

April 30, 2022

To,
BSE Limited
 Listing Department, 1st Floor,
 Phiroze Jeejeebhoy Towers, Dalal Street,
 Fort, Mumbai – 400001

Sub.: Intimation with respect to re-affirmation of rating by CRISIL Ratings Limited on the Non-convertible Debentures of Pipeline Infrastructure Limited [SCRIP Code - 958751; ISIN - INE01XX07026]

Ref.: Regulation 55 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir/Madam,

Kindly note that CRISIL Ratings Limited (“CRISIL”), vide its rating rationale issued on March 30, 2022, has re-affirmed its rating for 64,520 Secured, Rated, Listed, Redeemable Non-convertible Debentures in the denomination of Rs. 10,00,000 each aggregating to Rs. 6,452 Crore issued by Pipeline Infrastructure Limited on private placement basis on April 23, 2019.

Details of current and previous ratings issued by CRISIL are as under:

a. Current rating details:

ISIN	Name of the CRA	Credit rating	Outlook	Rating action (new, upgrade, downgrade, re-affirm)	Date of credit rating	Verification status of CRAs (verified/ not verified)	Date of verification
INE01XX07026	CRISIL Ratings Limited	CRISIL AAA	Stable	Re-affirmed	March 30, 2022	Not verified	Not applicable

b. Earlier rating details:

ISIN	Name of the CRA	Credit rating	Outlook	Rating action (new, upgrade, downgrade, re-affirm)	Date of credit rating	Verification status of CRAs (verified/ not verified)	Date of verification
INE01XX07026	CRISIL Ratings Limited	CRISIL AAA	Stable	Re-affirmed	April 19, 2021	Yes	February 28, 2022

PIPELINE INFRASTRUCTURE LIMITED

(Formerly known as Pipeline Infrastructure Private Limited)

CIN: U60300MH2018PLC308292; Registered Office: Seawoods Grand Central, Tower-1, 3rd Level, C Wing - 301 to 304, Sector 40, Seawoods Railway Station, Navi Mumbai, Thane, Maharashtra - 400706, India

Tel No.: +91 22 3501 8000 | Email: compliance@pipelineinfra.com | Website: www.pipelineinfra.com



We are enclosing herewith the credit rating letter issued by the rating agency for your information.

You are requested to kindly take the same on record.

Thanking you,

For **Pipeline Infrastructure Limited**



Neha Jalan
Company Secretary
ACS 50594

CC: IDBI Trusteeship Services Limited
Asian Building, Ground Floor,
17, R. Kamani Marg,
Ballard Estate, Mumbai - 400 001

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Tel No.: +91 22 3501 8000 | **Email:** compliance@pipelineinfra.com | **Website:** www.pipelineinfra.com

Ratings

CRISIL Ratings Limited (A subsidiary of CRISIL Limited)



Rating Rationale

March 30, 2022 | Mumbai

Pipeline Infrastructure Limited

Rating reaffirmed

Rating Action

Rs.6452 Crore Non Convertible Debentures	CRISIL AAA/Stable (Reaffirmed)
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1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL AAA/Stable' rating on the non-convertible debentures (NCDs) of Pipeline Infrastructure Ltd (PIL; a wholly owned subsidiary of India Infrastructure Trust [India Infra], an infrastructure investment trust [InvIT]). With effect from July 2018, PIL has taken over the East-West pipeline (EWP) from East West Pipeline Ltd on a going-concern basis.

The rating continues to reflect the favourable location of the EWP, expectation of stable cash flow backed by a long-term contract with Reliance Industries Ltd (RIL; 'CRISIL AAA/Stable/CRISIL A1+') and a comfortable financial risk profile. These strengths are partially offset by exposure to refinancing and operations and maintenance (O&M) risks.

EWP, a 1,480-kilometre (km) cross-country pipeline, is the sole pipeline connecting the gas-producing eastern coast to the western coast of India. It also connects key industrial clusters and is connected to the GAIL's trunk and other pipelines.

PIL has entered into a pipeline usage agreement (PUA) with RIL, whereby the latter will contract a certain capacity of the pipeline for 20 years. The arrangement will ensure steady cash flow to PIL in case the actual revenue is lower, either on account of lower gas volume or tariff. RIL will be entitled to use unutilised capacity payments made under the PUA in future. RIL will also participate in upside sharing if the actual volume is higher than the contracted capacity.

The financial risk profile remains robust, with debt-to-value within 49% at consolidated India Infra debt, and a comfortable debt service coverage ratio (DSCR). The rating also takes into consideration the presence of a waterfall mechanism and a debt service reserve account (DSRA) equivalent to three months of debt obligation.

Analytical Approach

CRISIL Ratings has considered the standalone credit risk profile of PIL. As the company is a 100% subsidiary of India Infra (an InvIT), CRISIL Ratings has factored in the regulatory requirements for the special purpose vehicles (SPVs) of an InvIT, including mandatory distribution of 90% of its net distributable cash (post servicing of debt) to the InvIT. Also, the consolidated borrowing of the InvIT is expected to remain within 49% of the value of its assets.

Key Rating Drivers & Detailed Description

Strengths

Favourable location of the EWP

The EWP is the sole pipeline connecting the gas producing eastern coast to the western coast of India, extending from Kakinada in Andhra Pradesh to Bharuch in Gujarat. It supplies gas to key industrial clusters and to customers in the fertiliser, power, iron and steel, petrochemicals, and refining sectors. The pipeline is also connected to pipelines of other operators, such as GAIL and Gujarat State Petronet Ltd, for onward delivery of gas to other parts of India.

