Energy Infrastructure Trust (erstwhile India Infrastructure Trust)

January 30, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Issuer rating	0.00	CARE AAA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of the rating assigned to Energy Infrastructure Trust (EIT, erstwhile India Infrastructure Trust) principally factors in a long-term pipeline usage agreement (PUA) for specified capacity of the pipeline between Reliance Industries Limited (RIL; rated 'CARE AAA; Stable/ CARE A1+') and Pipeline Infrastructure Limited (PIL; rated 'CARE AAA; Stable') for 20 years. This arrangement offers strong cashflow visibility to PIL and insulates it from revenue volatility either from lower gas volume or tariff variation. EIT holds the entire stake in the special purpose vehicle (SPV), PIL, which is operating the sole pipeline operating between east and west coast in India's natural gas grid starting from Kakinada, Andhra Pradesh to Bharuch, Gujarat. The total length of PIL's pipeline is at 1,480 km, with a capacity of 85 million metric standard cubic metre per day (MMSCMD).

The rating remains supported by PIL's strategic location in terms of gas transportation being the sole pipeline connecting the gas-producing Krishna Godavari-Dhirubhai 6 (KG-D6) basin on the eastern coast to industrial belts on the western coast of India, which includes entities such as RIL, city gas distribution (CGD) network operators, state public sector enterprises (PSEs) such as Gujarat State Petronet Limited (GSPL) and other industries operating in the gas segment or consuming natural gas. Volumes transported for FY24 stood at 33.11 MMSCMD against 23.68 MMSCMD in FY23. Transported volume further increased to 35.52 MMSCMD in H1FY25.

The pipeline operated by PIL also serves as a connecting link for the KG-D6 basin with pan-India gas networks operated by other pipeline operators such as Gas Authority of India Limited (GAIL) and Indian Oil Corporation Limited (IOCL), among others. Rating also derives strength from gas transportation agreements (GTAs) signed between PIL and reputed clientele across different user industries, exhibiting healthy collecting cycles. Ratings also takes cognisance of the waterfall mechanism, ensuring ringfencing of cashflows at SPVs and EIT levels.

Rating strengths are tempered by refinancing risk for NCDs, which have been raised in multiple series of varying maturities ranging from 3-5 years entailing a bullet repayment. PIL proposes to pay ~5% of total NCDs by December 2028, while refinancing remaining 95% at the time of redemption, which exposes the trust to refinancing risk. However, residual PUA tenure with RIL provides financial flexibility to PIL, mitigating the risk to an extent. As articulated to CARE Ratings by the trust's investment manager, EnCap Investment Manager Private Limited (EIMPL; erstwhile Brookfield India Infrastructure Manager Private Limited), refinancing will be initiated at least six months prior to the scheduled redemption date.

The absence of a debt service reserve account (DSRA) is also a credit deterrent. However, coupon payment dates in the DTD entail approximately a 90-day gap between the payment date from RIL and the coupon payment date, mitigating timing mismatches to that extent. Being an infrastructure asset, PIL is exposed to moderate operations and maintenance (O&M) risk. However, the O&M contract for asset stipulates a funding arrangement for excess O&M costs by RIL, mitigating the O&M risk to an extent.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Not applicable

Negative factors

- Significantly delaying quarterly contracted capacity payment (CCPs) receipt from RIL.
- Moderating financial risk profile of RIL.
- Materially deviating from contracted terms, impacting coverage indicators.
- External debt exceeding ₹7,152 crore for existing asset except for debt raised towards incremental asset acquisition.

Analytical approach: Consolidated

CARE Ratings has consolidated financial and operational profiles of PIL with EIT, as PIL is 100% held by EIT and will remain a

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

subsidiary in the tenor of the facilities. CARE Ratings has considered strong operational linkages with RIL based on the PUA between PIL and RIL. Entities considered for consolidating financials are provided in Annexure-6.

Outlook: Stable
The outlook for EIT's ratings is expected to be stable, backed by assured cashflow visibility under the PUA between PIL and RIL. Refinancing risks are also mitigated to an extent based on financial flexibility rendered by a residual tenor of at least 10 years in the PUA for refinancing for each series.

