



गैल (इंडिया) लिमिटेड

(भारत सरकार का उपक्रम – महारत्न कंपनी)

GAIL (India) Limited

(A Government of India Undertaking - A Maharatna Company)

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GAIL/ F&A/Treasury/ Rating- NSE/2016-17

06th October 2016

Mr. Jitin Patel,
Assistant Manager-Listing compliance,
National Stock Exchange of India Limited (NSE),
Exchange Plaza, Bandra Kurla Complex
Bandra East, Mumbai-400051

Subject – Long Term Foreign Currency Rating of GAIL by Moody's

Dear Sir,

1. Please refer to your mail dated 03rd October 2016 in respect of news item published in The Financial Express titled "Moody's downgrades GAIL to Baa3" whereby you have sought information alongwith sequence of events in chronological order and the material impact thereof on GAIL.
2. The Long Term Foreign Currency rating of GAIL is conducted by Moody's and FITCH. Moody's had assigned Baa2 (positive outlook) in the year FY 2007-08 which was one notch above than the India's sovereign rating of Baa3 by Moody's and the same is continued till FY 2015-16.
3. During the FY 2015-16, Moody's had affirmed the GAIL's rating to Baa2 but had changed the outlook from positive to negative. The FY 2015-16 was a challenging year for GAIL due to strained profitability of Petchem segment on account of stabilisation of its expansion project, fall in prices liquid Hydrocarbon products and Polymers.
4. GAIL has provided all the required information to Moody's and also explained the current affairs during the pre- Rating Committee Call conducted on 28th September 2016. In the post Rating Committee Call conducted by Moody's on 29th September 2016, the Moody's Rating Committee communicated as under:-

Quote

"The rating downgrade reflects the continued growth in GAIL's cyclical business segments, which have a much higher business risk than its core gas transmission business. GAIL's business model has been evolving from a predominantly regulated transmission business to one that consists of a rising share of cyclical business segments, especially petrochemicals and liquid hydrocarbon, As a result, we have lowered GAIL's BCA to baa2 from baa3 and correspondingly, its issuer rating was lowered to Baa3 from Baa2".

Unquote

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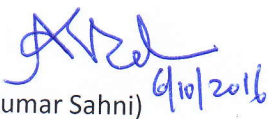
Impact on GAIL's Business

5. This downgrade of rating by Moody's to Baa3 (Positive outlook) which is at par with sovereign rating, will not have any effect on GAIL's business. There are no financial covenants related to Rating in any of Foreign Currency Loan Agreement, ISDA agreement. As per discussion with Foreign Banks, the pricing of any Foreign Currency loan is linked to the country's sovereign rating and GAIL's current rating is equal to sovereign rating. Further, GAIL is not so frequent in raising Foreign Currency Loan. So, as per discussion with foreign Banks, there will not be any impact on pricing of Long Term Foreign Currency borrowing by GAIL in future.
6. In domestic Market, GAIL enjoys AAA rating by CRISIL, CARE, ICRA and India Rating (FITCH). So, there will not be any impact on domestic borrowing of GAIL as well. GAIL had been disclosing all the information to Stock Exchanges under listing agreement from time to time.

Hope that above will be to your satisfaction.

Thanking You,

Yours Sincerely,


(Anil Kumar Sahni) 9/10/2016
GM (F&A)