

Press Release

Aakash Oil Field Services Private Limited

July 04, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 9.77 Crore
Long Term Rating	ACUITE BB+/Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) and reaffirmed the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the above mentioned bank facilities of Aakash Oil Field Services Private Limited. 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).

Analytical Approach

Acuité has considered the standalone business and financial risk profile of AOFPL to arrive at the rating.

Key Rating Drivers:

Strengths

Experienced management and long track record of operations

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

Moderate financial risk profile

The moderate financial risk profile of the company is marked by moderate net worth, moderate gearing and healthy debt protection metrics. The net worth of the company stands moderate at Rs.8.62 crore in FY2019 (Prov.) as compared to Rs.8.34 crore in FY2018. The gearing of the company stands moderate at 1.38 times as on March 31, 2019 (Prov.) when compared to 1.24 times as on March 31, 2018. The total debt of Rs.11.90 crore in FY2019 (Prov.) is consist of long term debt of Rs.5.55 crore, short term debt of Rs.6.23 crore and unsecured loan prom promoters of Rs.0.12 crore. Interest coverage ratio (ICR) is quite healthy and stands at 2.92 times in FY 2019 (Prov.) as compared to 3.42 times in FY 2018. The debt service coverage ratio also stands comfortable at 1.86 times in FY2019 (Prov.) as compared to 2.05 times in FY2018.

Weaknesses

Working capital intensive nature of operation

The company's operations are working capital intensive in nature as reflected in gross current assets (GCA) of 157 days in 2018-19 (Prov.), increased from 135 days in 2017-18. These high GCA days emanates from collection period and inventory holding period of 97 days and 17 days respectively in FY19 (Prov.). Company's operations are expected to remain working capital intensive, as the company is engaged in the business of providing various types of services to oil field industry.

Presence Highly competitive and fragmented industry

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

Liquidity Position

The company has moderate liquidity marked by moderate net cash accruals of Rs.2.69 crore as compared to Rs.1.50 crore of long term debt obligation. The nature of operation of the company is working capital intensive reflected by high gross current asset (GCA) days of 157 in FY 2019(Prov.). This has led to high reliance on working capital borrowings, the working capital limit in the company remains utilised at 100 percent during the last 6 months period ended May 2019.

Outlook

Acuité believes the outlook on SIL rated facilities will remain stable over the medium term backed by its experienced management and healthy financial risk profile. The outlook may be revised to 'Positive' in case of sustenance of revenue growth while efficiently managing its working capital cycle. The outlook may be revised to 'Negative' in case of the company its working capital cycle gets stretched or its financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	32.19	36.82	38.24
EBITDA	Rs. Cr.	3.79	4.72	5.13
PAT	Rs. Cr.	0.27	0.34	0.70
EBITDA Margin	(%)	11.76	12.81	13.43
PAT Margin	(%)	0.85	0.92	1.82
ROCE	(%)	8.82	13.20	25.85
Total Debt/Tangible Net Worth	Times	1.38	1.24	1.46
PBDIT/Interest	Times	2.92	3.42	3.79
Total Debt/PBDIT	Times	2.90	2.02	2.15
Gross Current Assets (Days)	Days	157	135	134

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Service Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
06-Apr-2018	Cash Credit	Long Term	2.50	ACUITE BB+/Stable (Reaffirmed)
	Secured Overdraft	Long Term	1.27	ACUITE BB+/Stable (Assigned)
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	1.00	ACUITE A4+ (Reaffirmed)
16-Feb-2017	Cash Credit	Long Term	2.50	ACUITE BB+/Stable (Assigned)
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Assigned)
	Proposed Bank Guarantee	Short Term	2.27	ACUITE A4+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BB+/Stable (Reaffirmed)
Secured Over Draft	Not Applicable	Not Applicable	Not Applicable	1.27	ACUITE BB+/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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