April 09, 2025

Pipeline Infrastructure Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Short term – Non-fund based facilities	400.00	400.00	[ICRA]A1+; reaffirmed
Total	**400.00**	**400.00**	

**Instrument details are provided in Annexure I*

Rationale

The reaffirmation of the rating for the bank facilities of Pipeline Infrastructure Limited (PIL) continues to factor in the strong business linkages between PIL and Reliance Industries Limited (RIL; rated [ICRA]AAA (Stable)/[ICRA]A1+) in the form of a 20-year pipeline usage agreement (PUA), which ensures contracted capacity payments. The PUA guarantees a specified revenue for the pipeline, ensuring a steady and assured cash flow stream visibility for PIL and a comfortable and assured DSCR. This arrangement also shields PIL from revenue fluctuations that may arise due to changes in gas volume or tariff variations. PIL owns and operates a cross-country 1,480-km pipeline, extending from Kakinada (Andhra Pradesh) to Bharuch (Gujarat), and is the sole pipeline which connects the gas-producing eastern coast to the western coast of India.

The rating also factors in the parentage of Energy Infrastructure Trust (EIT), which is an infrastructure trust promoted by Brookfield Corporation. The rating favourably factors in PIL's strategic positioning within India's gas transportation landscape.

The rating further takes into account PIL's gas transportation agreements (GTAs) with reputed clients across various industries. ICRA notes that there has been a steady improvement in the volumes transported by PIL to 35.34 mmscmd in 9M FY2025 from 23.68 mmscmd in FY2023; the volumes are expected to be in similar lines, going forward. Further, the revenues and cash flows are supported by the pipeline being used by the other operators for parking natural gas.

While the PUA ensures contracted capacity payment from RIL in case of a shortfall in volumes, there also exists an upside-sharing mechanism after covering for all the costs, debt servicing requirements and capex commitments. ICRA expects the loan-to-value (LTV) of the consolidated InvIT to witness a steady increase from the current levels because of the upside-sharing mechanism, though the LTV expected to remain comfortable and within regulatory norms. ICRA also notes the refinancing risk on the external NCDs at maturity, though this is mitigated by the exceptional financial flexibility that PIL enjoys.

Key rating drivers and their description

Credit strengths

Strategic location of PIL's pipeline for gas transportation - PIL, with a length of 1,480 km, is the sole pipeline connecting the eastern coast of India to the western coast. The pipeline is critical for transporting gas from the Krishna-Godavari basin to the customers and ensures the availability of natural gas to the markets in east and west India and to consumers along the route. PIL has connectivity with pipelines of other operators such as GAIL and GSPL, which provides delivery of gas to other parts of India. Being the only major pipeline at the KG basin where a large amount of gas is produced, PIL is of significant importance for companies sourcing gas.

PUA with RIL assures steady cash flows; GTAs with reputed clients - PIL and RIL have signed a PUA, enabling RIL to reserve transportation, storage or other capacities in the pipeline, for 20 years, starting March 22, 2019. As per the PUA, during the contract tenure, RIL has agreed to pay the contracted capacity payments (CCPs) determined for four blocks of five years each towards the annual contracted capacity, irrespective of whether it uses the assigned capacity of the pipeline. The CCPs have been arrived at by taking into cognisance the operational expenses, capex and the debt servicing requirements of PIL.

Cash flow assurance amid regulatory nature of business - The transportation of gas through pipeline is regulated by the Petroleum and Natural Gas Regulatory Board (PNGRB), which has floated rules determining the tariffs for the transportation of natural gas. The PNGRB reviews the eligible tariffs at five-year intervals and the revised tariff is applied prospectively. At present, a unified tariff regime has been implemented from April 01, 2023, as per which the tariffs are divided into three categories depending on the distance 0-300 km, 300-1,200 km and more than 1,200 km. Any differential revenue from eligible tariff vs unified tariff is settled as deficit or surplus. The blended tariff for PIL comes at around Rs. 80/mmbtu.

Comfortable financial risk profile - According to the PUA, net CCP payments are received in the first week of the quarter while the coupon payment on the external NCDs is due towards the end of the quarter, thereby providing ample time buffer between the cash flow realisation and debt repayment. This lends additional support to the financial risk profile. Moreover, the cash flows are devised in such a way that the debt repayments can be managed with comfortable DSCR levels.

Credit challenges

Refinancing risk – PIL has refinanced debentures of Rs. 6,452 crore, which will be repaid with bullet payments in March 2027 (Rs. 1,000 crore), March 2028 (Rs. 1,000 crore) and March 2029 (Rs. 4,452 crore). The interest rate on the debenture is 7.96% p.a., which is lower than the earlier NCD rates of 8.9508%. There is no DSRA requirement in the new NCD. Moreover, these NCDs are expected to be largely refinanced at maturity. However, by having a residual PUA tenor of at least 10 years, the refinancing risk remains for the NCDs. However, the risk gets mitigated to some extent owing to a strong and established sponsor.

Liquidity position: Strong

PIL's strong liquidity position is backed by the assured cash flows under the PUA with RIL, which will ensure timely servicing of the debt obligations. PIL generally maintains free cash and cash equivalents of more than Rs. 500 crore at all times, which renders liquidity support.

Rating sensitivities

Positive factors – Not Applicable

Negative factors – The rating could be revised downwards if there are any significant delays in the receipt of quarterly contracted capacity payments (CCPs) from RIL. Further, a weakening of the credit risk profiles of RIL or EIT can trigger a downward rating revision.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology]
Parent/Group support	ICRA factors in the parentage of Energy Infrastructure Trust while assigning the rating for PIL. ICRA expects the Trust to support PIL in a situation of distress
Consolidation/Standalone	For arriving at the rating, ICRA has considered the standalone financials of PIL

About the company

PIL (formerly Pipeline Infrastructure Private Limited) was incorporated in April 2018. It is an SPV, held entirely by Energy Infrastructure Trust. Earlier, PIL was a wholly owned subsidiary of Reliance Industries Holding Pvt Ltd (RIHPL), in which the pipeline housed under East West Pipeline Limited (EWPL) had been transferred.

In March 2019, Canada-based Brookfield Corporation's Energy Infrastructure Trust (an InvIT) acquired RIL's EWPL for around Rs. 13,000 crore. The InvIT holds 100% equity interest in PIL, which currently owns and operates the pipeline.

Key financial indicators (Audited)

PIL	FY2023	FY2024
Operating income	2,744.0	3,666.4
PAT	501.0	-239.1
OPBDIT/OI	74.9%	60.0%
PAT/OI	18.3%	-6.5%
Total outside liabilities/Tangible net worth (times)	37.9	105.1
Total debt/OPBDIT (times)	6.1	5.7
Interest coverage (times)	1.7	1.9

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

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years							
	Type	Amount rated (Rs. crore)	09-Apr-2025	FY2026		FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Non-fund based facilities	Short term	400.00	[ICRA]A1+	-	-	-	-	31-Mar-2024	[ICRA]A1+	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
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	**Non-fund based facilities**	NA	NA	NA	400.00	[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 12 44554 5322
parshant.vasisht@icraindia.com

Ankit Jain
+91 12 4454 5865
ankit.jain@icraindia.com

Saurabh Parikh
+91 22 6169 3300
saurabh.parikh@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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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