

Press Release

Aakash Oil Field Services Private Limited

July 06, 2020



Rating Reaffirmed

Total Bank Facilities Rated	Rs. 11.77 crore (Enhanced from 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 short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs 11.77 crore bank facilities of Aakash Oil Field Services Private Limited (AOSPL). The outlook is '**Stable**'.

Aakash Oil Field Services Private Limited (AOSPL) is a Gujarat based company was incorporated in 1995. The company is engaged in the business of providing engineering services for maintenance of equipment & supply of new equipment including machineries on hire to Oil & Gas sector Industries. The directors of the company Mr. Kaushal Parikh and Mrs. Amee Parikh have more than two decades 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 profiles of AOSPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

Established in 1995, the company is engaged in the business of providing engineering services mainly to Oil & Gas sector Industries. The promoters Mr. Kaushal Parikh and Mrs. Amee Parikh have experience of 25 years in this line of operations. Acuité believes that AOSPL shall continue to benefit from the extensive industry experience of its promoters in improving its business risk profile over the medium term.

- **Moderate financial risk profile**

The financial risk profile of the company is marked by modest networth, moderate gearing level, and strong debt protection metrics. The tangible networth stood at Rs 9.55 crore as on 31st March, 2020 (Provisional) as compared to Rs 8.87 crore in the previous year. The increase in networth is mainly due to the retention of profits. The gearing (debt-equity) stood at 1.08 times as on 31st March, 2020 (Provisional) as compared to 1.34 times in the previous year. The total debt of Rs 15.24 crore as on 31st March, 2020 (Provisional) consists mainly of vehicle loan of Rs 8.46 crore, unsecured loan from directors of Rs 0.68 crore and working capital borrowings of Rs 1.14 crore. The coverage indicators stood strong marked by Interest coverage ratio (ICR) which stood at 4.04 times for FY 2020 (Provisional) as compared to 3.35 times in FY 2019 NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.40 times in FY 2020 (Provisional) and 0.24 times in FY 2019. Debt to EBITDA stood at 1.74 times in FY 2020 (Provisional) as against 2.51 times in FY 2019. The financial risk profile is expected to deteriorate over the medium term on account of debt-funded capex plan for the purchase of vehicles and machineries over the medium term mainly funded by vehicle loans.

Weaknesses

• Working capital intensive operations

The working capital operations of the company are intensive marked by GCA (Gross Current Assets) Days of 128 days in FY2020 (Provisional) as compared to 158 days in the previous year. The GCA days are mainly dominated by debtor days. The debtor days stood high at 80 days in FY 2020 (Provisional) as compared to 103 days in the previous year. The high debtor days are high due to the payment period provided for 60-80 days to Oil and Natural Gas Corporation (ONGC) which is a major customer. The inventory days stood well maintained at 16 days in FY 2020 (Provisional) similar with 16 days in FY 2019. The working capital limits remained utilized at an average of around 91 percent for 6 months ended May, 2020. The working capital operations are expected to remain at similar levels over the medium term due to their payment terms with ONGC.

• Presence in 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.

Rating Sensitivity

- Steady growth in revenue with sustained profitability levels
- Improvement in working capital management

Material Covenants

None

Liquidity Profile: Adequate

The company has adequate liquidity marked by moderate cash accruals to its maturing debt obligations. The company generated cash accruals of Rs 2.98-4.09 crore in FY 2018-2020 (Provisional) while its maturing debt obligations were around Rs 1.00 crore every year during the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 3.77-3.97 crore during 2021-23 against repayment obligation of around Rs. 1.01-1.03 crore during FY2021- 2023. The working capital operations of the company are intensive marked by GCA (Gross Current Assets) Days of 128 days in FY 2020 (Provisional) as compared to 158 days in the previous year. The company maintains unencumbered cash and bank balances of Rs. 0.16 crore as on March 31, 2020 (Provisional). The current ratio stood at 2.53 times as on March 31, 2020 (Provisional). The working capital limits remained utilized at an average of around 91 percent for 6 months ended May, 2020. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals to its maturing debt obligation.

Outlook: Stable

Acuité believes AOSPL will continue to benefit from its experienced management and moderate financial risk profile. The outlook maybe revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues and profitability metrics from the current levels coupled with improvement in its working capital operations. Conversely, the outlook maybe revised to 'Negative', if the entity's revenue and profitability decline, while the financial risk profile deteriorates owing to increased working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	34.03	32.52
PAT	Rs. Cr.	1.25	0.53
PAT Margin	(%)	3.68	1.62
Total Debt/Tangible Net Worth	Times	1.08	1.34
PBDIT/Interest	Times	4.04	3.35

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
04-July-2019	Cash Credit	Long Term	2.50	ACUITE BB+/Stable (Reaffirmed)
	Secured Over Draft	Long Term	1.27	ACUITE BB+/Stable (Reaffirmed)
	Bank Guarantee	Short Term	6.00	ACUITE A4+ (Reaffirmed)
06-Apr-2018	Cash Credit	Long Term	2.50	ACUITE BB+/Stable (Reaffirmed)
	Secured Over Draft	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 (Rs. Cr.)	Ratings/Outlook
Cash Credit	15-Feb-2020	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	15-Feb-2020	Not Applicable	Not Applicable	8.00 (Enhanced from Rs 6.00 crore)	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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