

Aavantika Gas Limited

March 31, 2026

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	6.00	CARE AA; Stable	Assigned
Long-term / Short-term bank facilities	289.00	CARE AA; Stable / CARE A1+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Aavantika Gas Limited (AGL) factors to derive strength derive strength from its monopolistic position in authorised geographical areas (GAs), moderately diversified customer mix, expanding city gas distribution (CGD) volume over the years, adequate natural gas sourcing arrangement, monopolistic position in authorised GAs due to its infrastructure exclusivity, and favourable industry outlook with high entry barriers for new entrants. Although AGL's marketing exclusivity has expired in 2014, CARE Ratings Limited (CareEdge Ratings) expects the company to continue to have a dominant market share in the near term because of its first-mover advantage and established network infrastructure. Rating also draw strength from its strong parentage of GAIL (India) Limited (GAIL; rated CARE AAA; Stable/CARE A1+) and Hindustan Petroleum Corporation Limited (HPCL).

AGL recorded consistent growth in scale of operations, supported by its established presence as the sole CGD operator in the GAs of Indore and Gwalior. AGL's gas sales volume increased from 56.27 MMSCM in FY21 to 148.34 MMSCM in FY25, reflecting a compound annual growth rate (CAGR) of 27% in the period with y-o-y growth 12% in FY25. Volumes in 9MFY26 stood at 121.52 MMSCM. Driven by the sustained volume growth, the company's operating income also grew at a CAGR of 32% from FY21-FY25, rising from ₹253 crore to ₹761 crore with a y-o-y increase by 16% in FY25.

The company's profitability remained strong, with profit before interest, lease rentals, depreciation and taxation (PBILDT) margins ranging between 16% and 20% from FY23-FY25. However, margins moderated in FY25 and 9MFY26 due to lower administrative price mechanism (APM) gas allocation and higher repair and maintenance costs related to ageing pipeline infrastructure, though they continued to remain satisfactory. PBILDT margins stood at 18.95% in FY25 (FY24: 20.08%) and 17.79% in 9MFY26.

Ratings also factor in robust financial profile and comfortable capital structure of the company, with the no outstanding term debt as on December 31, 2025. CARE Ratings Limited (CareEdge Ratings) expects AGL's financial and credit profile to remain healthy in the near-to-medium term. Ratings also take cognisance of the completion of minimum works programme (MWP) targets. While there is a capex envisaged of ~₹360 crore in the next three years, which is discretionary in nature and to be funded through own accruals.

AGL's operational profile is supported by a diversified customer mix with share of compressed natural gas (CNG) in total sales volumes at 54% in FY25 and 57% in 9MFY26. Within piped natural gas (PNG), the industrial segment remains dominant (~69% of PNG volumes in 9MFY26).

However, rating strengths are tempered by the company's exposure to natural gas price volatility, regulatory risks associated with the city gas distribution (CGD) sector, and competition from alternate fuels. AGL has long-term liquified natural gas (LNG) contracts with tenures of 3–5 years, which enhance supply security in the medium term.

Due to ongoing geopolitical tensions in the West Asia, which is a key gas-sourcing region, availability and pricing of imported natural gas continue to remain exposed to near-term volatility. Pursuant to recent regulatory guidelines, gas allocation to industrial and commercial segments has been curtailed by ~20%, leading to increased reliance on spot LNG procurement. With spot LNG prices remaining elevated, the company's operating margins may witness pressure in the near term. AGL has been able to pass on increased gas cost to industrial customers, limiting impact on its operating margins. Share of CNG and PNG-domestic in the overall sales volume stood at ~67%; these segments are expected to continue receiving priority gas allocation, which provides stability to the company's volume profile and margins to an extent. However, sustainability of such pass-through in recent volatile spot price environment, and availability and pricing of gas in the near term would be a key monitorable from profitability and return perspective.

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

- Higher-than-envisaged growth in scale of operation while maintaining profitability and credit metrics.

Negative factors

- Adverse impact on the CGD volumes, impacting profitability and return indicators on a continued basis.
- Large debt-funded capex or acquisition leading to net debt to earnings before interest, taxation, depreciation, and amortisation (EBITDA) over 1.0x.

Analytical approach: Standalone; CareEdge Ratings factors in the implicit support of GAIL and HPCL, collectively owning ~99.98% of AGL.

Outlook: Stable

The stable outlook on the rating reflects CareEdge Ratings' expectation that AGL will continue to have a healthy operating performance, which will be backed by sustained volume growth while maintaining profitability and comfortable debt coverage.

Detailed description of key rating drivers:

Key strengths

Strong parentage of GAIL and HPCL

AGL is promoted by GAIL and HPCL, having equal equity stake in the company. AGL benefits considering its association with GAIL and HPCL, which are financially strong Maharatna central public sector undertakings (CPSUs) with established presence across the natural gas value chain. AGL derives technical, managerial and strategic support from its promoters and is being managed by a professional and experienced management team, having knowledgeable personnel with respect to aspects of the gas industry in India. Given the strategic nature of AGL's operations, with it being the sole CGD operator in its geographic areas, CareEdge Ratings believes support from shareholders shall be forthcoming on need basis.

