March 17, 2025

Petronet LNG Limited: Ratings reaffirmed and assigned for enhanced amount for bank facilities; rating reaffirmed for issuer rating

Summary of rating action

Instrument*	Previous rated amount (Rs. Crore)	Current rated amount (Rs. Crore)	Rating action
Long-term limits- Fund-based limits – Cash credit	1,000.00	2800.00	[ICRA]AAA (Stable); reaffirmed and assigned for enhanced amount
Short-term limits- Non-fund based – Others	10,840.59	11,790.59	[ICRA]A1+; reaffirmed and assigned for enhanced amount
Long term/Short-term limits fund based/Non-fund based limits - Others	159.41	409.41	[ICRA]AAA (Stable)/[ICRA]A1+; reaffirmed and assigned for enhanced amount
Issuer rating	-	-	[ICRA]AAA (Stable); reaffirmed
Total	**12,000.00**	**15,000.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating reaffirmation factors in Petronet LNG Limited's (PLL) favourable business risk profile, its robust contractual structure which addresses critical risks in existing regasification operations and new projects, and the company's demonstrated track record in running regasification operations profitably. The ratings also factor in PLL's superior financial flexibility because of its strong parentage and no external debt on its books at present. Further, the company has a healthy liquidity position with cash and investments of more than Rs. 9,000 crore as on September 30, 2024. These factors, coupled with a healthy profit generation, translate into robust debt protection metrics (interest coverage of 20.34 times for 9M FY2025).

The ratings also factor in the enhanced visibility of PLL's cash flows, considering the 15.75-MMTPA agreements (on either 'take or pay' or 'use or pay' basis) signed with strong counterparties for its Dahej terminal. The utilisation of the Dahej terminal improved to ~96% in FY2024 and ~100% in 9M FY2025 owing to moderate spot LNG prices and a healthy demand. The capacity utilisation of the Dahej terminal is likely to remain healthy as LNG prices are expected to remain range-bound over the medium term. The capacity utilisation of the Kochi terminal, however, continues to be low at around 20%, even after the commencement of the Kochi-Mangalore pipeline. The capacity utilisation of the Kochi terminal is expected to ramp up to 30-35% with the expected completion of the Bengaluru leg of the pipeline in Q1FY2026. Post connection to the National Gas Grid, the utilisation could inch up further, which will not only support the cash flow and improve the return indicators but also diversify the cash flow across two assets.

The ratings also factor in the competition to natural gas from alternative fuels like hydrogen and electricity (for electric vehicles); however, these alternative sources are likely to take a very long time to materially impact gas consumption. Further, the company remains exposed to competition from other terminals, which are likely to be commissioned in the near to medium term, although PLL's Dahej terminal continues to be one of the most competitive as it has one of the lowest regasification charges and a better infrastructure.

ICRA also notes that the company is incurring capex to construct an additional jetty at the Dahej terminal, along with the expansion of the capacity to 22.5 MMTPA. The company also plans to set up a petrochemical facility which is expected to be commissioned by November 2027. However, the implementation of these capex plans is likely to moderate the on-book cash balances and might also result in reliance on debt, in addition to exposing the company to commodity price risks. However, it is not likely to materially impact the leverage metrics.

The Stable outlook on the long-term rating reflects ICRA's opinion that PLL will continue to benefit from a healthy demand outlook for LNG and the agreements in place for most of the capacities with strong counterparties, which ensure steady cash flow generation and will keep its credit profile comfortable.

Key rating drivers and their description

Credit strengths

Robust contractual structure addresses critical risks in business – PLL's volumes have been tied up under long-term sales agreements and 'use or pay' tolling agreements with strong counterparties for the Dahej plant. The terms and conditions of the sales purchase agreements with the offtakers are co-terminus with that of the supply purchase agreements with the R-LNG supplier (QatarEnergy formerly known as RasLaffan Liquefied Natural Gas Co Ltd, Qatar). These agreements pass on the price risks to the offtakers and ensure the offtake of minimum contracted quantities or use of minimum contracted capacity.

Favourable medium-term outlook for R-LNG demand – The demand growth is expected to accelerate on the back of strong GDP growth, expanding infrastructure, rising domestic production and a supportive policy environment.

Sale agreements offer healthy revenue visibility – The company has an agreement with QatarEnergy for 7.50-MMTPA gas from its Dahej terminal and with Exxon Mobil for 1.425 MMTPA gas from the Kochi terminal. Besides, PLL regasifies LNG procured through medium-term contracts and spot cargoes for direct sales to customers. At present, 15.75-MMTPA capacity has been tied up under long-term sales agreements and 'use or pay' tolling agreements with strong counterparties for the Dahej plant, out of a total capacity of 17.5 MMTPA which provides visibility to the cash flows.