Detailed description of key rating drivers:

Key strengths

Strategic location of PIL's pipeline asset in terms of gas transportation
With total length of 1,480 km, PIL is the sole pipeline connecting the east coast of India to the west. The erstwhile operator of PIL, East West Pipeline Limited (EWPL), had designed, constructed, and commissioned the pipeline after the discovery of natural gas reserves in the KG-D6 gas block in the Krishna Godavari (KG) basin. The pipeline is critical for transporting gas from the KG-D6 basin to customers and ensures availability of natural gas to markets along eastern and western India and to consumers along the route. PIL has connectivity with pipelines of other operators such as GAIL and GSPL, providing gas delivery to other parts of India. Being the only major pipeline at source, PIL holds significant importance for companies sourcing gas at the KG-D6 basin.

PUA with RIL assuring steady cashflows and GTAs with a reputed client base
PIL and RIL have signed a PUA, enabling RIL to reserve transportation, storage, or other capacities in the pipeline, for 20 years starting from April 01, 2019. According to the PUA, RIL has agreed to pay CCPs determined for four blocks of five years each, towards the annual contracted capacity. RIL's obligation to pay the CCP is adjusted according to payments made for actual capacities contracted by RIL or third-party customers pursuant to GTAs. RIL ensures the payments of CCPs regardless of whether they utilise the pipeline's natural gas capacity. CCPs have been formulated in coherence with PIL's operational expenditure (opex) and debt servicing requirements. The PUA also has clauses for free usage entitlement to RIL for cashflow support in periods, where volume transferred is low.

In addition to the PUA, PIL has signed GTAs with a reputed client base spread across different user industries. PIL transports gas mainly from the KG-D6 basin to these clients pan-India. Delivery at places, where PIL does not have its own network is aided by connectivity with other major pipelines of India's natural gas grid. In FY24, PIL had GTAs with over 30 companies operating in the fertiliser, metals and mining, power, CGD, petrochemicals, and refining industries. Contract tenures of the GTA with these companies are short term and are renewed periodically. Absence of an alternative pipeline ensures customer stickiness.

With investments of RIL and British Petroleum (BP) in the KG-D6 basin, gas production at source has improved gradually and the production volume is expected to be sustained. The volume transported for FY24 stood at 33.11 MMSCMD, against 23.68 MMSCMD in FY23. Transported volume has further increased to 35.52 MMSCMD in H1FY25 against 30.50 MMSCMD in Q1FY24. As on September 30, 2024, overall capacity utilisation of PIL's gas transportation network is still low, leaving a significant headroom for scaling up operations. Free usage entitlement amount (FUA) to RIL stands exhausted as on December 31, 2024. RIL has been entitled for an upside share in Q4FY24 and H1FY25. The upside share is paid at the end of the fiscal as per the agreements.

Cashflow assurance amid regulatory nature of business
Transportation of gas through the pipeline is regulated by the Petroleum and Natural Gas Regulatory Board (PNGRB), which has established rules determining the tariffs for transportation of natural gas. PNGRB reviews tariffs at five-year intervals and revised tariff is applied prospectively.

PNGRB has notified the Unified Tariff Structure vide notification PNGRB/com/10-NGPL Tariff (11)/2022 (P-4142) on March 27, 2023, effective from April 01, 2023, which requires PIL to raise gas transportation invoices at the Unified Tariff Rate compared to the erstwhile Tariff Order issued by PNGRB for PIL. Hence, all entities forming part of the natural gas pipeline grid are required to submit to settlement commission fortnightly, revenue entitlement per the PNGRB order, compared to invoicing done at the Unified Tariff Rate. The differential is settled as deficit or surplus. As on January 30, 2025 PIL is at a surplus of ₹28 crore and as per management the settlement process has worked seamlessly with settlement among gas transporters happening on time.

CARE Ratings observes that revenues generated from the pipeline may be impacted due to a significant change in government policy and tariff. However, steady cashflows from the PUA with RIL ensures availability of funds for debt servicing.