Expansion of CGD Volumes and improved financial performance

AGL has developed a strong CNG and PNG network, supporting its dominant position in authorised areas. As on December 31, 2025, the company has 117 CNG stations and over 2 lakh PNG-Domestic connections. The established network supported consistent volume growth in the last five years. Gas sales volume increased at a CAGR of ~27% from FY21-FY25 from 56.27 MMSCM in FY21 to 148.34 MMSCM in FY25. In FY25, the company reported 12% growth in volumes from FY24 (FY24: 132.84 MMSCM). Volumes further increased to 121.52 MMSCM in 9MFY26, reflecting annualised growth rate of ~9%. With increase in sale volumes, the company's total operating income also grew at a CAGR of 32% from FY21-FY25, increasing from ₹253 crore in FY21 to ₹761 crore in FY25 with y-o-y revenue growth of 12% in FY25 (FY24: ₹678). Volume and revenue are expected to grow further in the medium term with continuous expansion of network.

Profitability has also been strong with PBILDT margins in range of 16-20% from FY23-FY25. While there has been a reduction in margins in FY25 and 9MFY26 led by reduced APM gas allocation, margins continue to remain satisfactory. Margins in FY25 and 9MFY26 stood at 18.95% (FY24: 20.08%) and 17.79% respectively. Moderation in margins was also partly attributable to higher repair and maintenance costs associated with ageing pipeline infrastructure. Going forward, margins are expected to remain in the 16-17% range, supported by AGL's ability to pass through higher gas procurement costs.

Strong entry barriers with infrastructure exclusivity in authorised gas

AGL is the sole CGD operator in the geographic regions of Indore and Gwalior and has a long track record of operating in these areas. Per guidelines of the Petroleum and Natural Gas Regulatory Board (PNGRB), AGL has marketing exclusivity of five years and infrastructure exclusivity of 25 years from the date of authorisation, where other players are not allowed to operate within these GAs till the end of the exclusivity period. AGL's marketing exclusivity ended in FY14. However, it continues to retain infrastructure exclusivity till FY34. High entry barriers are corroborated by the fact that despite expiry of marketing exclusivity period, none of the other players have entered this GA and AGL continues to lead marketing activities in these GAs.

Robust financial position

AGL has robust financial profile and comfortable capital structure, with the no outstanding term debt as on December 31, 2025. Debt comprises only lease liabilities as on December 31, 2025. AGL has not proposed borrowing in the medium term and capex requirement will be funded entirely from internal accruals and available liquidity. CareEdge Ratings expects AGL's financial and credit profile to remain healthy in the near- to medium term. Large debt funded capex impacting the debt coverage shall be important from credit perspective.

Natural gas sourcing tie-up in place

In India, CGD companies receive priority allocation of domestic natural gas under the APM framework. However, APM allocation has seen reduction in recent years across industry, which increased reliance on costlier high pressure high temperature (HPHT) and re-gasified liquified natural gas (RLNG). In FY25, AGL sourced 42% (FY24: 52%) of its requirement from domestic sources (APM, New Well Gas, Compressed Biogas and HPHT) with APM being 38% (FY24: 49%), while the balance was met through RLNG. APM allocation reduced to 30% in 9MFY26, which it was partially compensated through allocation of New Well gas and the overall domestic procurement stood at 41% in 9MFY26. To address declining domestic gas allocation and mitigate exposure to volatile spot LNG prices, the company secured long-term LNG contracts with GAIL. The contracted capacity is well adequate to meet requirement of expanding capacity. These tie-ups are expected to support supply security and margin stability in the medium term. However, impact of ongoing geopolitical disruptions in the availability of natural gas would be a key monitorable.

Well-diversified customer mix

AGL's customer mix is diversified across CNG and PNG segments, with a gradual shift in volume contribution towards the CNG segment in the last few years. Share of CNG in total sales volumes has increased from 46% in FY21 to 54% in FY25 and 57% in 9MFY26, driven by rising adoption of CNG and expansion of the CNG station network. Correspondingly, contribution of PNG moderated from 54% in FY21 to 43% in 9MFY26. Within the PNG segment, the industrial category continues to remain dominant, accounting for 69% of PNG volumes in 9MFY26 (Commercial: 7% and Domestic: 24%). Contribution of CNG volumes of AGL is expected to remain dominant in the medium term, despite some competition expected from electric vehicle (EV) segment.

