

Gujarat Gas Limited

September 29, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term / Short-term bank facilities	2,900.00	CARE AAA; Stable / CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Gujarat Gas Limited (GGL) continue to derive strength from its leading position in the city gas distribution (CGD) business in India, well-established and significantly large scale of operations, natural gas sourcing arrangements in place, and moderately diversified customer segment mix.

Ratings also factor in satisfactory financial performance in FY25 (FY refers to April 01 to March 31) with total operating income (TOI) registering a growth of ~5% led by volume growth of ~3% and increased realisations. However, profit before interest, lease rentals, depreciation, and taxation (PBILDT) and profit after tax (PAT) margins moderated to 11.61% (12.14% in FY24) and 6.95% (7.28% in FY24) respectively, due to reduced allocation of administered price mechanism (APM) gas. In Q1FY26, the company reported a revenue decline of ~13% to ₹3,871 crore (₹4,450 crore in Q1FY25), primarily due to lower volumes from the Morbi industrial cluster, where customers shifted to relatively cheaper propane. PBILDT margin improved from 12.04% in Q1FY25 to 13.43% in Q1FY26, supported by improved sales realisation.

Ratings continue to factor in GGL's comfortable leverage and debt coverage indicators. The company maintains a robust financial profile with nil debt, strong liquidity position, and efficient working capital management. Ratings also derive strength from its professional and experienced management and favourable outlook for the CGD business, being an environmentally cleaner fuel. Ratings also take note of the ongoing proposed scheme of arrangement, under which Gujarat State Petroleum Corporation Limited (GSPCL; CARE AA; RWP/CARE A1+), Gujarat State Petronet Limited (GSPL; CARE AA+; RWD/CARE A1+), and GSPC Energy Limited (GEL) will be amalgamated into GGL, followed by demerger of the transmission business into GSPL Transmission Limited (GTL). The scheme is expected to simplify the corporate structure and unlock value by eliminating the layered structure within the group. The merger of the gas trading business is likely to augment scale and improve GGL's PBILDT margin. Considering GSPCL is a debt-free entity, no adverse impact on GGL's financial profile is envisaged upon completion of the merger. Any envisaged liabilities falling on GGL pursuant to the scheme will be a key monitorable from a credit perspective. The transaction is expected to be completed by Q4FY26.

However, ratings remain exposed to demand susceptibility for natural gas based on price dynamics of competing fuels and its impact on GGL's profitability, and risks related to domestic natural gas availability and regasified liquefied natural gas (RLNG) prices. Per CARE Ratings Limited (CareEdge Ratings), with the merger of trading and CGD business and strong sourcing capabilities of GSPCL, RLNG availability is not expected to be a concern for the company. However, GGL's ability to pass on gas price increases to end-users will be a key monitorable from profitability and return perspective.

Rating strengths are tempered by GGL's medium-term capital expenditure plans for developing CGD network in geographical areas and regulatory risks associated with the CGD business.

¹Complete 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

- Large debt-funded capex or acquisitions leading to increasing total debt/PBILDT of 1x on a sustained basis.
- Regulatory development, which may have material adverse impact on the business and financial profile of the company.
- Significantly delaying achievement of MWP targets leading to imposition of material penalties on GGL.
- Unenvisioned liabilities on GGL arising from the proposed amalgamation.

Analytical approach: Standalone

Outlook: Stable

The Stable outlook reflects CareEdge Ratings' expectation that GGL will maintain its strong market position in the industry, steady operational performance, and robust financial profile.

Detailed description of key rating drivers:

Key strengths

Leading player in CGD business with its established business presence in its area of operations

GGL is the leading player in CGD business in India and has a dominant market position, particularly in Gujarat, which is the largest natural gas-consuming state in the country. This is considering its first-mover advantage in major areas, 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. Petroleum and Natural Gas Regulatory Board (PNGRB) has granted marketing exclusivity and infrastructure exclusivity to GGL for GAs it operates in, where other players are not allowed to operate within these GAs till the end of the exclusivity period.