Comfortable financial profile – The financial risk profile remains comfortable with no external debt and healthy profitability. The company's revenue remained flattish in 9M FY2025 over 9M FY2024. PLL has booked Rs. 1,666.25 crore as use or pay (UoP) charges over the last 3 years (CY2021 - Rs. 360.94 crore, CY2022 - Rs. 695.31 crore and CY2023 - Rs. 610 crore). During Q3FY2025, PLL booked around Rs. 117 crore towards UoP charges for CY 2024, arising out of lower capacity utilisation by a customer. The external debt on the company's books remains extremely low (only lease liabilities), resulting in a robust capital structure and healthy debt protection metrics.

Healthy liquidity and financial flexibility from strong parentage – PLL's liquidity profile remains strong, characterised by cash and investments of more than Rs. 9,000 crore as of September 2024. This, along with the strong parentage of the four oil & gas PSUs viz. ONGC, GAIL, IOCL and BPCL, provides exceptional financial flexibility. The four PSUs - ONGC {rated [ICRA]AAA(Stable)/[ICRA]A1+}, GAIL {rated [ICRA]AAA(Stable)/[ICRA]A1+}, IOCL {rated [ICRA]AAA(Stable)/[ICRA]A1+} and BPCL {rated [ICRA]AAA(Stable)} - have 12.50% equity stake each in PLL.

Credit challenges

Low-capacity utilisation of Kochi terminal and competition from other terminals – The utilisation levels for the Kochi terminal continue to be low. The capacity utilisation of the terminal has not increased, as expected, despite the commencement of the Kochi-Mangalore pipeline. However, at a standalone level, the Kochi terminal is profitable. The completion of the Kochi-Bengaluru leg of the pipeline (expected in Q1 FY2026) is likely to increase the Kochi terminal's capacity utilisation, going forward.

Project-related risks for petrochemical project – The company's board approved the setting up of a petrochemical project with a capacity of 750 KTPA of propane dehydrogenation (PDH) & 500 KTPA of polypropylene (PP) plant, including a propane and ethane handling facility at Dahej at an estimated cost of Rs. 20,685 crore, which is likely to take around three years. The funding of the capex is likely to be done through a mix of existing cash, internal accruals and debt. This project, along with other capex plans, might increase the reliance on debt. Moreover, the capex plan exposes the company to project as well as commodity risks once the project becomes operational.

Environmental and social risks

PLL is moderately exposed to the risks of tightening regulations on environment and safety. However, it has been compliant with environmental regulations, enabling it to mitigate the regulatory risks by demonstrating a sound operational track record and ensuring regulatory compliance. PLL is not as exposed to carbon transition risk as other oil and gas companies as it is engaged in the business of LNG re-gasification which is less susceptible to carbon transition relative to crude oil. Further, it deals with natural gas, which is a cleaner form of fuel compared to other fossil fuels. The company is installing rooftop mounted solar panels at the Dahej and Kochi terminals to reduce the carbon footprint. Further, it has also optimised its operations, thereby resulting in improving energy efficiency at both the terminals. PLL also has been working towards water conservation.

Liquidity position: Superior

The liquidity position of PLL is expected to remain superior owing to the large cash and cash equivalents of more than Rs. 9,000 crore as of September 2024 and nil external debt as on date. Despite the planned capex and dividend outflow, the liquidity is expected to continue to be healthy.

Rating sensitivities

Positive factors – Not applicable.

Negative factors – The ratings could be downgraded if any sizeable debt-funded capex or large dividends impact the credit metrics and/or the liquidity position.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the consolidated financial statements of PLL

About the company

Petronet LNG Limited (PLL) is promoted by four PSU oil & gas companies - ONGC, GAIL, IOCL and BPCL - with each having a 12.50% equity stake, with the rest being held by institutional investors and the general public. PLL had commissioned a 5-MMTPA LNG regasification plant at Dahej, Gujarat, in April 2004 which was expanded to 10 MMTPA in July 2009 and to 15 MMTPA in October 2016. The operations of the company are governed by the provisions of a series of agreements such as a supply purchase agreement (SPA) with QatarEnergy, a time charter agreement (TCA) with Mitsui OSK consortium, a port operations service agreement (POSA), gas supply purchase agreements (GSPA) with the offtakers and a payment security mechanism.

PLL sources LNG from QatarEnergy, under the 25-year SPA valid till 2028and renewed the existing SPA with QatarEnergy for another 20 years, extending the term from 2028 to 2048. For transporting the LNG to its plant, PLL has entered into a TCA with the Mitsui consortium, which has deployed three dedicated LNG ships for the company. The 7.5-MMTPA long-term committed R-LNG from the Dahej plant is sold to GAIL, IOCL & BPCL in a ratio 60:30:10, through the GSPA. The terms and conditions of the GSPA are materially co-terminus with that of the SPA. A GSPA of 1.425 MMTPA (as amended from time to time) was entered in 2010 with BPCL, IOCL and GAIL in the ratio of 40:30:30, respectively, with validity till 2035.

