

## GAIL (INDIA) LTD OCTOBER 06, 2017

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term/Short-term Bank Facilities	3,950	CARE AAA; Stable /CARE A1+ (Triple A Outlook:Stable/ A one plus )	Reaffirmed
<b>Total Bank Facilities</b>	<b>3,950 (Rupees Three Thousand Nine Hundred Fifty crore only)</b>	-	
Long-term Bonds – Series 2015	500	CARE AAA; Stable (Triple A: Outlook Stable)	Reaffirmed
Proposed Long-term Bonds	500		

### Rating Rationale

The ratings continue to reflect the majority ownership by the Government of India (GoI) in GAIL (India) Ltd (GAIL), the company's leadership position in the natural gas transmission and trading business led by favorable demand situation of natural gas in India along with its presence in the diversified business segments. The ratings also consider the strong financial risk profile with favorable capital structure.

Going forward, GAIL's ability to source and distribute natural gas competitively and the ability to execute the ongoing capex plans within the time and cost estimates shall be the key rating sensitivities.

### Detailed description of Key Drivers

#### **Majority ownership with GoI**

GoI owns 54.43% stake in the company as on March 31, 2017, while the balance is held by various institutions and general public.

#### **Leadership position in natural gas transmission & trading business**

GAIL is the market leader in the transmission of natural gas in the country with more than 75% of the market share in the natural gas volume as on March 31, 2017. The company has a pipeline network of about 11,000 km with a natural gas handling capacity of 206.03 MMSCMD.

GAIL's combined revenue from the natural gas trading and gas transmission contributed 76% of the total revenue for FY17.

#### **Strong financial risk profile**

During FY17, GAIL's total income (consolidated) the operating income moderated by 6.5% due to lower income from Trading, Petrochemical and LPG & other liquid hydrocarbon segment. Trading income fell down primarily on account of lower gas prices. The PBILDT margin of the company increased to 15.33% during FY17 (PY: 9.97%). The PAT margin also improved to 7.93% during FY17 (PY: 3.52%) on account of the continued low oil prices thus impacting the petrochemical and LPG realizations.

The company enjoys a comfortable capital structure with overall gearing of 0.13x as on March 31, 2017 (PY: 0.21x). Furthermore, on account of low gearing, large net-worth base and high liquid investment, GAIL has a comfortable long-term solvency position.

As on March 31, 2017; cash & cash equivalent balance of the company stood at Rs.1420.96 crore, thus, providing the company adequate liquidity.

#### **Presence in diversified business segments**

<sup>2</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

GAIL has a diversified product portfolio, besides leadership position in transmission of natural gas and LPG. The company has established presence in various other business segments like city gas distribution, petrochemicals, liquid hydrocarbons, exploration & production and telecom. This diversified business segments helps in spreading operating risk of the company.

**Analytical approach:** Standalone

**Applicable Criteria**

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition;](#)

[CARE's methodology for financial ratios \(Non-Financial Sector\)](#)

**About the company**

GAIL, India's principal gas transmission and Distribution Company, was set up by the GoI in August 1984 to create natural gas transportation and distribution infrastructure for development of the natural gas sector across the country. As on March 31, 2017, the GoI had 54.43% stake in the company.

The company's activities range from gas transmission and distribution to processing (for fractionating liquefied petroleum gas (LPG), propane, special boiling point (SBP) solvent, transmission of LPG, production and marketing of petrochemicals like high-density polyethylene (HDPE) and linear low-density polyethylene (LLDPE) and leasing bandwidth in telecommunications. Being the owner of largest gas pipeline infrastructure in India, GAIL has leveraged its position to extend its presence in power (through gas based power generation), liquefied natural gas (LNG) re-gasification, city gas distribution (CGD) and exploration & production (E&P) through various equity and joint venture participations.

During FY17 (refers to the period April 01 to March 31) (consolidated), GAIL reported PAT of Rs.3948 crore on total operating income of Rs.49,578 crore as against PAT of Rs.1,858 crore on total operating income of Rs.52804 crore during FY16 (consolidated). Further, the company reported PAT of Rs.1,026 crore on operating income of Rs.11,522 crore during Q1FY18 (provisional, standalone) as against PAT of Rs. 1335 crore on operating income of Rs.10,803 crore during Q1FY17 (provisional, standalone).

