August 22, 2017

Eastern Gases Limited

Summary of rated instruments

Instruments*	Amount Rated (in Rs. crore)	Rating Action
Fund-Based Limit (Cash-Credit)	41.00	Rating revised to [ICRA]D from [ICRA]BBB- (Stable)
Non Fund-Based Limit (Bank Guarantee)	6.00	Rating revised to [ICRA]D from [ICRA]A3

ICRA has downgraded the long term rating assigned to the Rs. 41 crore fund based bank facilities of Eastern Gases Limited (EGL) from [ICRA]BBB- (pronounced ICRA triple B minus) with a stable outlook to [ICRA]D (pronounced ICRA D). ICRA has also downgraded the short-term rating assigned to the Rs. 6 crore non-fund based bank facilities from [ICRA]A3 (pronounced ICRA A three) to [ICRA]D (pronounced ICRA D).

The rating revision primarily factors in the recent delays in debt servicing by the company on its banking obligations. The rating is further constrained by the weak financial profile of the company arising out of the steep decline in revenues and loss incurred in Q1FY2018 at net level as per the quarterly results announced on August 14, 2017. EGL reported operating income of Rs.4.0 crore with operating profits (OPBDITA) of Rs. 0.32 crore and net loss of Rs. 1.17 crore in Q1FY2018 against operating income of Rs. 70.62 crore with OPBDITA of Rs. 2.35 crore and PBT of Rs 0.73 crore in Q1FY2017.

ICRA also take a note of the deterioration in the financial profile during FY2017 led by fall in operating profitability and weakening of debt-coverage indicators. In addition, EGL has large term loan repayment requirement during FY2018 vis-a-vis the net cash accruals, thus accentuating the stretched liquidity position of the company. Furthermore, the rating remains constrained by sensitivity of the company's profitability and cash flows to the volatility in the crude oil prices, with LPG being a crude oil derivative. The ratings however, positively factors in the favourable outlook for LPG owing to the growing demand from industrial and automobile segments. Going forward, the ability of the company to service it's debt obligations in a timely manner and report adequate revenue along with improvement in margins would remain the key rating sensitivities.

The previous rating rationale is available on the following link: Click here

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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.

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