Satisfactory operating and financial performance

GGL has demonstrated strong operating performance in terms of growth in CGD infrastructure and sales volumes. The number of GGL's CNG stations remained stable at 830 as on June 30, 2025 (828 as on March 31, 2025 and 808 as on March 31, 2024), while the number of PNG customers increased to 23.02 lakh as on June 30, 2025 (22.67 lakh as on March 31, 2025 and 21.16 lakh as on March 31, 2024). GGL's total sales volumes grew by ~3% from 3,421 million metric standard cubic metre (MMSCM) in FY24 to 3,511 MMSCM in FY25, considering higher CNG sales. TOI (excluding excise duty) increased by ~5% from ₹15,691 crore in FY24 to ₹16,488 crore in FY25. However, PBILDT and PAT margins moderated to 11.61% (12.14% in FY24) and 6.95% (7.28% in FY24) respectively, due to reduced allocation of APM gas.

In Q1FY26, the company reported a revenue decline of ~13% to ₹3,871 crore (₹4,450 crore in Q1FY25), considering lower volumes from the Morbi industrial cluster, where customers shifted to relatively cheaper propane. Morbi volumes declined from 2.87 million MMSCMD in Q4FY25 to 2.51 MMSCMD in Q1FY26. Non-Morbi industrial volumes grew by 2% quarter-on-quarter to 2.20 MMSCMD in Q1FY26 from 2.16 MMSCMD in Q4FY25. Despite the increase in natural gas cost and moderation in revenue, PBILDT margin improved from 12.04% in Q1FY25 to 13.43% in Q1FY26, supported by improved sales realisation.

Moderately diversified customer mix

GGL's customer mix is skewed towards piped natural gas (PNG). In FY25, of the total sales volumes of GGL, the proportion of PNG was 68% (Industrial – 86%, Commercial – 2% and Domestic – 12%) followed by CNG at 32%. In Q1FY26, the proportion

of PNG was 62% (Industrial – 85%, Commercial – 3% and Domestic – 12%) followed by CNG at 38%. GGL introduced Full Dealer-owned Dealer Operated (FDODO) scheme, under which dealers will invest and operate CNG Stations with ~60-70 CNG stations going to commercialise by FY26 end. This would enable the company to channel its resources in laying PE and steel pipelines for enhancing infrastructure and accessibility and expansion of CGD network. Going forward, the envisaged ramp-up of number of CNG stations and commercialising new GAs outside Gujarat is expected to aid further diversification in its sales mix and some improvement in its operating profitability.

Robust financial position

The company continues to be debt free as on March 31, 2025, with debt comprising only lease liabilities of ₹150 crore as on March 31, 2025. The merger of GSPC with GGL is not expected to result in addition of debt/other liabilities, which may adversely impact GGL's financial profile. Deviation from this on consummation of the scheme would be a key rating sensitivity.

Stable industry outlook

To address 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. In the last many years, CGD volumes have been continuously rising, considering improved pipeline infrastructure, better availability of natural gas through imports, continuous rise in the number of CNG-operated vehicles due to better pricing economics of natural gas compared to other conventional fuels and its environment friendliness over other alternative fuels. GGL 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 associated with fluctuation in gas prices

The CGD companies have to rely on imported RLNG and other domestic gas sources for meeting the requirement of PNG-Industrial and PNG-Commercial segments and shortfall in CNG. 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 under APM has reduced from 30% in FY24 to 25% in FY25 and lead to increase in reliance on costlier RLNG/HPHT gas with consequent impact on profitability. Per CareEdge Ratings, with the merger of trading and CGD business and strong sourcing capabilities of GSPC, availability of RLNG is not expected to be an issue for the company.

At present, large portion of CNG and PNG-Domestic demand is being met through the APM gas. However, considering the 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 the entire requirement. Hence dependence on costlier alternative sources is likely to rise to meet the demand. GGL's ability in passing on the impact of rising natural gas cost to its consumers and also maintaining its profitability would be important.

