August 27, 2025

.Haryana City Gas Distribution (Bhiwadi) Limited: Ratings upgraded

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term fund based - Term loan	62.67	33.97	[ICRA]BBB+ (Stable); rating upgraded from [ICRA] BBB (Stable)
Long term/Short term – Fund-based facilities	1.83	0.89	[ICRA]BBB+ (Stable)/[ICRA]A2; rating upgraded from [ICRA]BBB(Stable)/[ICRA]A3+
Long term fund based - Cash credit	6.50	6.50	[ICRA]BBB+ (Stable); rating upgraded from [ICRA] BBB (Stable)
Long term/Short term - Non-fund based facilities	45.00	45.00	[ICRA]BBB+ (Stable)/[ICRA]A2; rating upgraded from [ICRA]BBB(Stable)/[ICRA]A3+
Total	**116.00**	**86.36**	

**Instrument details are provided in Annexure I*

Rationale

The upgrade in the ratings of Haryana City Gas Distribution (Bhiwadi) Limited (HCGDBL) factors in the continued volume growth in the industrial piped natural gas (PNG) segment as more industrial users switch to natural gas along with the addition of new industries in Bhiwadi. The company also operates CNG stations and supplies gas to retail customers (domestic PNG). The daily sales run rate averaged at 2,08,229 scm/day for FY2025, and this is expected to increase at a consistent pace as additional customers start gas offtake. While the operating margins fell in FY2025 on account of the additional discounts being provided to commercial customers to prevent them from shifting to alternative fuels, the margins remain healthy. The margins are likely to continue to be at similar levels, going forward, with the increase in volumes and expectations of steady gas prices. The overall financial profile strengthened with an improvement in the leverage and coverage metrics and the trend is likely to continue.

The ratings continue to factor in HCGDBL's network exclusivity as the city gas distributor in Bhiwadi for a period of 25 years (expiring in 2043). Moreover, the Bhiwadi geographical area (GA) comprises a high proportion of industrial users and there has been a consistent increase in gas consumption, even as competition exists from alternative fuels.

However, the ratings remain constrained by the company's exposure to regulatory risks associated with CGDs. While HCGDBL has not been able to meet its minimum works programme (MWP) for domestic household connections, the MWP has been met for CNG stations and pipeline, as specified by the Petroleum and Natural Gas Regulatory Board (PNGRB). Any adverse impact of the trend on the company's performance or any adverse step taken by the PNGRB remains to be seen.

ICRA also notes that the Group is expanding into a new GA (Puducherry) through a separate entity and any sizeable outflow from HCGDBL to SKN Haryana in the form of ICDs will be a key monitorable.

The ratings are also constrained by high customer concentration with the top 5 customers comprising ~31% of the gross sales. ICRA also notes that there was a legal dispute involving the sister concerns - Haryana City Gas Distribution Limited (HCGDL) and Indraprastha Gas Limited (IGL) - in the Gurgaon GA. The issue has been largely settled and Gurgaon has been divided into two separate GAs and HCGDL and IGL have each been allotted one GA. The ratings also factor in the competition from alternative fuels which impact the consumption of PNG in an adverse price scenario.

The Stable outlook on the long-term rating reflects ICRA's opinion that HCGDBL's credit profile is likely to remain comfortable with the increase in volumes, translating into improved profit generation.

Key rating drivers and their description

Credit strengths

Favourable demand growth outlook for both PNG and CNG segments – ICRA expects demand for industrial PNG to grow as the ban on unclean fuels has prompted many industries with high value addition to voluntarily switch to these fuels for their own benefit. Also, the low level of CNG penetration, continued regulatory push to commercial vehicles and the favourable economics for private vehicles are some of the factors driving growth in the CNG segment. However, for the GA in which the company operates – Bhiwadi, the environmental restrictions are not very strict and in case PNG becomes expensive, some customers tend to switch to alternative fuels.

Exclusive position in Bhiwadi CGD – HCGDBL has received authorisation from the PNGRB for networking exclusivity in the Bhiwadi region for 25 years (expiring in 2043). Moreover, in the light of delays due to Covid-19, the regulatory board has extended the marketing exclusivity and the milestone completion timeline till September 2025.

Healthy growth in industrial PNG volumes– The company has reported a significant increase in volumes, especially in the industrial PNG segment in the past, as the Bhiwadi geographical area (GA) has a high proportion of industrial users. These volumes are expected to increase, going forward, as more industries shift to gas.

