

October 13, 2025

Sabarmati Gas Limited: Long-term rating reaffirmed; short-term rating assigned

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term - Fund based - Cash credit	19.00	19.00	[ICRA]AA(Stable); reaffirmed
Long term - Non-fund based – Others	361.00	361.00	[ICRA]AA(Stable); reaffirmed
Short term – Interchangeable – Others – Sublimit	0.00	(361.00)	[ICRA] A1+; assigned
Total	380.00	380.00	

*Instrument details are provided in Annexure-I

Rationale

The ratings assigned to the bank lines of Sabarmati Gas Limited (SGL) factor in the operational benefits derived from its strong parentage, with Bharat Petroleum Corporation Limited {BPCL, rated [ICRA]AAA (Stable)} and Gujarat State Petroleum Corporation (GSPC) as the main promoters. The ratings continue to draw comfort from SGL's strong financial risk profile, characterised by healthy cash generation, nil debt levels and robust liquidity. The increasing contribution of compressed natural gas (CNG) in the total sales volumes also provides comfort, which will aid the profitability, going forward.

ICRA notes that the profitability on the sale of CNG has moderated vis-à-vis the earlier levels post the de-allocation of the administered price mechanism (APM) gas since October 2024, though the overall volume growth in the segment continues to be healthy. Hence, the overall cash generation is expected to remain healthy and adequate to fund the shareholder payout and capex requirements. Therefore, the overall credit profile will remain stable, characterised by nil debt and sizeable free cash balances.

Although SGL's marketing exclusivity had expired in most districts in October 2014, ICRA expects the company to continue to have a dominant market share because of its first-mover advantage and established network. In addition, significant entry barriers exist for third-party marketers due to (i) issues with securing gas at competitive prices and (ii) the regulated returns (at 21% pre-tax RoCE) to be paid by third parties to SGL through network tariffs and compression charges because of the physical exclusivity in place (25 years starting from 2009). The rating also factors in SGL's gas sourcing arrangements which ensure adequate gas availability for meeting its gas requirements for the near to medium term, keeping the reliance on spot LNG lower.

The ratings are constrained by the competitive risk from third-party marketers as the marketing exclusivity of the company in its GAs has expired. Additionally, the profitability remains exposed to the volatility between alternative fuels and natural gas prices in the CNG as well as the PNG segments, which can impact the overall margins as the company needs to price its products in a manner that they remain competitive against alternative fuels.

The Stable outlook reflects ICRA's expectations of a favourable demand outlook for CNG.

Key rating drivers and their description

Credit strengths

Operational benefits of strong parentage - BPCL holds a 49.94% stake in SGL, while GSPC (22.47%) and Gujarat State Petronet Limited (GSPL, 27.47%) together form a consortium holding ~49.94% stake. The parent companies are dominant players in the oil and gas sector, with extensive understanding and interest in the domestic gas business. SGL has benefitted from its parentage in terms of sourcing long-term LNG contracts as well as getting access to the tapping points in GSPC's pipeline network.

Diversified business portfolio with rising CNG contribution - Over the last few years, the company's sales mix has transformed, with CNG now contributing a major share to the revenue. The contribution of PNG (industrial) in the overall sales mix has reduced to 33% in FY2025 (against 60-70% a decade ago). Conversely, CNG's contribution has grown steadily, accounting for 60% of the total sales volume in FY2025 (against 25-30% a decade ago). SGL's sales volume grew 6.5% YoY, rising to 1.32 mmscmd in FY2025 from 1.24 mmscmd in FY2024, supported by healthy volume growth from CNG and PNG (I). Going forward, CNG sales are expected to remain the main driver of volume growth amid increasing registrations of CNG vehicles in the GA.

Long-term tie-up for gas sourcing ensures uninterrupted supply - SGL has largely secured its R-LNG requirement by entering into long-term contracts with BPCL and GSPC. These long-term take-or-pay contracts cover its entire PNG requirement for the industrial and commercial segments, assuring uninterrupted supply. For the CNG and PNG(d) segments, SGL receives domestic APM gas. Any shortfall in the gas allocation is met through gas available under term LNG contracts and spot LNG/high-pressure high temperature (HPHT) gas purchased through the Indian Gas Exchange (IGX). Growing sales volumes and lower availability of APM gas pushed up SGL's dependence on spot LNG sharply in FY2025. To avoid such a scenario, SGL has entered into fresh term LNG contracts with its promoter entities i.e. GSPC and BPCL. The tenor of the new contracts ranges from 5 years to 13 years and is adequate to meet the gas requirements of the company in the foreseeable future.

Healthy financial risk profile - SGL continues to register healthy profitability, benefitting from the increased contribution from the higher-margin CNG and PNG (d) in the overall sales mix. Although the operating profit moderated in FY2025 due to a decline in the contribution margins, this was primarily driven by reduced profitability from the sale of PNG (I) and CNG owing to the increased reliance on spot LNG. Going forward, the growth in CNG sales, coupled with a stable natural gas pricing environment and secure gas procurement arrangements, is expected to support the operating profitability. Further, healthy cash accruals and no outstanding external debt obligations as on March 31, 2025 and no major capex plans will keep the credit profile healthy.

