



Sabarmati Gas Limited

Instrument	Amount Rated	Rating Action
Term Loans	Rs. 113.42 Cr. (Reduced from Rs. 119.67 Cr.)	Upgraded to [ICRA]AA- (Stable)
Long Term Fund based limits	Rs. 30.0 Cr.	Upgraded to [ICRA]AA- (Stable)
Short Term Non-Fund based limits	Rs. 145.0 Cr.	[ICRA]A1+ reaffirmed

ICRA has upgraded the long-term rating assigned to the Rs. 143.42 crores* (reduced from Rs. 149.67 crores) long-term fund based/ term loan facility of Sabarmati Gas Limited (SGL)[†] to [ICRA]AA- (pronounced ICRA double A minus) from [ICRA]A+ (pronounced ICRA A plus). The outlook on the long term rating is 'Stable'. ICRA has also reaffirmed the short-term rating assigned to the Rs. 145.0 crores short term non-fund based limits of SGL at [ICRA]A1+ (pronounced ICRA A one plus).

The rating upgrade takes into account the improvement in the overall financial risk profile of SGL following the significant improvement in contribution margins, profitability, return metrics as well capital structure registered by SGL in FY15. The business and financial risk profile of the company improved on account of allocation of cheaper domestic gas for CNG and PNG-domestic segments as well as pass on of the price increases to its customers by undertaking frequent price revisions for the PNG-industrial and commercial segments. The upgrade also takes into account the pricing freedom for SGL going forward with the elimination of regulatory risks post the Honorable Supreme Court's judgement on the PNGRB vs. Indraprastha Gas Limited (IGL) case on July 1, 2015. Going forward, ICRA expects the company's margins to remain healthy, albeit at lower levels as compared to FY15, even while overall sales volumes may remain subdued.

The ratings continue to draw comfort from the strong ownership pattern, with BPCL and GSPC Group being the main promoters; long-term favourable demand prospects for the CGD business and its strong market position in its areas of operation. Despite expiration of its marketing exclusivity in October 2014, ICRA expects the company to continue to enjoy a dominant market share because of its first mover advantage as evident from its established network. In addition, there are significant entry barriers for third party marketers arising mainly from issues in gas availability at competitive prices. SGL would also continue to earn regulated returns (21% pre-tax RoCE) through network tariffs and compression charges on regulated assets due to physical exclusivity in place (25 years starting from the year 2009). ICRA notes that the financial profile of the company was boosted by the change in the domestic gas allocation policy since February 2014, wherein the GoI announced allocation of 100% domestic gas towards the CNG and PNG (domestic) segments of CGD entities.

The ratings, however, continue to remain constrained by the expected pressure on SGL's volumes in the near term on account of the gas sourcing for Industrial and Commercial customers being done through costlier R-LNG (on account of long term contracts) resulting in a lower price advantage over alternate liquid fuels which could have a dampening effect on the demand from these customer segments going forward. Further, any significant upward revision in domestic gas price could impact the competitive advantage over liquid fuels/LPG and thus impact demand and profitability in the CNG and PNG domestic segments. ICRA also notes that SGL has modest capital expenditure plans in the regions it operates and thus SGL's ability to tie-up new sources of gas to meet the incremental demand would remain critical for its growth, although the presence of strong promoters with access to gas provides some comfort.

* 100 lakh = 1 crore = 10 million

[†] For complete rating definition, please refer to ICRA Website www.icra.in or any of the ICRA Rating Publications



Company Profile

Sabarmati Gas Limited (SGL) was incorporated on June 6, 2006 by BPCL along with GSPC/GSPL to carry on city gas distribution (CGD) business in three North Gujarat districts, namely, Gandhinagar, Mehsana and Sabarkantha. Prior to the formation of the Joint Venture (JV), BPCL was independently carrying on CGD business in the above districts. Subsequent to the formation of JV, BPCL stopped its own CGD operations in the aforementioned districts and transferred the assets to the JV. BPCL and Gujarat State Petroleum Corporation (GSPC)/Gujarat State Petronet Limited (GSPL) hold 25% stake each while 49.87% stake is held by financial institutions (FIs) such as IDFC PE fund, IFCI Infra and UTI Infrastructure and the remaining 0.13% stake is held by twelve individual shareholders. SGL retails piped natural gas (PNG) and CNG to various sectors like industrial, domestic, commercial and transportation. The main focus of SGL is on the industrial segment, with PNG sales to industry accounting for ~64% of FY15 sales volume and the rest being accounted for by CNG (~30%), PNG-domestic (~5%) and PNG-commercial (~1%) segments.

Recent Results

For the year FY15, the company reported an operating income of Rs. 911.04 crores and profit after tax of Rs. 110.84 crores as against an operating income of Rs. 942.69 crores and profit after tax of Rs. 31.15 crores during FY14.

August 2015

For further details please contact:

Analyst Contacts:

Mr. K. Ravichandran, (Tel. No. +91-44-45964301)
ravichandran@icraindia.com

Relationship Contacts:

Mr. L. Shivakumar, (Tel. No. +91 22 6114 3406)
shivakumar@icraindia.com

© Copyright, 2015, 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.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: **9871221122**

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax: +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: **9821086490**

Email: shivakumar@icraindia.com

1802, 18th Floor, Tower 3,
Indiabulls Finance Centre,
Senapati Bapat Marg,
Elphinstone, Mumbai 400013,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: **+91 9903394664**

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Bangalore****Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: **989986490**

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-
79-25569231

Pune**Mr. L. Shivakumar**

Mobile: **989986490**

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 99, CTS 3909, Range Hills
Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B, Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500