Favourable Demand Outlook for CGD business

The Government of India (GoI) is actively promoting cleaner energy sources, including natural gas, to address environmental concerns. CGD projects have emerged as a key segment in this transition, driven by regulatory support and court directives against polluting fuels. With domestic natural gas consumption still at a nascent stage, there is significant growth potential. The GoI aims to increase share of natural gas in the primary energy mix from 6.5% to ~15% by 2030. Ongoing expansion in RLNG import infrastructure is expected to improve gas availability, encouraging industrial and commercial users to switch from alternative fuels. In the long term, CGD players are well-positioned to benefit from supportive policies, regulatory incentives, and growing demand for cleaner fuels.

Key weaknesses**Exposure to limited GAs**

AGL's operational profile remains constrained by its presence in a limited number of GAs, resulting in relatively lower scale and geographic diversification compared to larger CGD peers. Pace of CGD adoption in the company's operating regions is comparatively moderate against larger metropolitan areas, which restricts faster scale-up in volumes. Consequently, the limited geographic footprint continues to moderate the company's growth potential, although gradual network expansion within existing GAs is expected to support steady volume growth in the medium term.

Risk associated with gas availability and price volatility

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 and PNG-Domestic supplies. Currently, this domestic allocation is relatively cheaper compared to alternative natural gas sources such as RLNG. 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.

Impact of ongoing disruptions in West Asia

In the backdrop of ongoing geopolitical tensions in West Asia, where ~40% of the RLNG is imported, availability of imported LNG has become highly volatile. Per recent regulatory guidelines, gas allocation to industrial and commercial segments has been curtailed by ~20%, necessitating increased reliance on spot LNG purchases, which witnessed elevated prices in recent periods. Share of CNG and PNG-domestic in the overall sales volume stood at ~67%; these segments are expected to continue receiving

priority gas allocation, which provides stability to the company's volume profile and margins to an extent. Availability and pricing of gas in the near term and AGL's ability in passing on the impact of rising natural gas cost to its consumers and also maintaining its profitability would be a key monitorable.

Regulatory risks in CGD business

CGD entities are regulated by PNGRB with risk associated with entry of new players post expiry of marketing/network exclusivity period, which may impact player profitability. The segment is vulnerable to demand-supply of natural gas and changes in the pricing mechanism. AGL'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. The recent regulatory changes, where gas allocation to industrial and commercial segments have been curtailed by ~20% amid ongoing geopolitical conflicts, necessitating increased reliance on spot LNG purchases, which witnessed elevated prices in recent periods. AGL has been able to pass on increased gas cost to industrial customers, limiting impact on its operating margins. Further 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 AGL. CGD entities have pricing power, and thus, flexibility to increase natural gas prices, by passing on increased 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 AGL is able to pass on incremental price to its customers and its consequent impact on the demand would be crucial.

Liquidity: Adequate

AGL's liquidity profile is adequate marked by free cash and cash equivalents of ~₹163 crore as on December 31, 2025, against nil debt repayment obligations. AGL has total fund-based working capital limits of ₹6 crore, which remained unutilised as on December 31, 2025. Strong internal accruals and absence of external debt requirements are expected to support a strong liquidity profile in the medium term.

Assumptions/Covenants: Not applicable

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

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 and consumable fuels	Gas	LPG/CNG/PNG/LNG supplier

AGL was incorporated on June 07, 2006, as a JV between GAIL and HPCL for development of CGD infrastructure and supply of environment-friendly natural gas, including CNG to transport sector and PNG to domestic, industrial and commercial customers across Indore (including Ujjain and Pithampur) and Gwalior GA in Madhya Pradesh. AGL has a track record of over 19 years and was authorised to set up operations in all its GAs by the central government prior to incorporation of PNGRB.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	9MFY26 (U/A)
Total operating income	678	761	644
PBILDT*	136	144	115
Profit after tax (PAT)	76	80	69
Overall gearing (x)	0.12	0.04	0.01
Interest coverage (x)	30.52	47.11	147.18

A: Audited UA: Unaudited; Note: these are latest available financial results

*PBILDT: Profit before interest, lease rentals, depreciation and tax

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-Long Term		-	-	-	6.00	CARE AA; Stable
Non-fund-based-LT/ST		-	-	-	289.00	CARE AA; 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 - LT-Cash Credit	LT	-	-	-	-	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (19-Jul-22) 2)Withdrawn (19-Jul-22)
2	Non-fund-based - ST-BG/LC	ST	-	-	-	-	-	1)CARE A4+; ISSUER NOT COOPERATING* (19-Jul-22) 2)Withdrawn (19-Jul-22)
3	Non-fund-based - LT-Bank Guarantee	LT	-	-	-	-	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (19-Jul-22) 2)Withdrawn (19-Jul-22)

4	Fund-based-Long Term	LT	6.00	CARE AA; Stable				
5	Non-fund-based-LT/ST	LT/ST	289.00	CARE AA; Stable / CARE A1+				

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; 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-Long Term	Simple
2	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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