Consistent improvement in financial risk profile – The cash generation has improved with the increase in volumes and scale of operations, resulting in better coverage indicators. Despite a debt-funded capex planned in the current fiscal to open an additional CNG unit and laying a pipeline, the leverage and coverage metrics are expected to remain comfortable, going forward.

Credit challenges

Exposure to regulatory risks – HCGDBL is susceptible to regulatory risks associated with CGDs. However, ICRA notes that, at present, the company has a five-year marketing exclusivity and a 25-year network exclusivity, as per its agreement with the PNGRB. There was a legal dispute involving sister entity HCGDL and Indraprastha Gas Limited (IGL) in the Gurgaon GA, which has been settled recently and Gurgaon has been divided into two separate GAs, and HCGDL and IGL have each been allotted one GA.

Lower domestic PNG connections than minimum work programme requirements – The company has not met the yearly target set by the PNGRB as it is lagging behind in the number of domestic connections required, which exposes it to regulatory risks. Any adverse impact of the same on the company's performance or any adverse step taken by the PNGRB remains to be seen.

Customer concentration risks– HCG's top 5 customers comprise ~31% of the gross sales. Nonetheless, ICRA notes that the company has been acquiring new customers gradually.

Support to Group entities remains a monitorable – The Group is expanding its CGD activities in a new GA in Puducherry under a separate entity. Any material support to this entity and ICDs to SKN Haryana which might impact the company's liquidity position will remain a key monitorable.

Liquidity position: Adequate

HCGDBL's liquidity position is adequate, driven by healthy cash flow generation and availability of cushion in the fund-based limits. The company had liquidity in form of free cash of ~Rs. 12.8 crore as on March 31, 2025 and the liquidity is expected to be comfortable amid healthy cash generation from business and no major capex requirements.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if HCG demonstrates a significant increase in its scale, along with a diversification of the customer base while maintaining healthy profitability metrics and liquidity position.

Negative factors – The ratings can be revised in case of a significant decline in OI and profitability, or if a sizeable debt-funded capex moderates the debt metrics. Further, any loans and advances extended to Group companies, which impact its liquidity position materially, can also weigh on the ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology City Gas Distribution
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

HCGDL was established in 2000 by Mr. Satish Chopra to bid for the licence for the distribution of natural gas in the domestic, commercial, industrial and transport sectors at Bhiwadi in Rajasthan. On August 1, 2018, the Petroleum and Natural Gas Regulatory Board (PNGRB) had issued grant of authorisation to lay, build, operate and expand the CGD network for the Bhiwadi geographical area (GA). According to the management, the company received a no-objection certificate from the Rajasthan government in 2009 to supply piped natural gas (PNG) and compressed natural gas (CNG) to consumers in the region. However, the PNGRB granted the authorisation in 2018. After receiving the grant, the company submitted a performance bond of Rs 4.0 crore to the PNGRB. Further, the company has signed an agreement for the supply of gas from GAIL. The market exclusivity for the region is for five years, starting August 2018.

Key financial indicators (audited)

	FY2024	FY2025*
Operating income	359.4	404.2
PAT	30.6	31.0
OPBDIT/OI	15.4%	13.6%
PAT/OI	8.5%	7.7%
Total outside liabilities/Tangible net worth (times)	1.3	0.7
Total debt/OPBDIT (times)	1.1	0.5
Interest coverage (times)	8.6	10.6

