February 25, 2025

Tripura Natural Gas Company Limited: Rating upgraded and removed from Issuer Not-Cooperating category

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term - Unallocated	-	97.49	[ICRA]A(Stable); upgraded from [ICRA]BB+(Stable) ISSUER NOT COOPERATING and removed from Issuer Not-Cooperating category
Long term non-fund based	23.00	30.00	[ICRA]A(Stable); upgraded from [ICRA]BB+(Stable) ISSUER NOT COOPERATING and removed from Issuer Not-Cooperating category
Long term - Term loan	104.49	-	-
Total	**127.49**	**127.49**	

**Instrument details are provided in Annexure I*

Rationale

ICRA has upgraded the rating assigned to Tripura Natural Gas Company Limited's (TNGCL) bank lines and removed it from the Issuer Not-Cooperating (INC) category owing to the company's cooperation in concluding the rating exercise.

The rating factors in the strong business position of TNGCL in Tripura's city gas distribution (CGD) owing to its long presence in this business. TNGCL is authorised for operations in three geographical areas (GA) in Tripura - Agartala, the rest of West Tripura district (except the pre-existing Agartala) and the Gomati district. In April 2024, it was authorised to develop the CGD network in the geographical areas of Manipur and Mizoram. TNGCL has marketing exclusivity for eight years and network exclusivity for 25 years from the date of authorisation for the existing GAs - the rest of West Tripura district, Gomati and the new GAs of Manipur and Mizoram. In addition, there are significant entry barriers for third-party marketers or new entrants due to concerns over gas availability at competitive prices. The rating also factors in TNGCL's strong parentage and ownership structure. Moreover, TNGCL has a comfortable financial risk profile, marked by healthy profitability, a conservative capital structure and strong debt coverage metrics.

ICRA notes the healthy increase in TNGCL's operating income to Rs. 238.0 crore in FY2024 from Rs. 137.5 crore in FY2022 at a CAGR of 32% with an increase in the PNG and CNG customer base that provided a boost to volumes. Further, TNGCL achieved an operating income of Rs. 183.2 crore in 9M FY2025. The operating income is expected to grow at a healthy rate over the long term with the increase in customer base from both the existing and the new GAs.

The rating, however, is constrained by the company's presence in GAs with low population, which is likely to limit its scale of operations, despite an expected growth in the customer base. TNGCL would also remain vulnerable to changes in policies for gas allocation, pricing and subsidy, which may affect the demand and cost competitiveness of natural gas compared to alternative fuels. Further, TNGCL's ability to pass on the price hike to consumers remains critical for maintaining its profitability. The company will also be exposed to project execution and stabilisation risks for the ongoing expansion in the existing and new GAs. Moreover, a timely equity infusion remains a key monitorable.

ICRA notes that TNGCL is behind the project milestones as defined in its minimum work programme (MWP) for the existing GAs, especially the Gomati GA, and any adverse action by the Petroleum and Natural Gas Regulatory Board (PNGRB) may result in an encashment of the performance bank guarantee.

The Stable outlook on the rating reflects ICRA's expectation that TNGCL is likely to sustain its operating metrics. Further, the outlook underlines ICRA's expectation that the entity's incremental capex, which will help expand the geographical reach, will be funded in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing rating.

Key rating drivers and their description

Credit strengths

Strong promoter and established presence in CGD business –TNGCL is a joint venture among Gail (India) Limited (GAIL, rated at [ICRA]AAA/Stable/[ICRA]A1+), Tripura Industrial Development Corporation Ltd. (TIDCL, a Government of Tripura undertaking) and Assam Gas Company Ltd. (AGCL, a Government of Assam undertaking). The parent company GAIL is a dominant players in the oil and gas sector and has an extensive experience and understanding of this sector. The company's strong parentage and ownership structure mitigate its management and operational risks to a large extent.

The Government of India had authorised the company to carry out CGD business in the Agartala geographical area (GA) and the authorisation was accepted by the Petroleum and Natural Gas Regulatory Board (PNGRB) in February 2015. TNGCL does not have any infrastructure or marketing exclusivity for the Agartala GA. However, the company's established customer base, its first-mover advantage and the significant entry barriers for third-party marketers provide comfort. TNGCL received the authorisation for the rest of West Tripura district (except the Agartala GA already allocated to TNGCL) and the Gomati district through the ninth CGD bidding round in FY2019. Further, it received authorisation for the Manipur and Mizoram GAs in April 2024. This will enhance the company's geographical coverage.

Healthy financial risk profile - The financial risk profile has been healthy, indicated by a gearing of 0.1 times as on December 31, 2024, total debt /OPBDITA of 0.3 times and interest coverage of 31.0 times in 9M FY2025. However, in order to expand its network in the new GAs, the company will have to incur a sizeable capex which will be funded through a mix of equity infusion, internal accruals and debt. The debt-funded capex is likely to moderate the coverage indicators from the current levels, in the medium term, though it will continue to be healthy.

Regulations under PNGRB Act ensure monopoly of incumbents – TNGCL has marketing exclusivity for eight years and network exclusivity for 25 years from the date of authorisation for the existing GAs - the rest of West Tripura district, Gomati and the new GAs of Manipur and Mizoram. Also, PNGRB regulations ensure fixed returns after the expiry of the exclusivity period. Third-party entrants face entry barriers like investment in CNG stations, tying up of firm gas supplies, gas availability at competitive prices, etc. So, though TNGCL does not have any infrastructure or marketing exclusivity for the Agartala GA, the entry barriers for the third-party marketers protect it against competition.