Credit challenges

Operations exposed to changes in spread between CNG/PNG and alternative fuel prices - For the PNG (industrial) segment, consumer preference for the fuel depends on the available spread between natural gas and alternative fuels. Hence, a narrowing price differential with alternative fuels could impact the overall demand growth. While CNG remains competitive against auto fuels, the competitiveness has narrowed down over the last few years as the incremental availability of APM gas has moderated. Going forward, the company will have to maintain a fine balance between ensuring adequate profitability on the segment while maintaining adequate competitiveness over alternative fuels in the CNG segment as well as keeping the volume offtake healthy.

Competitive risks from third-party marketers following expiry of marketing exclusivity - After the expiry of the marketing exclusivity in SGL's key geographical areas in October 2014, the company remains exposed to competition from third-party marketers. However, ICRA notes that significant entry barriers exist for these marketers. These include the payment of network tariffs and compression charges on regulated assets to SGL during the physical exclusivity period (25 years starting from 2009), which accounts for a sizeable portion of the overall margin. Also, there are challenges in securing gas supplies at competitive

rates, operational issues related to setting up and managing retail operations (billing, collection and metering along with after-sales/repair-related services), and unattractive returns in case of low sales volumes.

Liquidity position: Strong

SGL's liquidity position is expected to remain strong on expectations of healthy cash flow from operations of around Rs. 330 crore per annum, low working capital intensity of operations, no debt repayments and limited capex programme, which are to be funded using internal accruals. The company had liquid cash and investments of Rs. 975.8 crore as on March 31, 2025 and unutilised cash credit limit of Rs. 19.0 crore as on March 31, 2025 which keeps the liquidity strong.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if SGL demonstrates a significant increase in gas sales volume while maintaining healthy gross contributions along with a robust liquidity on a sustained basis.

Negative factors – Pressure on the ratings can arise from a significant drop in the gross contribution or/and gas sales volumes and/or a sizeable debt-funded capex, resulting in weakening of the leverage and coverage metrics.

Analytical approach

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

About the company

SGL was incorporated on June 6, 2006, by BPCL along with GSPC/GSPL to operate the CGD business in the five northern Gujarat districts of Gandhinagar, Aravalli, Mehsana, Sabarkantha and Patan. Before the formation of the joint venture (JV), BPCL independently carried on the CGD business in these districts. After the JV formation, BPCL ceased its own CGD operations in these districts and transferred the assets to SGL. BPCL and the GSPC-GSPL conglomerate each hold a 49.94% stake, while the remaining 0.12% stake is held by 12 individual shareholders. SGL retails CNG and PNG across various sectors, including industrial, domestic, commercial and transportation.

Key financial indicators (audited)

SGL Standalone	FY2024	FY2025
Operating income	2,133.5	2,382.5
PAT	303.0	280.5
OPBDIT/OI	19.1%	14.8%
PAT/OI	14.2%	11.8%
Total outside liabilities/Tangible net worth (times)	0.3	0.3
Total debt/OPBDIT (times)	0.01	0.01
Interest coverage (times)	131.3	168.7

Source: Company, ICRA Research; 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					
		FY2026		FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Oct 13, 2025	Date	Rating	Date	Rating	Date	Rating
Long term fund based - CC	Long term	19.00	[ICRA]AA (Stable)	30-July-2024	[ICRA]AA (Stable)	19-May-2023	[ICRA]AA (Stable)	-	-
Long term Non-fund based	Long term	361.00	[ICRA]AA (Stable)	30-July-2024	[ICRA]AA (Stable)	19-May-2023	[ICRA]AA (Stable)	-	-
Unallocated limits	Long term/ Short term	-	-	30-July-2024	-	19-May-2023	[ICRA]A1+ reaffirmed & withdrawn	-	-
Interchangeable – Others	Short term	(361.00)	[ICRA] A1+	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term fund based – CC	Simple
Long term non-fund based	Very simple
Short term – Interchangeable – Others	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 fund based - CC	NA	NA	NA	19.00	[ICRA]AA (Stable)
NA	Long term non-fund based	NA	NA	NA	361.00	[ICRA]AA (Stable)
NA	Short term – Interchangeable – Others	NA	NA	NA	(361.00)	[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 - Not Applicable

ANALYST CONTACTS

Girishkumar Kadam

+91 22 6114 3441

girishkumar@icraindia.com

Prashant Vasisht

+91 124 4545 322

Prashant.vasisht@icraindia.com

Varun Gogia

+91 124 4545 319

varun.gogia1@icraindia.com

Meet Mehta

+91 916 7258 505

meet.mehta@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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



© Copyright, 2025 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.