Support from RIL towards funding excess O&M costs
O&M is managed by ECI India Managers Private Limited (EIML), an appointed project manager. EIML is responsible for O&M of

the pipeline. EIML has sub-contracted the O&M to Pipeline Management Services Private Limited (PMSPL), a 50:50 joint venture (JV) between RIL and EMIL. PIL and EIML have entered an O&M agreement with PMSPL, according to which, if in an year, the actual O&M costs and system used gas (SUG) incurred are over that determined in the initial annual operating plan and budget, excess O&M costs will be funded by RIL.

Comfortable financial risk profile and proposed waterfall arrangement
EIT has a consolidated debt of ₹6,452 on a consolidated level in form of NCDs. Terms of NCD issue outline a well-defined waterfall mechanism to be followed at the SPV level, where NCDs are raised. Terms ensure that payments to external NCD holders have priority over other distribution or surplus payouts.

According to the PUA, net CCP payments are received in the first week of a quarter, while coupon payment on NCDs will be towards end of the quarter, providing ample time buffer between cashflow realisation and debt repayment. This lends additional support to the financial risk profile.

The PUA also has provisions to address payment delays from RIL. In a scenario where payment delays extend up to 30 days from the beginning of the quarter, Energy Infrastructure Trust may exercise an enforcement option, which will require RIL to either purchase PIL's NCDs for the enforcement amount or invest the amount into PIL. Such proceeds will be utilised to redeem external NCDs. Enforcement amount will be required to be paid by the 158th day from beginning of the quarter, where delays were observed.

Key weakness

Refinancing risk and absence of DSRA
NCDs raised by PIL in 2024 have a tenure ranging from 3-5 years with a bullet repayment at end of the tenure of each series. PIL proposes to pay ~5% of total NCDs by December 2028, while refinancing remaining 95% at the time of their redemption, which exposes the trust to refinancing risk. However, by having a residual PUA tenure of at least 10 years at refinancing for each series and having a strong and established sponsor, the Brookfield group, PIL has financial flexibility, mitigating refinancing risk to an extent. EIT's investment manager has also articulated that the initiation of refinancing NCDs will be made at least six months before its maturity.

Terms of NCDs do not entail maintenance of a DSRA. However, CARE Ratings notes that CCPs and coupon payment date have a three-month cushion and the CCPs have an established track record of over five years, mitigating inordinate cashflow delay risk to an extent.

Liquidity: Strong

EIT's strong liquidity position is backed by credit quality of the assured cashflows governed by the PUA with RIL, which will ensure timely servicing of debt obligations. As on September 30, 2024, cash and bank balance stands at ₹1,330 crore. On a consolidated basis EIT generally maintains a liquid balance of ~₹500 crore on closing of a given quarter, rendering liquidity support. Payments under GTAs are also realised within four days of billing, which is processed fortnightly, underpinning trust's robust liquidity position.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Consolidation
Definition of Default
Issuer Rating
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Infrastructure Investment Trusts (InvITs)
Infrastructure Sector Ratings

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Transport services	Transport related services

EIT was set up by Rapid Holdings 2 Pte Limited (sponsor) on November 22, 2018, as a contributory irrevocable trust under the Indian Trusts Act, 1882. The trust was registered as an infrastructure investment trust under the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014 (SEBI InvIT Regulations) on January 23, 2019. Rapid Holdings 2 Pte Limited is a step-down holding of Brookfield Asset Management. EIT holds 100% stake in PIL.

Brief Financials (Consol., ₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	2,744	3,666	1,970
PBILDT	2,033	2,171	635
PAT	546	822	-23
Overall gearing (times)	1.30	1.31	NA
Interest coverage (times)	3.44	3.58	2.44

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Issuer Rating-Issuer Ratings	-	-	-	-	0.00	CARE AAA; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (21-May-24)	1)Provisional CARE AAA; Stable (27-Feb-24) 2)Provisional CARE AAA; Stable (30-Jan-24)	-	-
2	Issuer Rating-Issuer Ratings	LT	0.00	CARE AAA; Stable	1)CARE AAA; Stable (21-May-24)	1)CARE AAA; Stable (27-Feb-24)	-	-

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated: Not applicable

Annexure-5: Lender details: Not applicable

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Pipeline Infrastructure Limited	Full	Cashflows to the InvIT depend on cashflows generated at SPV level.

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:
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