Indraprastha Gas Limited

August 20, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	6,500.00	CARE AAA; Stable	Reaffirmed
Bonds*	400.00	CARE AAA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.
*Not yet placed

Rationale and key rating drivers

The rating assigned to the long-term bank facilities and instruments of Indraprastha Gas Limited (IGL) continue to factor in IGL's leadership position in the city gas distribution (CGD) business in the National Capital Territory of Delhi (NCT-Delhi), its well-established and significantly large scale of operations, favourable outlook for the CGD business, being an environmentally cleaner fuel, strong parentage with sponsors being GAIL India Limited (GAIL; rated 'CARE AAA; Stable/CARE A1+') and Bharat Petroleum Corporation Limited (BPCL; rated 'CARE AAA; Stable/CARE A1+').

The rating also factors in consistent growth in scale of operation with sales volume witnessing a y-o-y growth of ~6% in FY25 (to 3,281 million metric standard cubic metre [MMSCM] in FY25 from 3,084 MMSCM in FY24) attributed to increase in its CGD infrastructure. However, PBILDT and PAT margins moderated to 13.44% (17.08% in FY24) and 9.78% (12.49% in FY24) respectively due to reduced allocation of administered price mechanism (APM) gas.

In Q1FY26, the company reported revenue growth of 11.29% to ₹3,914 crore (₹3,517 crore in Q1FY25), volume growth of 5.7% to 831 MMSCM (786 MMSCM in Q1FY25). The PBILDT margin stood at 13.08% in Q1FY26 (16.53% in Q1FY25). The margin has not rebounded to previous levels due to reduced APM allocation in Q1FY26.

IGL had infrastructure exclusivity for 25 years in NCT of Delhi (till May 2025) as prescribed under the Petroleum and Natural Gas Regulatory Board (PNGRB) Act, 2006. Although the marketing and infrastructure exclusivity period is over for NCR, the company continues to benefit from the first mover advantage with established infrastructure in the NCR region. IGL has medium-to-long term gas sourcing contracts with GAIL, BPCL and others, which ensures availability of natural gas for meeting CGD requirements. IGL has 954 CNG stations, 12,049 Industrial and commercial PNG connections and 30.70 lakh domestic PNG connections as on Mar. 31, 2025. The company derives 74% revenue from CNG of which majority is derived from NCR area.

The company continues to have a robust financial profile with absence of debt, strong liquidity position and efficient working capital management. However, the rating remains exposed to regulatory risk associated with CGD business changes, and volume and pricing risk associated with demand-supply of natural gas/RLNG with concomitant impact on IGL's profitability. As per CARE Ratings Limited (CareEdge Ratings), with presence of long-term sourcing arrangements, availability of RLNG is not expected to be an issue for the company. However, the company's ability to pass on increase in gas prices to end-users would be a key monitorable from profitability and return perspective.

Medium-term capex plans for developing CGD network in new geographical areas (GAs) also result in inherent project risk. However, the company well-placed in terms of its minimum work programme (MWP) and is ahead of targets across geographies.

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

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

Not applicable

Negative factors

- Increase in large debt-funded capex or acquisition, leading to overall gearing of more than 0.50x.
- Regulatory changes impacting the volumes, profitability and return indicators on a continued basis.

Analytical approach: Standalone

Outlook: Stable

The stable outlook on the long-term rating reflects CareEdge Ratings' expectation that IGL will continue to have a robust operating performance backed by healthy volume growth with increasing compressed natural gas (CNG) and piped natural gas (PNG) connections.

Detailed description of key rating drivers:

Key strengths

Strong entry barriers with infrastructure exclusivity in authorised Gas

IGL is one of the leading players in the CGD business in India and has a dominant market position, particularly in NCT of Delhi. A first-mover advantage, continuous infrastructure development and high level of entry barriers, primarily in the form of capex requirement and regulated near-monopoly marketing and infrastructure exclusivity, for a given period of time, have augured well for IGL. The PNGRB has granted marketing exclusivity and infrastructure exclusivity to IGL for GAs, in which it operates, where other players are not allowed to operate within these GAs till the end of the exclusivity period. As per PNGRB guidelines, IGL has marketing exclusivity of five years from the date of authorisation for its existing two GAs till the 8th CGD bidding round and of eight years for the five GAs won in the 9th, 10th and 11th CGD bidding rounds (which is extendable further up to two years based on actual physical performance), which is expected to strengthen IGL's monopolistic position in its GAs. It also has infrastructure exclusivity as the city gas carrier for 25 years from the date of receiving authorisation in its GAs. CareEdge Ratings notes that although marketing exclusivity available to IGL in Delhi NCT expired in 2012 and infrastructure exclusivity expired recently in May 2025, the company continues to benefit from the first mover advantage with established infrastructure in NCR region, as it would be very challenging for other players to set up its infrastructure.