Credit challenges

Moderate scale of operations – The company has a moderate scale of operations vis-à-vis some other large CGD companies. TNGCL has been involved in the CGD business for a long time in and around Agartala, which is a small city in Tripura. The GAs authorised in FY2019 - West Tripura (excluding pre-existing Agartala) and Gomati districts - along with those authorised in FY2025 – Manipur and Mizoram – are likely to result in a healthy revenue growth in the medium to long term. However, the overall population of these GAs remains low, which is likely to restrict TNGCL's scale of operation.

Exposed to project-related risks– The capex in the new GAs (Manipur and Mizoram state) offers a growth opportunity for TNGCL, but it also poses significant execution risk. Any delay or under-achievement of the MWP target in the GAs attracts major penalties, and/or encashment of the performance guarantees submitted by TNGCL towards the GAs will be a key rating sensitivity.

Highly regulated nature of CGD sector – Any adverse changes in the regulatory policies for gas allocation, pricing of domestic gas, duty and tax structure and the subsidy available for TNGCL's consumers in the PNG (domestic) and CNG (transport) segments may negatively impact the availability and cost competitiveness of natural gas over alternative fuels.

The APM gas allocation for the CGD sector has been reduced for the second time from November 15, 2024, after a 20% reduction in allocation from October 16, 2024. ICRA believes the successive APM cuts for the CGD sector signal a policy shift by the Government of India and there could be further reductions, going forward. In case of an increase in the gas purchase cost, TNGCL's ability to pass on the price hike to consumers remains critical for maintaining high profitability.

Liquidity position: Adequate

TNGCL's liquidity is expected to remain adequate, given the stable cash accruals, no debt repayments in the near term and healthy free cash balances which are adequate to meet the margin funding for the upcoming capex plans. TNGCL is likely to tie up term debt for the ongoing capex for the new GAs at competitive rates and having a long tenor and ballooning repayment structure.

As on December 31, 2024, the company had Rs. 11.6 crore of cash and bank balance and term deposit of ~Rs. 149.9 crore. Of the Rs. 149.9-crore term deposits, ~Rs. 72-crore term deposit is unencumbered.

Rating sensitivities

Positive factors – A sustained growth in TNGCL's scale of business and profitability, aided by an increase in the customer base in the existing and new GAs, may result in an upgrade.

Negative factors – Negative pressure on the rating can arise if there is a significant drop in gas sales volumes or any adverse regulatory development, impacting the revenue and profitability on a sustained basis. Further, sizeable debt-funded capex affecting the liquidity or any significant penalty levied by PNGRB for not achieving the MWP will also exert pressure on the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology City Gas Distribution
Parent/Group support	Not applicable
Consolidation/Standalone	The rating is based on the standalone financial profile of the rated entity

Note (for analyst reference only):

About the company

Tripura Natural Gas Company Limited (TNGCL) has been involved in the city gas distribution (CGD) business in and around Agartala, Tripura, for a long time. In FY2019, it received authorisation for the GAs - the rest of West Tripura district (excluding the existing Agartala GA) and the Gomati district. In April 2024, it received authorisation for the GAs in Manipur and Mizoram.

TNGCL supplies piped natural gas (PNG) to domestic, commercial and industrial consumers, and compressed natural gas (CNG) to automobile users. It is a joint venture among GAIL, TIDCL, a Government of Tripura undertaking, and AGCL, a Government of Assam undertaking. GAIL holds a 48.98% stake in TNGCL, while TIDCL and AGCL each holds 25.51%. The company was established in 1990 as a joint venture between TIDCL and AGCL. In 2005, GAIL became a shareholder of TNGCL to implement gas distribution projects in Tripura. The company has been present in the PNG segment since its inception and it entered the CNG business in 2007.

Key financial indicators (audited)

	FY2023	FY2024	9M FY2025*
Operating income	227.8	238.0	183.2
PAT	20.3	40.9	34.5
OPBDIT/OI	20.2%	26.1%	27.4%
PAT/OI	8.9%	17.2%	18.8%
Total outside liabilities/Tangible net worth (times)	0.4	0.3	0.3
Total debt/OPBDIT (times)	0.4	0.2	0.3
Interest coverage (times)	28.4	32.1	31.0

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore*
PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: As per CRISIL's press release dated July 25, 2024, based on the best available or limited or dated information, the ratings on the bank facilities of TNGCL continue to be CRISIL B+/Stable Issuer not cooperating.

Any other information: None

Rating history for past three years

	Current (FY2025)				Chronology of rating history for the past 3 years					
			FY2025		FY2024		FY2023		FY2022	
Instrument	**Type**	**Amount rated (Rs. crore)**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Unallocated	Long term	97.49	25-FEB-2025	[ICRA]A (Stable)	-	-	-	-	-	-
Non fund based	Long term	30.00	25-FEB-2025	[ICRA]A (Stable)	25-AUG-2023	[ICRA]A (Stable) ISSUER NOT COOPERATING	31-MAY-2022	[ICRA]A (Stable)	-	-
		-	-	-	08-DEC-2023	[ICRA]BB+ (Stable) ISSUER NOT COOPERATING	-	-	-	-
Term loan	Long term	-	-	-	25-AUG-2023	[ICRA]A (Stable) ISSUER NOT COOPERATING	31-MAY-2022	[ICRA]A (Stable)	-	-
		-	-	-	08-DEC-2023	[ICRA]BB+ (Stable) ISSUER NOT COOPERATING	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term non-fund based	Very Simple
Long term unallocated	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Long term – Non-fund based**	NA	NA	NA	30.00	[ICRA]A(Stable)
NA	**Long term – Unallocated facilities**	NA	NA	NA	97.49	[ICRA]A(Stable)

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Not applicable

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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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