Quippo Oil & Gas Infrastructure Limited (Revised)

October 31, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	30.50	CARE C; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	35.00	CARE C / CARE A4; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.
*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking monthly NDS & surveillance information from Quippo Oil & Gas Infrastructure Limited to monitor the rating(s) vide email communications/letters dated June 22, 2024, July 02, 2024, and July 12, 2024, and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite NDS and information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on Quippo Oil & Gas Infrastructure Limited's bank facilities will now be denoted as **CARE C; ISSUER NOT COOPERATING* /CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings are constrained by ongoing delay in repayment of loan outstanding from Srei Equipment Finance Ltd (bank facility not rated by CARE), moderate capital structure with moderate debt coverage indicators post one-time restructuring, working capital intensive nature of operations, tender based business and risk of non-renewal of contracts along with high exposure to exchange rate fluctuation. However, the rating draws comfort from increase in operating income albeit reduced profitability, asset light model with increase in rigs deployed and reputed clientele of the company

Detailed description of the key rating drivers

At the time of last rating on August 07, 2023, the following were the rating strengths and weaknesses (updated for the information received from MCA website).

Key Weaknesses

Default in loan facilities (not rated by CARE):
There is an ongoing delay in repayment of loan facilities not rated by CARE. However, the company is timely servicing its debt facilities rated by CARE.

Moderate capital structure and moderate debt protection metrics post onetime restructuring:
The total debt stood at Rs.386.01 crore as on March 31, 2022, as against Rs.399.15 crore as on March 31, 2021. Debt has decreased due to repayment of term loan and lesser utilization of Working capital loan. The company has restructured its debt obligations with SEFL of Rs.282 crore wherein the term debt of Rs.200 crores has been converted into Redeemable cumulative optionally convertible preference shares (payable in 2 tranches at the end of 7th and 8th year) and Rs.82 crore debt to be repaid in two annual tranches of 50% in March 2023 and March 2024. The company has already prepaid Rs.9 crore term loan in March 2022. The balance amount of Rs.33 crore would be paid through a mix of free FDs, release of BG margin and remaining from internal cash accruals. Overall gearing has been negative, because of negative net worth. The debt coverage indicators also remained moderate with interest coverage being comfortable at 1.92x and TD/GCA being negative due to negative GCA. Total debt as on Mar 31, 2023, stood at Rs.205.8 crore.

Working capital intensive nature of operations:
Operating cycle has increased to 170 days in FY22 vis-à-vis 162 days in FY21. Despite improvement in inventory and debtor days, WC cycle has moderated due to reduction in creditor days. As on Mar 31, 2022, the company has debtors amounting to Rs.93.56 crore (Rs 101.40 crores as on March 31, 2021) of which Rs.30.27 crore is under arbitration and of the same Rs.12.01 provision has been made. The company has initiated discussion with one of its counter-parties for out of court settlement for debtors under arbitration and expect to realize the amount in current FY.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Exposure to exchange rate fluctuation:
The tenders for drilling work issued by OIL and ONGC are all global tenders which are invoiced and paid in US dollars. Accordingly, the company's revenues are mostly in USD (except for revenue from Vedanta which is settled in INR), against which the company has a very small percentage of imports in foreign currencies in relation to stores and spares. As a result, the company is exposed to exchange rate fluctuations to a major extent. The company has no formal policy for hedging of its foreign currency exposures. As on March 31, 2022 the company had net unhedged foreign currency exposure of 6.89 mil USD (Rs.52.29 crore) by way of export receivables. The company incurred forex losses of Rs.1.90 crores in FY21, however earned a profit of Rs.6.00 crore in FY22.

Tender based business and risk of non-renewal of contracts:
The company is exposed to the risk of tender based business and non-renewal of contracts as the average contract period for deployment of rigs is three years.

Key rating strengths
Moderate financial performance
The income from operation of the company grew from Rs.287.90 crore in FY21 to Rs.332.13 crore in FY22 due to increase in drilling services since all the 12 rigs taken on lease were deployed. However, despite increase in revenue PBIDT margin moderated from 13.72% in FY21 to 8.18% in FY22 due to major increase in fuel cost, increase in repairs of Plant and machinery, mobilization and demobilization expenses. All except one of the current contracts are fixed price in nature. The company has also booked a loss of Rs.9.88 crore against a profit of Rs.9.10 crore due to exceptional prior period expenses of Rs.21.42 crore. However, the management has articulated that preparation of FY23 financials is in progress.
In FY23, the company's total operating income stood at Rs.300.52 crore.

Increase in rigs deployed and asset light model:
The company started the operations in 2005. QOGIL started the operations with 2 on-shore rigs and as on date the company has expanded its fleet to 12 on-shore rigs. Over the span of 15 years, the company has drilled more than 200 wells in India and overseas. The company operates on the in-chartering model, i.e., it acquires all the rigs on lease instead of owning them. This helps mitigate the financial risk associated with asset ownership in case of non-deployments. Presently, 8 rigs are on lease from SEFL, 4 from Natural Oil & Gas Services Limited (NOGSL).

Reputed clientele
QOGIL has reputed clientele base to which it provides equipment rental services. The clientele includes companies like ONGC, Oil India Limited (OIL), Vedanta Limited, etc. The rigs are contracted for an average tenure of 18-36 months.

Analytical approach: Standalone

Environment, social, and governance (ESG) risks: Not Applicable.

Applicable criteria

Policy in respect of Non-cooperation by issuer
Definition of Default
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Wholesale Trading
Policy on Withdrawal of Ratings

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Services	Services	Commercial Services & Supplies	Diversified Commercial Services

QOGIL, which began operations in 2005, is in the business of renting of infrastructure equipment servicing the construction, oil & gas, telecom and energy sectors. QOGIL is an Onshore Rig Service provider. QOGIL's primary focus is on providing drilling rigs equipped with the latest technology, equipment, and world class crew. Most of the rigs are equipped with top drives to undertake highly specialized drilling operations in technically challenging environment.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	332.13	300.52
PBILDT	27.18	-22.73
PAT	-9.88	-29.92
Overall gearing (times)	-3.82	5.07
Interest coverage (times)	1.92	-2.50

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	30.50	CARE C; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-BG/LC		-	-	-	35.00	CARE C / CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	30.50	CARE C; ISSUER NOT COOPERATING*	-	1)CARE C; ISSUER NOT COOPERATING* (07-Aug-23) 2)CARE C (06-Jun-23)	1)CARE BB-; Stable (07-Oct-22)	1)CARE BB-; Stable (06-Sep-21)
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	35.00	CARE C / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE C / CARE A4; ISSUER NOT COOPERATING* (07-Aug-23) 2)CARE C / CARE A4 (06-Jun-23)	1)CARE BB-; Stable / CARE A4 (07-Oct-22)	1)CARE BB-; Stable / CARE A4 (06-Sep-21)

*Issuer did not cooperate; based on best available information.
LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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