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	52,804	49,578
PBILDT	5,266	7,601
PAT	1,858	3,948
Overall gearing (times)	0.21	0.13
Interest coverage (times)	6.41	14.87

A: Audited

**Status of non-cooperation with previous CRA:** NA

**Any other information:** NA

**Rating History for last three years:** Please refer Annexure-2

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

**Analyst Contact**

Name: Mr Manek Narang

Tel: 011-45333233

Cell: + 91 9810596225

Email: [manek.narang@careratings.com](mailto:manek.narang@careratings.com)

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

**About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

**Disclaimer**

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based/Non-fund-based-LT/ST	-	-	-	1250.00	CARE AAA; Stable / CARE A1+
Fund-based/Non-fund-based-LT/ST	-	-	-	700.00	CARE AAA; Stable / CARE A1+
Fund-based/Non-fund-based-LT/ST	-	-	-	2000.00	CARE AAA; Stable / CARE A1+
Bonds	-	-	-	750.00	CARE AAA; Stable
Bonds	-	-	-	1000.00	CARE AAA; Stable

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based/Non-fund-based-LT/ST	LT/ST	1250.00	CARE AAA; Stable / CARE A1+	-	1)CARE AAA / CARE A1+ (14-Oct-16)	1)CARE AAA / CARE A1+ (06-Nov-15)	1)CARE AAA / CARE A1+ (17-Sep-14)
2.	Bonds	LT	750.00	CARE AAA; Stable	-	1)CARE AAA (14-Oct-16)	1)CARE AAA (06-Nov-15)	1)CARE AAA (17-Sep-14)
3.	Bonds	LT	1000.00	CARE AAA; Stable	-	1)CARE AAA (14-Oct-16)	1)CARE AAA (06-Nov-15)	1)CARE AAA (17-Sep-14)
4.	Fund-based/Non-fund-based-LT/ST	LT/ST	700.00	CARE AAA; Stable / CARE A1+	-	1)CARE AAA / CARE A1+ (14-Oct-16)	1)CARE AAA / CARE A1+ (06-Nov-15)	1)CARE AAA / CARE A1+ (17-Oct-14)
5.	Fund-based/Non-fund-based-LT/ST	LT/ST	2000.00	CARE AAA; Stable / CARE A1+	-	1)CARE AAA / CARE A1+ (14-Oct-16)	1)CARE AAA / CARE A1+ (06-Nov-15)	1)CARE AAA / CARE A1+ (19-Feb-15)

**CONTACT****Head Office Mumbai****Ms. Meenal Sikchi**

Cell: + 91 98190 09839

E-mail: [meenal.sikchi@careratings.com](mailto:meenal.sikchi@careratings.com)**Mr. Ankur Sachdeva**

Cell: + 91 98196 98985

E-mail: [ankur.sachdeva@careratings.com](mailto:ankur.sachdeva@careratings.com)**Ms. Rashmi Narvankar**

Cell: + 91 99675 70636

E-mail: [rashmi.narvankar@careratings.com](mailto:rashmi.narvankar@careratings.com)**Mr. Saikat Roy**

Cell: + 91 98209 98779

E-mail: [saikat.roy@careratings.com](mailto:saikat.roy@careratings.com)**CARE Ratings Limited****(Formerly known as Credit Analysis & Research Ltd.)**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: [care@careratings.com](mailto:care@careratings.com)**AHMEDABAD****Mr. Deepak Prajapati**32, Titanium, Prahaladnagar Corporate Road,  
Satellite, Ahmedabad - 380 015

Cell: +91-9099028864

Tel: +91-79-4026 5656

E-mail: [deepak.prajapati@careratings.com](mailto:deepak.prajapati@careratings.com)E-mail: [ramesh.bob@careratings.com](mailto:ramesh.bob@careratings.com)**JAIPUR****Mr. Nikhil Soni**304, Pashupati Akshat Heights, Plot No. D-91,  
Madho Singh Road, Near Collectorate Circle,  
Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: [nikhil.soni@careratings.com](mailto:nikhil.soni@careratings.com)**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)  
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: [priti.agarwal@careratings.com](mailto:priti.agarwal@careratings.com)**NEW DELHI****Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,  
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: [swati.agrawal@careratings.com](mailto:swati.agrawal@careratings.com)**CHANDIGARH****Mr. Anand Jha**SCF No. 54-55,  
First Floor, Phase 11,  
Sector 65, Mohali - 160062  
Chandigarh

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: [anand.jha@careratings.com](mailto:anand.jha@careratings.com)**CHENNAI****Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,  
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)**COIMBATORE****Mr. V Pradeep Kumar**T-3, 3rd Floor, Manchester Square  
Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)**PUNE****Mr. Pratim Banerjee**9th Floor, Pride Kumar Senate,  
Plot No. 970, Bhamburda, Senapati Bapat Road,  
Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: [pratim.banerjee@careratings.com](mailto:pratim.banerjee@careratings.com)

CIN - L67190MH1993PLC071691

**HYDERABAD****Mr. Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,  
Hyderabad - 500 029.

Cell : + 91 90520 00521 Tel: +91-40-4010 2030