Stable cash flow from the EWP

Overall cash flow benefits from the presence of a 20-year contract with RIL for contracted capacity payments and the strong credit risk profile of the counterparty. The EWP is critical for RIL given the significant investments being undertaken for ramping up gas volume in the Krishna-Godavari (KG)-D6 fields. The arrangement will smoothen out cash flow in case the actual gas volume is lower or tariff rates are reduced.

Cash flow generated were moderate during fiscal 2021 on account of lower gas volume transported. The situation has, however, improved over the nine months through fiscal 2022 on account of increased production from the KG-D6 fields. While PIL transported 11.99 million metric standard cubic metric per day (mmscmd) of gas in fiscal 2021, volume improved to 21.44 mmscmd over the nine months through fiscal 2022. Over the medium term, volume could further ramp up, with increase in output expected from the investments undertaken by RIL and the other operators for extracting gas from the KG basin. Furthermore, volume is supported by the pipeline being used by other operators, such as Oil and Natural Gas Corporation, and for transporting re-gasified liquefied natural gas.

Comfortable financial risk profile

Cash accrual is stable and the DSCR strong, and there is a three-month DSRA. The debt-to-value at the consolidated India Infra level is also limited to 49% (though it can be increased to 70% subject to fulfilment of certain prescribed conditions),

thereby restricting the debt that can be availed by PIL. Healthy cash generation by PIL will ensure a comfortable DSCR. The rating is also supported by financial covenants with minimum interest coverage of 2.0 times for the PIL NCDs.

The company also has a well-defined waterfall payment structure, wherein a preference for payment of interest on external debentures is to be given before payments are made to the India Infra shareholder debt, investment manager, and unitholders. This lends additional support to the financial risk profile. Further, PIL will receive cash flow from RIL at the beginning of the quarter, whereas interest repayment at PIL is scheduled at the end of each quarter, providing a cushion of three months. The external debentures also have a bullet repayment after five years.

The investors are also protected in case of delay in payments by RIL. In such a scenario, India Infra will exercise an enforcement option, which will require RIL to either purchase the NCDs for the enforcement amount or invest the amount in PIL, with proceeds to be utilised to redeem the rated NCDs. The enforcement option will be consummated on the 158th day from the beginning of the quarter where payment from RIL has been missed.

Weaknesses:

Moderate refinancing risks

The debt has a bullet payment at the end of a five-year tenure and exposes the company to moderate refinancing risk. However, a 15-year tenure for underlying assets extending beyond the repayment tenure should help comfortably refinance the bullet repayment. Furthermore, India Infra's investment manager has to furnish a firm commitment letter for refinancing the outstanding NCDs a month before their maturity.

PIL is expected to prudently refinance the maturing debt and continue to maintain its healthy DSCR over the medium term.

Moderate O&M risks

O&M for the pipeline will be undertaken by a contractor, which is a 50:50 joint venture (JV) between the RIL group and the InvIT sponsor. O&M expenses form a significant proportion of the revenue. However, any escalation in expenses will be further funded by RIL, except for system usage gas, which will have to be funded out of the SPV's revenue.

Liquidity Superior

The stable cash flow is expected to amply cover the debt obligation over the medium term, leading to a healthy DSCR (more than 2 times after excluding subordinated debt from the shareholders) over the tenure of the debt (five years). Furthermore, the long life of the underlying assets, extending well beyond the debt tenure, should aid in refinancing bullet repayments at favourable terms. The three-month DSRA being maintained also supports liquidity.

Outlook Stable

CRISIL Rating believes PIL will benefit from the improvement in gas volume transported as well as derive comfort from the long-term pipeline usage agreement executed with a strong counterparty.

Rating Sensitivity factors

Downward factors

- Significant delay in receipt of quarterly payments from RIL
- Decline in DSCR to less than 2 times
- Change in the credit risk profile of RIL

About the Company

PIL, a wholly owned subsidiary of India Infra, has taken over the EWP from East West Pipeline Ltd on a going-concern basis.

India Infra is promoted by an indirect subsidiary of Brookfield Asset Management (BAM): Rapid Holdings 2 Pte Ltd (the sponsor). The O&M contractor is a 50:50 JV of the sponsor and the Reliance group. IDBI Trusteeship Services Ltd is the debenture trustee.

Key Financial Indicators

As on/for the period ended March 31		2021	2020
Revenue	Rs crore	1792	2407
Profit after tax (PAT)	Rs crore	-1191	-2561
PAT margin	%	-66.5	-106.4
Adjusted debt/adjusted networth	Times	-7.97	-23.04
Interest coverage	Times	0.78	1.07

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity levels	Rating assigned with outlook
INE01XX07026	Non-convertible	April 23,	8.95%	March	6,452	Simple	CRISIL

debentures

2019

22, 2024

AAA/Stable

Annexure - Rating History for last 3 Years

Instrument	Current			2022 (History)		2021		2020		2019		Start of 2019
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Non Convertible Debentures	LT	6452.0	CRISIL AAA/Stable		--	19-04-21	CRISIL AAA/Stable	24-04-20	CRISIL AAA/Stable	16-04-19	CRISIL AAA/Stable	--
			--		--		--		--	15-04-19	Provisional CRISIL AAA/Stable	--

All amounts are in Rs.Cr.

Criteria Details**Links to related criteria**[CRISILs Approach to Financial Ratios](#)[CRISILs rating criteria for REITs and InVITs](#)

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About CRISIL Limited

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