

Press Release

Aakash Oil Field Services Private Limited (AOFSP)

06 April, 2018

Rating Reaffirmed And Assigned



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

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed 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 Rs. 9.77 crore bank facilities of Aakash Oil Field Services Private Limited (AOFSP). The outlook is '**Stable**'.

The Gujarat based, Aakash oil fields private limited (AOFPL) was incorporated in 1995. The company is engaged in the business of providing engineering services for maintenance of equipment's & supply of new equipment's including machineries on hire to Oil & Gas Sector Industries. The Directors of the company Mr. Kaushal Parikh and Mrs. Amee Parikh have more than 15 years of experience in the same line of business. The clientele of the company include Government, Semi-Government & Private Oil & Gas Sector Companies like ONGC and Gujarat state petroleum corporation (GSPC).

Key Rating Drivers

Strengths

Long track record of operations and experienced management

AOFSP was promoted by Mr. Kaushal Parikh and Mrs. Amee Parikh in 1995. The company is manned by more than 200 highly skilled, qualified and experienced team of Engineers and consultants having more than three decades of experience in the Oil and Gas Sector.

Reputed Clientele

CTIPL caters to reputed clients which include ONGC, GSPC, Reliance Industries, Essar Oil Limited among others. The company has been catering to them since last two decades and has been able to get repeat orders from them.

Weaknesses

Moderate financial risk profile

The company has moderate financial risk profile marked by low net worth of Rs. 8.01 crore as on 31 March, 2017 as against Rs. 7.31 crore as on 31 March, 2016. The gearing stood moderate at 1.46 times as on 31 March, 2017 as against 1.27 times as on 31 March, 2016. The total debt of Rs.11.71 outstanding as on 31 March, 2017 comprises term loans of Rs. 7.46 crore, interest-free unsecured loans from promoters/ directors of Rs. 0.50 crore and Rs.3.75 crore as short term borrowings from the bank. The Interest Coverage Ratio stood at 3.79 times in FY2017 as against 4.20 times in FY2016. The net cash accruals stood at Rs.3.68 crore in FY2017. Debt Service Coverage Ratio stood at 1.93 times in FY2017 against 2.55 times in FY2016.

Uneven profitability margins

The profitability margins of AOFSP have been uneven during the last three years. The EBITDA margins stood at 13.43 per cent in FY2017 as against 15.67 per cent in FY2016 and 14.44 per cent in FY2015. This is mainly on account of increase in employee cost and cost of spares and consumables in FY2017. The PAT

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margins have also been uneven at 1.82 per cent in FY2017 compared to 3.85 per cent in FY2015.

Highly competitive industry marked by tender based nature of business

The company's performance is susceptible to the tender based nature of activities and intense competition among other players bidding for government contracts.

Analytical Approach

SMERA has considered the consolidated business and financial risk profiles of M.K.V.K. Group to arrive at the rating.

Outlook: Stable

SMERA believes that AOFSP will maintain a 'Stable' outlook over the medium term on account of its experienced management and healthy relations with its customers. The outlook may be revised to 'Positive' in case the firm registers higher-than expected growth in revenue and profitability while improving working capital management. Conversely, the outlook may be revised to 'Negative' in case of lower-than- expected growth in revenue and profitability, or deterioration in the financial risk profile.

About the Rated Entity - Key Financials (Consolidated)

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 38.08 | 35.97 | 31.41 |
| EBITDA | Rs. Cr. | 5.13 | 5.67 | 4.55 |
| PAT | Rs. Cr. | 0.70 | 1.11 | 1.21 |
| EBITDA Margin | (%) | 13.43 | 15.67 | 14.44 |
| PAT Margin | (%) | 1.82 | 3.07 | 3.85 |
| ROCE | (%) | 14.05 | 19.55 | 19.33 |
| Total Debt/Tangible Net Worth | Times | 2.34 | 1.87 | 2.57 |
| PBDIT/Interest | Times | 3.79 | 4.20 | 4.03 |
| Total Debt/PBDIT | Times | 2.15 | 1.62 | 2.02 |
| Gross Current Assets (Days) | Days | 134 | 96 | 123 |

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Service Entities - <https://www.smera.in/criteria-service.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|------------------|---------------------------------|------------|------------------|------------------------------|
| 16-February-2017 | Cash Credit | Long Term | 2.50 | SMERA BB+/ Stable (Assigned) |
| | Bank Guarantee | Short Term | 5.00 | SMERA A4+ (Assigned) |
| | Proposed Bank Guarantee | Short Term | 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. Cr.) | Ratings/Outlook |
|-------------------------|------------------|----------------|----------------|-----------------------------|--------------------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 2.50 | SMERA BB+/ Stable (Reaffirmed) |
| Secured Overdraft | Not Applicable | Not Applicable | Not Applicable | 1.27 | SMERA BB+/ Stable (Assigned) |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 5.00 | SMERA A4+ (Reaffirmed) |
| Proposed Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 1.00 | SMERA A4+ (Reaffirmed) |

Contacts

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ABOUT SMERA

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