

Fitch Assigns Issuer ratings of AA(ind)/stable and F1+(ind) to Petronet LNG

Fitch Ratings-Mumbai/Singapore--xx August 2006: Fitch Ratings today assigned an Issuer Rating of AA(ind) with a stable outlook to Petronet LNG Ltd ("PLL"). The agency also assigned a short-term issuer rating of F1+(ind).

PLL's rating derives strength from its assured quantity supply contract with Qatar's Rasgas and its back-to-back sales agreements with key customers Indian Oil Corporation ("IOC"), Bharat Petroleum Corporation ("BPCL") and GAIL India Ltd ("GAIL"). As LNG prices are pass-through, PLL remains protected from commodity price fluctuations, which helps stabilise earnings. The rating factors in the initial financial and operational support given to PLL by its key sponsors, who are of the highest credit quality, as well as the technical support received from Gaz de France SA. . The company's margins are determined by the terms of the contract, which specify the regasification rate to be paid by the customers. The rating is also supported by PLL's strong project execution skills; its existing project was completed with significant cost-savings, and before the scheduled completion date. The fact that the project reported positive cash accruals in its first year of operations gives further support to the rating. The well-structured sales and purchase agreements ("SPAs") with its LNG suppliers and NG customers ensure very stable cash flows over the contractual period. In Q107, PLL started the regasification of spot LNG cargos, which further support its strong, stable cash flows.

PLL has benefited from favourable demand-supply dynamics in the domestic NG sector. India currently faces an acute supply shortage, which is expected to continue despite the expected increase in domestic gas supplies on the back of the recent new gas finds. The increased government focus on the sector through initiatives such as the establishment of a separate gas regulatory authority, implementation of a national gas grid and deregulation of gas prices should enhance demand.

The rating is constrained by PLL's aggressive capex plan to fund the more than doubling of its existing capacity to 12.5mtpa. This exposes the company to risks of time- and cost-overruns during implementation, and the consequent cash flow pressures. This is partly mitigated by PLL's strong project execution skills and the assured cash flows expected from the same on commercialisation of the projects. The contractual terms for these expansions are expected to be similar to the existing contracts. The political, location and force majeure risk on account of PLL's dependence on its single supply contract is partly mitigated by its comprehensive business interruption risk insurance.

Established in 1998, Petronet LNG Ltd ("PLL"), imports liquid natural gas ("LNG"), stores and regassifies it at its 5 MTPA facility at Dahej, Gujarat, and sells the resulting Natural Gas ("NG") to its customers. PLL has drawn up an aggressive expansion plan to increase its capacity to 12.5MTPA in Dahej and Kochi. PLL's strength is derived from its 25-year assured-quantity LNG supply contract, and back-to-back sales agreements with its customers. In FY06, PLL reported sales of INR38.37billion, with a PAT of INR1.95bn. PLL's debt protection measures remained comfortable in FY06 with a debt/EBITDA ratio of 2.54x, and a debt/equity ratio of 1.2x. Gearing will increase in the medium term due to the

proposed expansion plans, though the risks are mitigated by the stability of PLL's cash flows. The debt repayment schedule reflects the cash flows expected under the contract.

Note to editors: Fitch's National ratings provide a relative measure of creditworthiness for rated entities in countries with relatively low international sovereign ratings and where there is demand for such ratings. The best risk within a country is rated 'AAA' and other credits are rated only relative to this risk. National ratings are designed for use mainly by local investors in local markets and are signified by the addition of an identifier for the country concerned, such as 'AAA(ind)' for National ratings in India. Specific letter grades are not therefore internationally comparable.

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