

Press Release

GTC Oilfield Services Private Limited

October 29, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 102.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (**read as ACUITE BBB minus**) and short term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs. 102.00 crore bank facilities of GTC Oilfield Services Private Limited. The outlook is '**Stable**'.

GTC Oilfield Services Private Limited was incorporated in 2007 by Mr. Basant Agarwal. The company provides services such as work over and drilling services, Seismic Acquisition, Processing & Interpretation services, equipment rental services among others to E&P companies.

Key Rating Drivers

Strengths

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

The promoter, Mr. Basant Agarwal has experience of more than a decade in the oil exploration industry. He is supported by Mr. Hemant Agarwal, Mr. Ramraghav Agarwal and Mr. Raghav Agarwal. GTC backed by an experienced management has been able to generate healthy relations with reputed clientele comprising Oil and Natural Gas Corporation Limited (ONGC), Oil India Limited (OIL) and Cairn India Ltd among others.

- **Comfortable working capital**

The company has comfortable working capital marked by Gross Current Asset of 168 for FY2018 as against 86 days in FY2016. The debtor and inventory days stood comfortable at 111 and 7 respectively for FY2018 as against 57 and 52 days in FY2017 respectively. The debtor days appeared to be high in FY2018 as ~Rs.16.00 crore worth of billing was done in the month of March. Acuité believes that efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Weaknesses

- **Highly competitive industry marked by tender based nature of business**

The company's performance is susceptible to the tender based nature of business and intense competition from other players.

- **Average financial risk profile**

GTC has above average financial risk profile marked by tangible net worth of Rs.71.78 crore as on 31 March, 2018 (Provisional) as against Rs.63.43 crore as on 31 March, 2017. The gearing stood relatively high at 1.48 times as on 31 March, 2018 (Provisional) as against 1.31 times as on 31 March, 2017. Interest Coverage Ratio (ICR) stood at 2.60 times for FY2018 (Provisional) as against 2.01 times in FY2017. Debt Service Coverage Ratio (DSCR) stood low at 0.84 times for FY2018 (Provisional) as against 0.78 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.05 times as on 31 March, 2018 (Provisional) as against 1.66 times as on 31 March, 2017.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of GTC Oilfield Services Private Limited to arrive at the rating.

Outlook: Stable

Acuité believes that GTC will maintain a 'Stable' outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins, or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	87.08	47.85	48.75
EBITDA	Rs. Cr.	28.65	18.75	19.36
PAT	Rs. Cr.	8.34	5.22	4.64
EBITDA Margin	(%)	32.90	39.19	39.71
PAT Margin	(%)	9.57	10.92	9.52
ROCE	(%)	13.71	9.12	10.29
Total Debt/Tangible Net Worth	Times	1.48	1.31	1.53
PBDIT/Interest	Times	2.60	2.01	2.52
Total Debt/PBDIT	Times	3.64	4.22	4.41
Gross Current Assets (Days)	Days	168	124	112

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

India Rating, vide its press release dated July 12, 2018 had denoted the rating of GTC Oilfield Services Private Limited as "IND BB(ISSUER NOT COOPERATING)".

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*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	10.00	ACUITE BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.53	ACUITE BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	3.84	ACUITE BBB- / Stable
Term loans	Not	Not	Not	8.06	ACUITE BBB- /

	Applicable	Applicable	Applicable		Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	40.57	ACUITE BBB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A3

Contacts

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About Acuité Ratings & Research:

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