The company also has an agreement with ONGC Limited for the extraction of higher hydrocarbons from imported LNG which is replenished through LNG sourced on long-term/short-term/spot basis and is valid till 2028. This contract is for a volume of up to 0.973 MMTPA. Additionally, the company had tied up a 'use or pay' tolling agreement for 8.25 MMTPA consists of 2.5 MMTPA with GAIL (India) Ltd. (GAIL), 1.5 MMTPA with Indian Oil Corporation Ltd. Indian Oil Corporation Ltd. (IOCL), 1 MMTPA with Bharat Petroleum Corporation Ltd. (BPCL) and 2.25 MMTPA with Gujarat State Petroleum Corporation (GSPC) and 1 MMTPA with Torrent Power. The offtakers have 'take or pay' liabilities to PLL and the latter has 'supply or pay' liabilities to the offtakers.

PLL commissioned a 5-MMTPA greenfield regasification terminal at Kochi in September 2013. The company has an SPA of 1.425 MMTPA with Exxon Mobil for its Kochi terminal and has a GSPA with the offtakers for the same quantity on a materially back-to-back basis. Besides, the company expanded the capacity of its Dahej terminal from 15 MMTPA to 17.5 MMTPA (Dahej Phase IIIB1 project), which was commissioned in June 2019.

Key financial indicators (audited)

Petronet LNG Limited	FY2023	FY2024	9M FY2025
Operating income	59,899.4	52,728.4	38,663.8
PAT	3,239.9	3,536.2	2,856.2
OPBDIT/OI	8.6%	10.0%	10.4%
PAT/OI	5%	7%	7%
Total outside liabilities/Tangible net worth (times)	0.5	0.5	-
Total debt/OPBDIT (times)	0.6	0.6	-
Interest coverage (times)	15.6	18.1	20.3

*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 (FY2025)			Chronology of rating history for the past 3 years							
				FY2025		FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Mar 17, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Cash credit	Long term	2800.00	[ICRA]AAA (Stable)	May 14, 2024	[ICRA]AAA (Stable)	-	-	Mar 17, 2023	[ICRA]AAA (Stable)	Mar 25, 2022	[ICRA]AAA (Stable)
Non-Fund based – Others	Short term	11,790.59	[ICRA]A1+	May 14, 2024	[ICRA]A1+	-	-	Mar 17, 2023	[ICRA]A1+	Mar 25, 2022	[ICRA]A1+
Fund-based/Non-fund based limits - Others	Long term/ Short term	409.41	[ICRA]AAA (Stable)/ [ICRA]A1+	May 14, 2024	[ICRA]AAA (Stable)/ [ICRA]A1+	-	-	Mar 17, 2023	[ICRA]AAA (Stable)/ [ICRA]A1+	Mar 25, 2022	[ICRA]AAA (Stable)/ [ICRA]A1+
Issuer rating	Long term	-	[ICRA]AAA (Stable)	May 14, 2024	[ICRA]AAA (Stable)	-	-	Mar 17, 2023	[ICRA]AAA (Stable)	Mar 25, 2022	[ICRA]AAA (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term limits- Fund-based limits – Cash credit	Simple
Short-term limits- Non-fund based – Others	Very Simple
Long term/Short-term limits fund-based/Non-fund based limits - Others	Simple
Issuer rating	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 limits-Fund-based limits – Cash credit**	NA	NA	NA	2800.00	[ICRA]AAA (Stable)
NA	**Short-term limits-Non-fund based – Others**	NA	NA	NA	11,790.59	[ICRA]A1+
NA	**Long term/Short term limits fund based/Non-fund-based limits - Others**	NA	NA	NA	409.41	[ICRA]AAA (Stable)/ [ICRA]A1+
NA	**Issuer rating**	NA	NA	NA	-	[ICRA]AAA (Stable)

Source: Company

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

Annexure II: List of entities considered for consolidated analysis

Company name	ownership	Consolidation approach
Petronet LNG Foundation	100.00%	Full consolidation
Petronet Energy Limited	100.00%	Full consolidation
Petronet LNG Singapore Pte. Ltd.	100.00%	Full consolidation
Adani Petronet (Dahej) Port Limited	26.00%	Equity Method
India LNG Transport Company (No. 4) Private Limited	26.00%	Equity Method

Source: Annual report FY2024

ANALYST CONTACTS

Girishkumar Kadam
+91 22 6114 3441
girishkumar@icraindia.com

Prashant Vasisht
+91 124 4545 322
prashant.vasisht@icraindia.com

Ankit Jain
+91 124 4545 865
ankit.jain@icraindia.com

Himani Sanghvi
+91 79 6923 3048
himani.sanghvi@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

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ICRA Limited

Registered Office

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

Branches