

March 30, 2015

## CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF GUJARAT STATE PETRONET LTD.

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long term Loans	1055.72	<b>CARE AA+ (Double A Plus)</b>	<b>Reaffirmed</b>
Short term bank facilities	100.00	<b>CARE A1+ (A One Plus)</b>	<b>Reaffirmed</b>
Long term/Short term bank facilities	2812.00	<b>CARE AA+/CARE A1+ (Double A Plus/ A One Plus)</b>	<b>Reaffirmed</b>
<b>Total Facilities</b>	<b>3967.72</b>		

### Rating Rationale

The ratings continue to take into account Gujarat State Petronet Ltd's (GSPL's) position as one of the largest players in the gas transmission business in India together with its leadership position in Gujarat having strategic location with connection to all major natural gas supply sources along-with GSPL's synergies with strong parent in the group's integrated gas business. GSPL's open access operating model, favourable capital structure, healthy profitability and comfortable liquidity position further acts as strong credit positives.

The long-term rating is constrained by reduced revenue visibility upon non-renewal of part of the Gas Transmission Agreements (GTAs) expired during FY14 and further expiry due in FY15, ongoing dispute with its key customers regarding transmission tariff, project implementation and stabilisation risks associated with the ongoing capital expenditure programmes especially the two large sized projects being implemented through Joint Ventures (JVs) and its vulnerability to regulatory risk.

Ability of GSPL to renew the expiring GTAs, execution of ongoing projects as per envisaged time and cost parameters and improvement in profitability margins would be the key rating sensitivities.

### Background

Incorporated in December 1998, Gujarat State Petronet Limited (GSPL) is promoted by Gujarat State Petroleum Corporation Ltd. (GSPC; rated CARE AA+/ CARE A1+), a Government of Gujarat (GoG) owned company, which is primarily engaged in oil and gas exploration and production (E&P) as well as gas trading business through transmission and distribution network of its subsidiaries including GSPL. GSPC holds 37.73% stake in GSPL as on March 31, 2014. Further GSPC, by virtue of provision in the Articles of Association of GSPL, has the right to appoint majority of the Directors of GSPL and hence GSPL becomes a subsidiary company of GSPC. Accordingly GSPL is a Government Company as per Section 2 (45) of the Companies Act, 2013 (corresponding to Section 617 of the Companies Act, 1956).

GSPL's primary objective is to connect various supply sources and users of natural gas in Gujarat through gas pipeline network. GSPL is the leader in natural gas transmission business in Gujarat and is the second largest player in India. It currently owns and operates approximately 2180 km of pipeline in the state of Gujarat. GSPL also sells electricity generated through its 52.5 MW wind mills.

Apart from normal gas pipeline laying projects in GSPL, Petroleum and Natural Gas Regulatory Board (PNGRB) in July 2011 has awarded GSPL lead Joint Venture to lay 4156 km long cross country pipelines viz. Mehsana-Bhatinda (1670 km), Bhatinda - Jammu - Shrinagar Pipeline (740 km) and Mallavaram-Bhilwara Pipeline (1746 km). GSPL has created two companies in the form of Special Purpose Vehicles namely - GSPL India Gasnet Limited (GIGL) for implementation of first two routes and GSPL India Transco Limited (GITL) for the third route. Total project cost for all the three routes is estimated at Rs.13704 crore to be funded by debt to equity of 70:30. Financial closure has been achieved for the projects. GSPL owns 52% stake in this project. Accordingly, GSPL is envisaged to invest Rs.2136 crore in the project towards its

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

equity contribution over a period of next three to five years. Other JV partners are Indian Oil Corporation Ltd. (26% stake), Bharat Petroleum Corporation Ltd. (11% stake) and Hindustan Petroleum Corporation Ltd. (11% stake).

During FY14 (refers to the period from April 1 to March 31), GSPL reported a total operating income of Rs.1103.86 crore (FY13: Rs.1237.73 crore) with a PAT of Rs.419.15 crore (FY13: Rs.538.12 crore). As per provisional results for 9MFY15, GSPL reported a total operating income of Rs.866.34 crore with a PAT of Rs.343.26 crore.

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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