Project risk associated with its medium-term capex plans

GGL has envisaged capex in the range of ~₹800-₹1,000 crore each year in the next three years. 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. GGL's capex plans are envisaged to be funded through internal accruals and available liquidity without availing additional debt. Despite high amount of internal accruals committed for capex, GGL's credit profile is expected to remain comfortable considering robust cash accruals, resulting into comfortable debt coverage indicators.

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. GGL'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 GGL.

Liquidity: Strong

GGL's liquidity is strong marked by free cash and cash equivalents of ~ ₹1,633 crore as on March 31, 2025, and ~₹2,000 crore as on June 30, 2025, against nil debt repayment obligations. With an overall gearing of 0.02x as on March 31, 2025, GGL has sufficient gearing headroom to raise debt for its capex (if required).

The company has a comfortable working capital cycle. GGL has total fund based working capital limits of ₹613 crore, which remained unutilised as on June 30, 2025. Non-fund-based limit is utilised to an extent of 62% as on June 30, 2025. GGL utilises its non-fund-based limits for issuing PBGs for onward submission to the PNGRB towards authorisation across GAs. Envisaged capex is most likely to be funded from its internal accruals and available liquidity.

Assumptions/Covenants: Not applicable**Environment, social, and governance (ESG) risks****Environmental:**

CareEdge Ratings takes note of natural gas being a relatively cleaner source of energy, it has lower carbon emissions against other fossil fuels. There is strong impetus of GoI to increase share of natural gas in India's primary energy mix. This mitigates the environmental risk to some extent. GGL has taken initiatives such as blending of green hydrogen gas with natural gas to reduce carbon emissions, blending of compressed biogas (CBG) into PNG and CNG system contributing to waste management and pollution control, among others. GGL has played a pivotal role in shifting Morbi ceramic industry gasifiers from coal to PNG, which has led to significant improvement in air quality index of Morbi.

Social:

GGL is focused on safety aspects especially at all its GAs with implementation of Health, Safety & Environment (HSE) management system relevant to project requirement, trainings, visits and meetings by the management team members focusing on safety requirements.

Governance:

From a governance point of view, GGL's board is diversified with four of seven directors as independent directors. 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](#)

[Short Term Instruments](#)

[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

GGL is India's largest CGD company, with 27 CGD licenses spread across 44 districts in six states and one union territory across Gujarat, Maharashtra, Rajasthan, Haryana, Punjab, Madhya Pradesh and Union Territory of Dadra and Nagar Haveli. Of these, seven GAs have been awarded to the company in the 9th and 10th CGD bidding rounds. GGL is engaged in marketing and distributing natural gas (piped and compressed) and currently supplies PNG to industrial, commercial and domestic customers and CNG to the transportation sector. GGL benefits from the economies of scale, diversified customer and sourcing bases, and extensive pipeline infrastructure. As on June 30, 2025, GGL has a customer base of over 23.02 lakhs domestic households, 15,700 commercial customers, 4,425 industrial units and 830 CNG stations, providing strong revenue diversity. As on June 30, 2025, the promoter and promoter group holding in GGL was 60.89%.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26 (U/A)
Total operating income	15,691	16,488	3871
PBILD	1,905	1,915	520
PAT	1,143	1,145	327
Overall gearing (times)	0.02	0.02	-
Interest coverage (times)	35.91	38.00	65.56

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
Fund-based/Non-fund-based-LT/ST		-	-	-	2900.00	CARE AAA; Stable / CARE A1+

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	Fund-based/Non-fund-based-LT/ST	LT/ST	2900.00	CARE AAA; Stable / CARE A1+	-	1)CARE AAA; Stable / CARE A1+ (09-Sep-24)	1)CARE AAA; Stable / CARE A1+ (23-Aug-23) 2)CARE AAA; Stable / CARE A1+ (04-Jul-23)	1)CARE AA+; Positive / CARE A1+ (27-Sep-22) 2)CARE AA+; Positive / CARE A1+ (06-Apr-22)

LT/ST: Long term/Short 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	Fund-based/Non-fund-based-LT/ST	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CareEdge 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.

Contact us

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About us:

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