Robust infrastructure and dominant position in the CNG supply

In the last decade of operations, IGL has been able to roll-out CNG and PNG distribution network across authorised GAs by installing infrastructure such as pipeline network, compressor stations and marketing network. IGL has 954 CNG stations (FY24: 882), 12,049 Industrial and commercial PNG connections and 30.70 lakh domestic PNG connections as on Mar. 31, 2025. The company derives 74% revenue from CNG of which majority is derived from NCR area. For PNG infrastructure, the company has a steel pipeline network of 2,350 km and a medium-density polyethylene (MDPE) pipeline network of 26,364 km as on Mar. 31, 2025 (FY24: 2,055 km and 23,565 km, respectively). The company is the market leader in CNG business with majority supply catered to NCR. In FY25, of the sales volumes of IGL, the proportion of CNG segments was 74% followed by PNG segment at 26% (Industrial: 38%, Commercial: 10%, Domestic: 30% and Sale to other CGD entities:22%). However, there exist competition with the electric vehicle (EV) segment. With the government introducing incentive schemes including the Delhi EV policy for commercial fleet aggregators, popularity of electric vehicles has grown in India. These vehicles may pose a threat to CNG fuelled vehicles in the medium-to-long term. The company's ability to ramp-up in the operations in the new Gas, while maintaining its leadership position in Delhi NCT would be important from a growth perspective.

Strong operational and financial performance

IGL achieved total sales volumes of 3,281 million metric standard cubic metre (MMSCM) in FY25 (FY24: 3,084 MMSCM) considering an increase in its CGD infrastructure. The total revenue from operation increased from ₹14,000 crore as on March 31, 2024, to ₹14,928 crore as on March 31, 2025. Considering APM allocation cuts and increase in gas purchase cost, the average cost of procurement has seen increase from ₹31.82/SCM in FY24 to 33.75/SCM in FY25, which moderated the profit before interest, lease rentals, depreciation and taxation (PBILDT) and profit after taxation (PAT) margin to 13.44% (FY24: 17.08%) and 9.78% (FY24: 12.49%), respectively, in FY25. In Q1FY26, the company reported revenue growth of 11.29% to ₹3,914 crore (₹3,517 crore in Q1FY25), volume growth of 5.7% to 831 MMSCM (786 MMSCM in Q1FY25). The PBILDT margin stood at 13.08% in Q1FY26 (16.53% in Q1FY25). The margin has not rebounded to previous levels due to reduced APM allocation in Q1FY26.

Robust financial position

The company continues to be debt free as on March 31, 2025. Debt comprises only lease liabilities of ₹69 crore as on March 31, 2025. The company had proposed raising bonds of ₹400 crore, which is not expected to be placed in the medium term, considering the company's strong liquidity position. Debt coverage metrics have remained robust due to the strong profitability and absence of debt.

Strong parentage

IGL was established in December 1998 as a joint venture (JV) between GAIL, BPCL and Government of National Capital Territory of Delhi (GNCTD) to implement the CGD project in the NCT of Delhi. As on June 30, 2025, GAIL and BPCL held equity of 22.50% each in IGL, while GNCTD owned 5% equity. IGL has been promoted by sector leaders such as GAIL, (the largest natural gas transmission company in India) and BPCL (one of the leading oil refining and marketing companies in India). The CGD project was started as a pilot project in 1997 by GAIL to establish the viability of the venture and to resolve related technical and safety issues. These assets were transferred to IGL in 1998. IGL derives technical and managerial strength from its promoters, who have supported it in the implementation phase and continue to support it in its operations. There also exist significant operational synergies between IGL and its promoters. IGL has been able to draw on the natural gas distribution skills of GAIL (GAIL supplies natural gas to IGL through its pipelines), retail marketing skills of BPCL and knowledge and project implementation skills of GAIL and BPCL. IGL is managed by a professional and experienced management team, having knowledgeable personnel across aspects of the natural gas industry in India.

