

**GTC Oilfield Services Private Limited (Revised)**

December 19, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	15.67 (Enhanced from 14.32)	CARE BB+; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	14.80 (Enhanced from 10.00)	CARE BB+; Stable / CARE A4+	Reaffirmed

Details of instruments/facilities in Annexure-1.

**Rationale and key rating drivers**

The ratings assigned to the bank facilities of GTC Oilfield Services Private Limited (GTC) are constrained on account of its modest scale of operations, capital intensive nature of business with modest return and debt coverage indicators and concentrated customer base. Ratings are also constrained due to the company's presence in a competitive rig industry with susceptibility to volatile day rates due to its linkages with crude prices.

Ratings of GTC, however, derive strength from experience of its promoters, its established relationship with large public sector corporates, healthy profitability, moderate capital structure and adequate liquidity.

**Rating sensitivities: Factors likely to lead to rating actions**
**Positive factors**

- Increasing Total Operating Income (TOI) to more than ₹100 Crore with profit before interest, lease rentals, depreciation and tax (PBILDT) margin above 30% on sustained basis.
- Improvement in overall gearing below 0.6x on sustained basis.
- Improvement in debt coverage indicators marked by PBILDT/Interest above 3x and Total Debt (TD)/ PBILDT below 2.5x on sustained basis.

**Negative factors**

- Decline in TOI below ₹50 Crore along with declining PBILDT margin below 20% on a sustained basis.
- Increasing overall gearing above unity along with deterioration in debt coverage indicators.
- Increasing Gross Current Assets days above 200 impacting the liquidity.

**Analytical approach: Standalone**
**Outlook: Stable**

The stable outlook reflects CARE Ratings' expectation that the company shall continue to benefit from its experienced promoters and long-standing relationship with large public sector corporates and maintain its moderate financial risk profile in the near to medium term.

**Detailed description of key rating drivers:**
**Key weaknesses**
**Modest scale of operations and return and coverage indicators**

The company's scale of operations grew by 19% but remained modest, with a TOI of ₹62.51 crore registered in FY24, compared to ₹52.31 crore in FY23. The growth in TOI is driven by a moderate order book position during FY24. During H1FY25, the company booked a TOI of ₹33.69 crore, and for FY25 it is expected that company will register TOI of ₹75-80 crore.

With limited TOI, the gross cash accruals remained limited at ₹10.30 crore in FY24 (₹8.12 crore in FY23). Further, return indicators, marked by Return on Capital Employed (ROCE) also stood modest at around 5% in FY24 (6% in FY23).

GTC has unexecuted order book of around ₹216 crore as on October 31, 2024, providing a moderate revenue visibility.

**Presence in a competitive rig segment having susceptibility to volatile day rates**

There are a few players in the domestic market with significant presence in the oil exploration & production (E&P) segment. Such players also have their own units engaged in the E&P-related services. These companies float the tenders for particular oil/gas asset which is awarded based on technical/commercial criteria to the qualifying bidder. Hence, entities engaged in such sectors remain exposed to competition in the industry, particularly in the niche segment of rigs and its related business. The company also remains exposed to risks associated with volatility in day rates of rigs at the time of renewal of contracts which largely move in tandem with crude oil prices and are therefore volatile in nature.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

## Key strengths

### Healthy operating profitability

The operating margin of GTC continued to remain healthy in the range of 27-32% during the last 5 years. During FY24, the company registered an operating margin of 28.95% (PY: 31.40%). Margins are expected to remain in the similar range during the projected period.

### Moderate capital structure, albeit modest coverage indicators

The company's capital structure remained moderate, with an overall gearing of 0.85x at FY24-end (as against 0.69x at FY23-end). The deterioration in gearing at FY24 end was owing to an increase in debt, utilised for meeting capex and working capital requirements with limited cash flow from operations.

The company's debt coverage indicators continued to remain modest, marked by a moderate interest coverage of 2.23x in FY24 (2.06x in FY23), Total debt (TD)/GCA of 6.67x in FY24 (7.25x in FY23), and TD/PBILDT of around 3.80x in FY24 (3.59x in FY23) owing to limited scale and thus limited cash accruals.

### Established relations with large public and private sectors companies, but concentrated customer base

Over the years, GTC has developed business relations with large-sized public and private sector companies like ONGC, Oil India Ltd., and secured renewal of rig contracts. This has resulted in stable revenue stream for GTC over the years. However, GTC faces customer concentration risk, as three to four customers contribute the majority of its revenue. GTC derived around 43% of its total revenue from ONGC in FY24 (34% in FY23). The credit profile of all its customers remained healthy with ONGC being one of India's most strategically important central public sector undertaking (PSU). This reduces the counterparty credit risk to an extent; however, customer concentration risk persists.

