation approach
GAIL Gas Limited	100.00%	Full consolidation
GAIL Global (USA) Inc.	100.00%	Full consolidation
GAIL Global Singapore Pte. Ltd.	100.00%	Full consolidation
Tripura Natural Gas Limited	48.98%	Equity method
Bengal Gas Company Limited	88.13%	Full consolidation
Konkan LNG Limited	93.50%	Full consolidation
Avantika Gas Limited	49.99%	Equity method
Bhagyanagar Gas Limited	47.51%	Equity method
Maharashtra Natural Gas Limited	22.50%	Equity method
Central UP Gas Ltd.	25.00%	Equity method
Green Gas Ltd.	49.97%	Equity method
Indradhanush Gas Grid Ltd	20.00%	Equity method
Talcher Fertilizers Limited	33.33%	Equity method
Vadodara Gas Limited	50.00%	Equity method
Tapi Pipelines Company Ltd	5.00%	Equity method
Mahanagar Gas Limited	32.50%	Equity method
Indraprastha Gas Limited	22.50%	Equity method
Petronet LNG Ltd.	12.50%	Equity method
Brahmaputra Crackers and Polymers Ltd.	70.00%	Full consolidation
ONGC Petro Additions Ltd.	4.19%	Equity method
Ramagundam Fertilizers and Chemicals Limited	14.30%	Equity method
Fayum Gas	19.00%	Equity method
China Gas Holdings Ltd.	2.76%	Equity method

Company name	GAIL's ownership	Consolidation approach
ONGC Tripura Power Company Ltd	26.00%	Equity method
Bharat Energy Office LLC	20.00%	Equity method

Source: GAIL

## ANALYST CONTACTS

**Girishkumar Kadam**  
+91 22 6114 3441  
[girishkumar@icraindia.com](mailto:girishkumar@icraindia.com)

**Prashant Vasisht**  
+91 124 4545 322  
[prashant.vasisht@icraindia.com](mailto:prashant.vasisht@icraindia.com)

**Ankit Jain**  
+91 124 4545 865  
[ankit.jain@icraindia.com](mailto:ankit.jain@icraindia.com)

**Sahaj Gugliani**  
+91 124 4545 865  
[sahaj.gugliani@icraindia.com](mailto:sahaj.gugliani@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**  
+91 22 6114 3406  
[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)  
[info@icraindia.com](mailto:info@icraindia.com)

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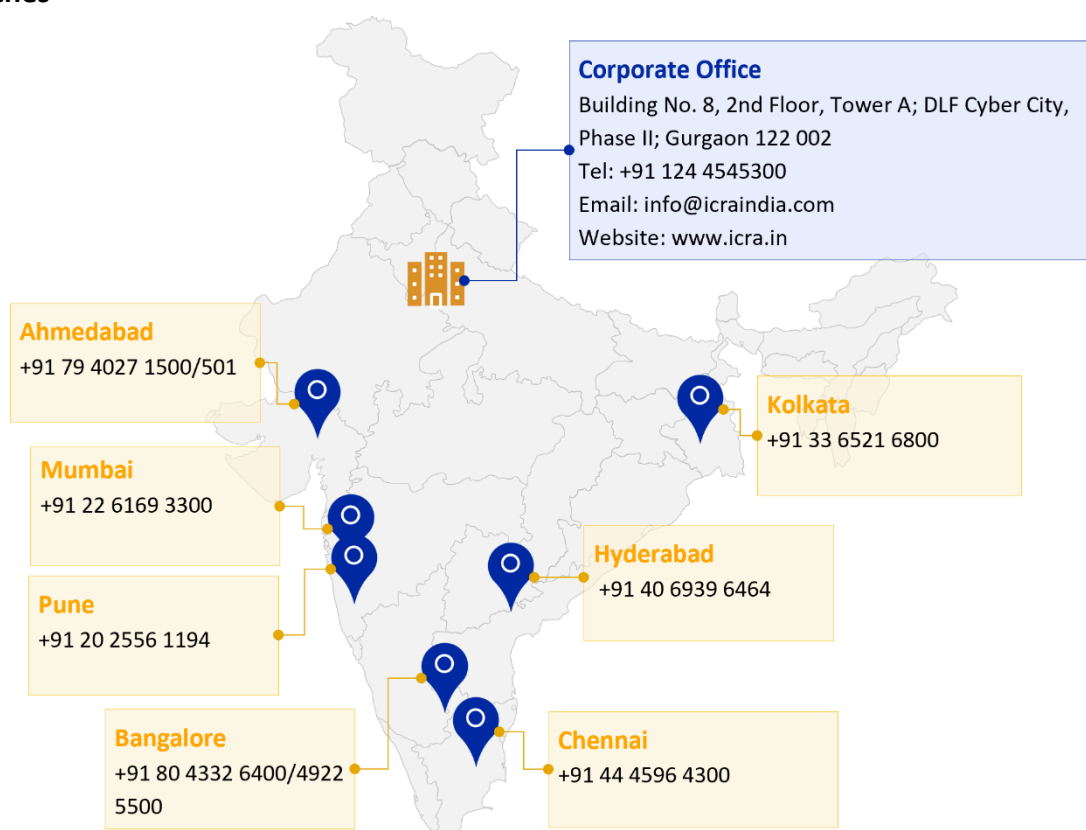
### Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



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