Stable industry outlook

To address the environmental concerns, Government of India (GoI) has been actively promoting a shift toward cleaner energy sources, including natural gas. CGD projects have become an important segment in the natural gas business in India, given the increasing impetus coming in the form of environmental concerns over certain polluting fuels and court directives. IGL is expected to benefit from continued increase in the natural gas demand (CNG and PNG). Going forward, the number of CNG vehicles is expected to increase, and an increasing number of CNG variant models by car manufacturers, which can support higher CNG demand, despite this demand may be susceptible to technological disruptions such as the faster rollout of EVs. Domestic natural gas consumption is at a nascent stage and offers healthy opportunities for further growth. GoI aims to increase the share of natural gas in India's primary energy mix from 6% at present to ~15% by 2030. There is an ongoing expansion of imported RLNG handling capacity in India, which is expected to augment availability of natural gas in the future. On availability of natural gas and associated network, majority industrial and commercial users are envisaged to shift to natural gas from alternative fuels, due to the ease in usage and favourable regulatory push.

Key weaknesses

Risk related to domestic natural gas availability

Under the existing Ministry of Petroleum and Natural Gas (MoPNG) regulations for natural gas allocation, CGD companies are accorded the highest priority and are allotted domestic natural gas under APM to meet their requirement for supply to piped natural gas (PNG)-Domestic and CNG segments, whereas they have to rely on imported RLNG for meeting requirement of PNG-Industrial and PNG-Commercial segments and shortfall in CNG and PNG-Domestic supplies. Currently, this domestic allocation is relatively cheaper compared to alternative natural gas sources such as RLNG. In FY25, the Government announced APM allocation cut which resulted in dependence on costlier RLNG/HPHT gas. Considering this, gas sourced from domestic sources reduced from 72% of total gas purchase volume in FY24 to 55% in FY25 and lead to increase in reliance on costlier RLNG/HPHT gas with consequent impact on profitability. Per CareEdge Ratings, with the presence of long-term sourcing arrangements, availability of RLNG is not expected to be an issue for the company. However, the company's ability to pass on the increase in gas prices to end-users would be a key monitorable from profitability and return perspective. Considering expected growth in the CGD industry post award of GAs in the recent rounds of CGD biddings, APM gas may not be sufficient to meet entire requirement and dependence on costlier alternative sources is likely to increase to meet demand.

IGL's ability in passing on the impact of rising natural gas cost to its consumers and maintaining its profitability would be a key monitorable. In terms of balance natural gas requirement, which is sourced as RLNG/ HPHT (high pressure high temperature) gas, IGL has a mix of long-term and medium-term contracts, protecting it from vagaries of the spot market, especially amidst present volatile RLNG prices.

With respect to geopolitical tensions, particularly sanctions on Russia, it initially disrupted global gas flows but Russian gas is now largely diverted to China and few other European countries. For India, the impact has been minimal, as its gas sourcing is primarily from the Middle East, the US, and Australia.

Project risk associated with its mid-term capex plans

IGL has envisaged capex of ~₹4,300 crore from FY26-FY28. This capex will be for development of CGD network in the newly awarded GAs and expansion of CGD network in its already authorised / operational areas. This capex plans of IGL are envisaged to be funded through internal accruals, available liquidity with the company and security deposits without availing debt as articulated by the management. CareEdge Ratings expects the credit profile of IGL to continue to remain comfortable with adequate cash accrual generation.

Regulatory risks in CGD business

CGD entities are regulated by PNGRB with risk associated with entry of new players post expiry of the marketing/network exclusivity period, which may impact profitability of players. The segment is vulnerable to demand-supply of natural gas and changes in the pricing mechanism. IGL's operating margins, such as other CGD companies, are vulnerable to the mix of APM gas and costlier imported RLNG used in its product mix. Unexpected change in regulations regarding priority in allocation of APM gas for PNG-Domestic and CNG segments and/or its pricing can adversely impact profitability margins of CGD companies, including IGL. While CGD entities have pricing power, and thus, flexibility to increase price of natural gas sold to pass on increase in cost of raw material to customers. This increase will only be limited to the extent that natural gas remains competitive in the market against other alternative fuels. Going forward, the extent to which IGL is able to pass on the incremental price to its customers and its consequent impact on the demand would be crucial.

Liquidity: Strong

IGL liquidity is strong marked by free cash and cash equivalents of ~₹3,944 crore as on March 31, 2025, and ₹3,988 crore as on June 30, 2025 (₹3,289 crore as on March 31, 2024), against nil debt repayment obligations. With an overall gearing of 0.01x as on March 31, 2025, IGL has sufficient gearing headroom to raise debt for its capex (if required).