### Experienced promoters and established track record of operations

GTC was incorporated by the promoters of Globe Ecologistics Private Limited (GEPL; a logistics provider) with a view to diversify the group's operations. GTC is being managed by the same management team that is managing the affairs of GEPL and has more than six decades of experience in the logistics industry. Since its incorporation, the promoters have successfully managed and grown the business of GTC despite the adverse economic environment faced by the oil & gas industry during the intermittent periods and now possess over a decade of experience in the oil & gas equipment renting industry. The promoters, in their personal capacity and through GEPL, have provided need-based technical and financial support to GTC.

### Liquidity: Adequate

GTC's liquidity remains adequate, marked by a sufficient cushion available in form of Gross Cash Accruals (GCA) vis-à-vis debt repayment obligation and moderate utilization of working capital limits.

GTC has scheduled term-debt repayment obligation of around ₹5 - ₹8 crore during FY25-FY27 which are expected to be repaid through its GCA of ₹14-18 Crore. The average fund-based working capital limit utilization remained moderate at 68% for the seven months ending October 2024, although it was fully utilized on select days of the month. The operating cycle of the company remained adequate at 65 days at FY24-end (56 days at FY23-end) on the back of a lower average inventory holding period. Average receivable days decreased to 63 at FY24 end, from 77 days in FY23, while creditor days remained around 35 days.

**Assumptions/Covenants:** Not applicable

**Environment, social, and governance (ESG) risks:** Not applicable

## Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Services Sector](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Energy	Oil, Gas & Consumable Fuels	Oil	Oil Equipment & Services

Incorporated in 2007, GTC is mainly engaged in the business of providing onshore drilling rigs, work over rigs and gas compressors services on hire/rental basis to oil & gas E&P companies. It also provides 2D and 3D seismic data acquisition, processing, and interpretation services. Presently, GTC has asset base of 10 work over rigs, one drilling rig, two flush units., deployed at project sites of various oil and gas E&P players on short to medium term contract basis.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	52.31	62.51	33.69
PBILDT	16.43	18.10	NA
PAT	1.84	0.11	NA
Overall gearing (times)	0.69	0.85	NA
Interest coverage (times)	2.06	2.23	NA

A: Audited UA: Unaudited NA: Not available; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** India Ratings placed the ratings of GTC under non-cooperation category due to non-submission of requisite information by the company vide its press release dated September 12, 2024.

**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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	8.00	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	February 2028	7.67	CARE BB+; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	14.80	CARE BB+; Stable / CARE A4+

### 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	8.00	CARE BB+;	-	1)CARE BB+; Stable	1)CARE BB+ (CE);	1)CARE BB+ (CE);

				Stable		(07-Feb-24)	Stable (04-Jan-23)	Stable (23-Mar-22)  2)CARE BB+ (CE); Stable (24-Nov-21)  3)CARE BBB (CE); Stable (05-Apr-21)
2	Fund-based - LT-Term Loan	LT	7.67	CARE BB+; Stable	-	1)CARE BB+; Stable (07-Feb-24)	1)CARE BB+ (CE); Stable (04-Jan-23)	1)CARE BB+ (CE); Stable (23-Mar-22)  2)CARE BB+ (CE); Stable (24-Nov-21)  3)CARE BBB (CE); Stable (05-Apr-21)
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	14.80	CARE BB+; Stable / CARE A4+	-	1)CARE BB+; Stable / CARE A4+ (07-Feb-24)	1)CARE BB+ (CE); Stable / CARE A4+ (CE) (04-Jan-23)	1)CARE BB+ (CE); Stable / CARE A4+ (CE) (23-Mar-22)  2)CARE BB+ (CE); Stable / CARE A4+ (CE) (24-Nov-21)  3)CARE BBB (CE); Stable / CARE A3+ (CE) (05-Apr-21)

4	Un Supported Rating-Un Supported Rating (LT/ST)	LT/ST	-	-	-	1)Withdrawn (07-Feb-24)	1)CARE BB- / CARE A4 (04-Jan-23)	2)CARE BB- / CARE A4 (24-Nov-21)  3)CARE BB / CARE A4 (05-Apr-21)
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LT: Long 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	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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### About us:

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