

Press Release

Aakash Oil Field Services Private Limited (Aakash Oil Field)

February 16, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.9.77 Cr
Long Term Rating	SMERA BB+/Stable (Assigned)
Short Term Rating	SMERA A4+ (Assigned)

*Refer Annexure for details

Draft Rating Rationale

SMERA has assigned long term rating of **SMERA BB+ (read as SMERA double B plus)** and short term rating of **SMERA A4+ (read as SMERA A four plus)** on the abovementioned bank facilities. The outlook is '**Stable**'.

Aakash Oil Field, incorporated in 1995 is a Gujarat-based company that carries out installation, repair and maintenance of SRP Surface units, progressive cavity pump, solar power system and natural gas compressor plants for oil field companies. The company was promoted by Mr. Kaushal Parikh and Mrs. Amee Kaushal Parikh who possess over a decades experience in the aforementioned industry.

List of key rating drivers and their detailed description

Strengths:

Long track record of operations and experienced management: The company was promoted by Mr. Kaushal Parikh and Mrs. Amee Parikh (Directors) in 1995. The Directors have over two decades of experience in the said line of business.

Healthy financial risk profile: The company has healthy financial risk profile marked by gearing of 1.27 times as on March 31, 2016 as compared to 1.63 times as on March 31, 2015. The interest coverage ratio (ICR) stood at 4.20 times for FY2015-16 as against 4.03 times for FY2014-15.

Reputed clientele: Aakash Oil Field deals with reputed clients such as ONGC, Gujarat State Corporation, Essar Oil limited among others.

Efficient working capital management: The working capital cycle of the company stood at 28 days in FY2015-16 with debtors of 66 days and inventory of 7 days.

Weaknesses:

Tender-based business: The operations of the company are tender-based. However, the Directors' experience and relationships with clients partially mitigates this risk.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the company.

Applicable Criteria

- Services Sector - <https://www.smera.in/criteria-services.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that Aakash Oil Field will maintain a stable outlook over the medium term owing to its promoters' extensive experience. The outlook may be revised to 'Positive' in case of improvement in revenues and profitability apart from the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenue and profitability or deterioration in the working capital management impacting liquidity.

About the Rated Entity:

The Gujarat-based Aakash Oil Field was incorporated in 1995 by Mr. Kaushal Parikh. The company provides installation, repair and maintenance services for companies in the oil field industry.

For FY2015-16, the company reported net PAT of Rs.1.11 crore on operating income of Rs.36.17 crore, as compared with PAT of Rs.1.21 crore on operating income of Rs.31.50 crore in FY2014-15. The net worth stood at Rs.7.31 crore as on March 31, 2016 against Rs.6.20 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	2.50	SMERA BB+/Stable (Assigned)	-	-	-	-	-	-
Bank Guarantee	ST	5.00	SMERA A4+ (Assigned)	-	-	-	-	-	-
Proposed Non Fund Based Facility	ST	2.27	SMERA A4+ (Assigned)	-	-	-	-	-	-

***Annexure - Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	N.A	N.A	N.A	2.50	SMERA BB+/Stable (Assigned)
Bank Guarantee	N.A	N.A	N.A	5.00	SMERA A4+ (Assigned)
Proposed Non Fund Based Facility	N.A	N.A	N.A	2.27	SMERA A4+ (Assigned)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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