The company has a comfortable working capital cycle. IGL has total fund based working capital limits of ₹100 crore, which remained unutilised as on March 31, 2025. Non-fund-based limit is utilised to an extent of 60% as on March 31, 2025. IGL utilises its non-fund-based limits for issuing PBGs for onward submission to the PNGRB towards authorisation across GAs.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks

Environmental:
CareEdge Ratings takes note of the fact that natural gas is a relatively cleaner source of energyand it has lower carbon emissions against other fossil fuels. There is strong impetus of the GoI to increase share of natural gas in India's primary energy mix. This mitigates environmental risk to some extent. IGL has taken initiatives to reduce emissions. IGL has set-up EV charging stations and is also setting-up municipal solid waste (MSW) based biogas plants and off-take of compressed biogas (CBG) from CBG producers. The company also has plans to enter renewable energy space by setting-up solar plants and green hydrogen plant in near future.

Social:
IGL has implemented ISO 45001:2018 Occupational Health and Safety Management System. The occupational health and safety management system is strictly enforced by the top management of the organisation.

Governance:
From a governance point of view, IGL's Board is diversified with five of 10 directors as independent directors. The quality of financial reporting and disclosures are adequate.

Applicable criteria

[Definition of Default]
[Liquidity Analysis of Non-financial sector entities]
[Rating Outlook and Rating Watch]
[Financial Ratios – Non financial Sector]
[Infrastructure Sector Ratings]
[City Gas Distribution Companies]

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Energy	Oil, gas & consumable fuels	Gas	LPG/CNG/PNG/LNG supplier

IGL was established in December 1998 as a JV between GAIL, BPCL and GNCTD to implement the CGD project in the NCT of Delhi. As on March 31, 2025, GAIL and BPCL held equity of 22.50% each in the company, while GNCTD owned 5% equity. IGL enjoys exclusive position in supplying CNG to the transport sector and PNG to the industrial, domestic and commercial customers in Delhi and Gautam Budh Nagar (Noida and Greater Noida) and Ghaziabad in Uttar Pradesh. The Delhi government has also mandated the use of CNG. Over the years, the company has made two acquisitions in the CGD business; 50% stake in Central U.P. Gas Limited (CUGL; rated 'CARE A1+') for ₹68 crore and 50% stake in Maharashtra Natural Gas Limited (MNGL; rated 'CARE AA; Stable / CARE A1+') for ₹190 crore. CUGL serves Kanpur, Bareilly and Jhansi in Uttar Pradesh, whereas MNGL serves Pune and its nearby areas. IGL has expanded its area of operations in Rewari district, Karnal district and Gurugram in Haryana. The company won one GA in the 9th CGD bidding round, namely, Meerut (except areas already authorised), Muzaffarnagar and Shamali districts in Uttar Pradesh, three GAs in the 10th CGD bidding round, including Kaithal district in Haryana, Ajmer, Pali and Rajsamand districts in Rajasthan and Kanpur (except area already authorised) district, Fatehpur and Hamirpur districts in Uttar Pradesh and one GA in the 11th CGD bidding round, including Banda, Chitrakoot and Mahoba districts in Uttar Pradesh.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26(UA)
Total operating income	14,000	14,928	3,914
PBILDT	2,391	2,006	512
PAT	1,748	1,460	356
Overall gearing (times)	0.01	0.01	NA
Interest coverage (times)	86.86	79.44	228.46

A: Audited UA: Unaudited; 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
Bonds*					400.00	CARE AAA; Stable
Fund-based/Non-fund-based-Long Term		-	-	-	6500.00	CARE AAA; Stable

*Bonds are proposed

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 2025-2026	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
1	Bonds	LT	400.00	CARE AAA; Stable	-	1)CARE AAA; Stable (12-Nov-24)	1)CARE AAA; Stable (12-Sep-23)	1)CARE AAA; Stable (14-Sep-22)
2	Fund-based/Non-fund-based-Long Term	LT	6500.00	CARE AAA; Stable	-	1)CARE AAA; Stable (12-Nov-24)	1)CARE AAA; Stable (12-Sep-23)	1)CARE AAA; Stable (14-Sep-22)

LT: Long term

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

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Bonds	Simple
2	Fund-based/Non-fund-based-Long Term	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Contact Us

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About us:
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