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore*

PAT: Profit after tax; OPBDIT: 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	
	Type	Amount rated (Rs crore)	August 27, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term loan	Long term	33.97	[ICRA]BBB+ (Stable)	**September 17, 2024**	[ICRA]BBB (Stable)	**Oct 03, 2023**	[ICRA]BBB- (Stable)	**Jul 03, 2023**	[ICRA]BBB- (Stable)	**Jul 19, 2022**	[ICRA]BB+ (Stable)
Cash credit	Long term	6.50	[ICRA]BBB+ (Stable)	**September 17, 2024**	[ICRA]BBB (Stable)	**Oct 03, 2023**	[ICRA]BBB- (Stable)	**Jul 03, 2023**	[ICRA]BBB- (Stable)	**Jul 19, 2022**	[ICRA]BB+ (Stable)
Non-fund based facilities	Long term/ Short Term	45.00	[ICRA]BBB+ (Stable)/ [ICRA]A2	**September 17, 2024**	[ICRA]BBB (Stable)/[ICRA]A3+	**Oct 03, 2023**	[ICRA]BBB- (Stable)/ [ICRA] A3	**Jul 03, 2023**	[ICRA]BBB- (Stable)/ [ICRA] A3	-	-
Unallocated	Long term	-	-			**Oct 03, 2023**	-	**Jul 03, 2023**	[ICRA]BBB- (Stable)	-	-
Fund based facilities	Long term/ Short Term	0.89	[ICRA]BBB+ (Stable)/ [ICRA]A2	**September 17, 2024**	[ICRA]BBB (Stable)/[ICRA]A3+	**Oct 03, 2023**	[ICRA]BBB- (Stable)/ [ICRA]A3	-	-	-	-
Non fund based - Bank guarantee	Long term	-				-	-	-	-	**Jul 19, 2022**	[ICRA]BB+ (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term fund based - Term loan	Simple
Long term/Short term – Fund-based facilities	Simple
Long term fund based - Cash credit	Simple
Long term/Short term - Non-fund based facilities	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	**Term loan**	2018-2023	9-10%	2025-2028	33.97	[ICRA]BBB+ (Stable)
NA	**Cash credit**	NA	NA	NA	6.50	[ICRA]BBB+ (Stable)
NA	**Non-fund based facilities**	NA	NA	NA	45.00	[ICRA]BBB+ (Stable)/[ICRA]A2
NA	**Fund based facilities**	NA	NA	NA	0.89	[ICRA]BBB+ (Stable)/[ICRA]A2

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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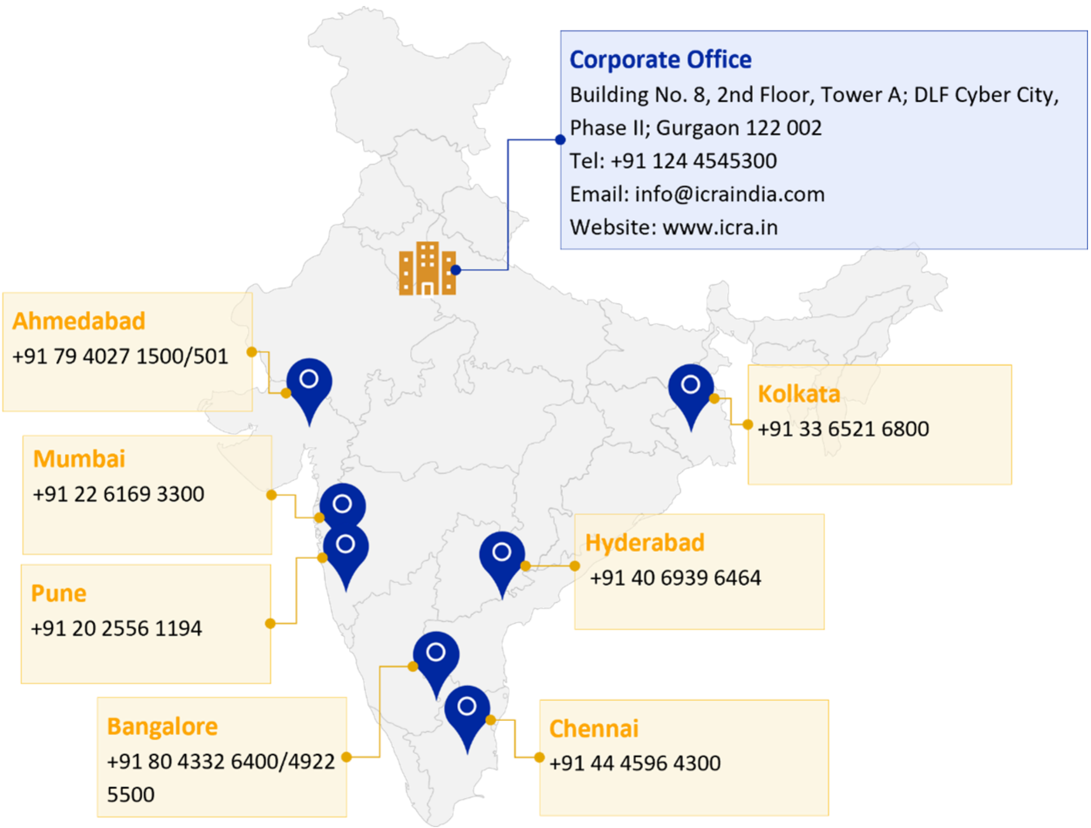

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